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Adelaide Brighton Ltd
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24 April 2017

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

Dear Sir/Madam

We attach the 2016 Adelaide Brighton Ltd Annual Report which will be dispatched to shareholders today.

Yours faithfully

Marcus Clayton
Company Secretary

Adelaide Brighton Ltd Annual Report 2016

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Adelaide Brighton Ltd
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Annual Report 2009

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Munster cement and lime plant, Western Australia

Performance summary

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Revenue

$1,396m

1.2% ↓

2015: $1,413m

NPAT
attributable to members

$186.3m

10.4% ↓

2015: $207.9m

NPAT ex-property
attributable to members

$178.4m

3.1% ↑

2015: $173.0m

Basic EPS

28.7c

10.3% ↓

2015: 32.0c

Final ordinary dividend

11.5c

4.5% ↑

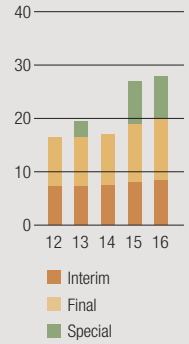
2015: 11.0c

Final special dividend

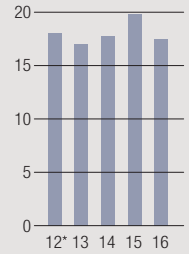
4.0c

2015: 4.0c

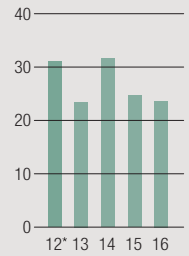
c/share **Dividends**



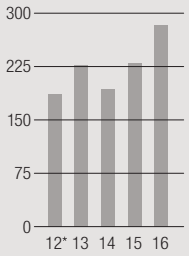
% **Return on funds employed**



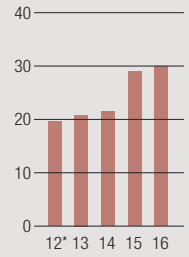
% **Gearing: net debt to equity**



$M **Cash flow from operations**



Times **Interest cover EBITDA basis**



** In line with changes to accounting policies effective 1 January 2013, comparative numbers for 2012 have been restated*

Company profile and map of operations

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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 originated in 1882 and is now an S&P/ASX100 company with 1,400 employees and operations in all Australian states and territories.

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 and Queensland.

Lime

Adelaide Brighton is the largest producer of lime in Australia, with production assets in Western Australia, South Australia and 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 extending from South Australia, through Victoria and New South Wales to south east and northern Queensland. It has strategic aggregates reserves west of Sydney in regional New South Wales, south east Queensland, South Australia and Victoria through its wholly owned and joint venture operations.

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

Southern Quarries quarry at Sellicks Hill, South Australia

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Concrete Products

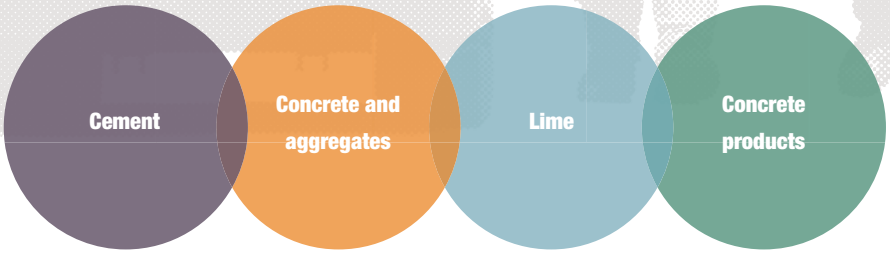
Adelaide Brighton holds the leading position in the Australian concrete products market, with operations in Queensland, New South Wales, Victoria, Tasmania and South Australia.

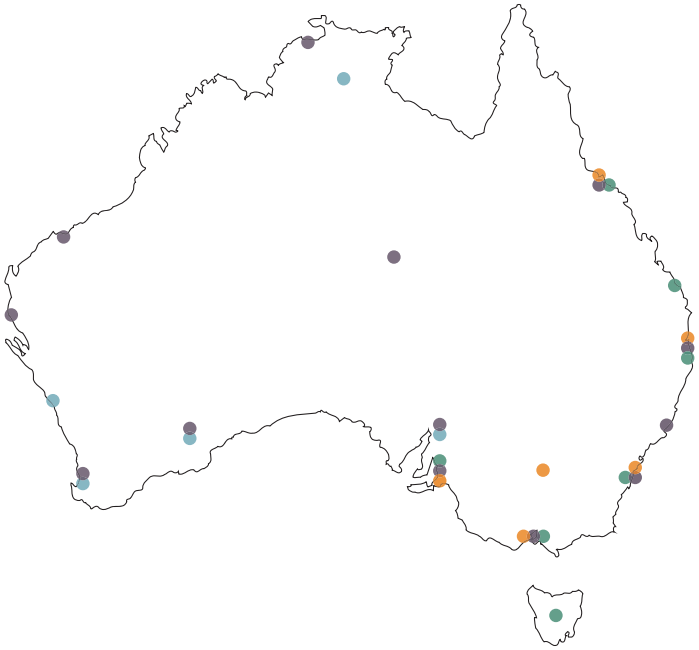
Joint ventures and associates

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; and a 30% investment in a Malaysian white cement and clinker producer (Aalborg Portland Malaysia), which supplies the Australian market.

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.





Chairman's report

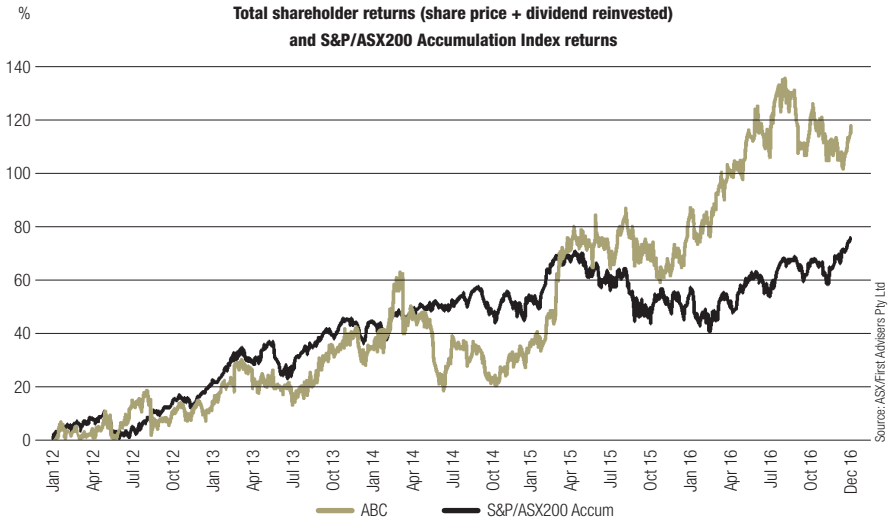
The success of Adelaide Brighton's consistent long term strategy is reflected in increased shareholder returns. The Company reported a 10.4% decrease in net profit after tax (NPAT) to $186.3 million primarily due to lower property profits compared to the previous year. Excluding the impact of property sales, which were lower due to the timing of land transactions, NPAT increased 3.1% and EBIT increased 1.6% on the strong levels of 2015. Basic earnings per share were 28.7 cents.

Adelaide Brighton's diversified business model and focus on operational improvement supported the Group's long term growth strategy despite weaker markets in Western Australia and the Northern Territory and higher energy costs.

We made good progress during the year on growing long term shareholder value through our strategy of organic improvement and profitable acquisitions and continue to examine new opportunities for growth.

I am pleased to report to shareholders that the Board declared and paid an increased final ordinary dividend of 11.5 cents per share and a final special dividend of 4.0 cents per share, taking total dividends paid for 2016 to 28.0 cents per share, fully franked.

Adelaide Brighton seeks to maximise financial stability while at the same retaining the flexibility to fund accretive acquisitions and other growth initiatives. When the Board determines that the Group has surplus capital, as a matter of policy we act to return it to shareholders, which may take the form of special dividends.



Adelaide Brighton is committed to maintaining a safe, productive and healthy work environment. We believe safe businesses also deliver the best returns for shareholders and I'm pleased to report our safety performance improved in 2016.

A proactive approach to sustainability, working with our local communities, government and regulatory bodies also optimises outcomes for the Company and its stakeholders.

The Board recognises the importance of Board renewal and maintaining an appropriate mix of skills, experience, and perspectives that aligns with corporate strategy.

In March 2017, Zlatko Todorcevski was appointed a non-executive Director. Mr Todorcevski has more than 30 years finance, strategy and planning experience in the oil and gas, logistics and manufacturing sectors in Australia and overseas, and will be a valuable addition to the Board.

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 which has been one of steady growth for Adelaide Brighton.

The Board is especially pleased that we have been able to further increase rewards to our loyal shareholders through the payment of higher ordinary dividends.

I thank our shareholders, our joint venture partners and of course our customers for their continuing support.

Leslie Hosking
Chairman

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Adelaide Brighton's performance in 2016 demonstrated the benefits of the strategy to operate a geographically diverse, vertically integrated construction materials company.

Despite a downturn in cement demand in Western Australia and the Northern Territory, Adelaide Brighton's other markets grew strongly, supported by strong residential activity and a ramp up in infrastructure projects.

This meant that Group revenue of $1,396.2 million, was only 1.2% lower than the record level of 2015, a pleasing result given the extent of the downturn in Western Australia and Northern Territory.

Earnings before interest and tax (EBIT) decreased 10.9% from the prior year to $266.1 million and net profit after tax (NPAT) declined 10.4% to $186.3 million. However, this decline was entirely due to a reduction in earnings from our property sales program, which remains an important contributor to cash flow.

Property contributed $7.9 million to NPAT in 2016 compared with $34.9 million the previous year. This figure can vary from year to year as it is dependent on the timing of sales transactions as we prepare and develop the land pipeline. We were pleased to confirm this year that the total land sales program, which is part of our operational improvement strategy, is now expected to exceed $200 million in proceeds when complete.

Excluding property, NPAT increased 3.1% to $178.4 million and EBIT rose 1.6 % to $257.7 million. These figures are more reflective of the core operational performance of the business.

EBIT margins (excluding property) improved as a result of price increases, cost reduction and higher joint venture earnings, although a weaker Australian dollar lifted cement, clinker and slag import costs.

Financial summary

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

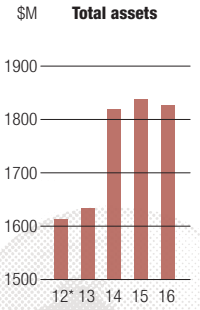
[1] Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in revenue.

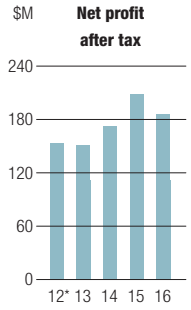
[2] Includes special dividends of 8.0 cents per share for FY 2016 and 8.0 cents per share for FY 2015.

[3] Net debt is calculated as total borrowings less cash and cash equivalents.

[4] Net debt/equity.

[5] Return on funds employed = EBIT/average monthly funds employed.





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Operations Review

A $10 million investment in a new slag dryer at the Kwinana plant, Western Australia will deliver increased output and reduced double handling to improve the efficiency of the drying process

The electricity market disruptions in South Australia, which were outside the company's control, led to increases in operating costs. The various disruptions in 2016 caused higher electricity and gas prices, production loss at some plants and reduced sales to customer facilities impacted by the disruptions.

As mentioned, demand in east coast markets was stronger in 2016. Residential activity was robust in Victoria, New South Wales and Queensland and, despite the electricity issues, South Australia returned to growth.

In New South Wales, non-residential building and transport infrastructure projects augmented residential activity. In Victoria, multi-residential projects were a key source of demand.

In south east Queensland, markets are improving, particularly in the Gold Coast and Sunshine Coast regions, and in South Australia demand was driven by several infrastructure projects and improved demand from several important mining customers.

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As mentioned, cement sales declined sharply in Western Australia and the Northern Territory because of weak residential and non-residential activity and lower volumes to resource construction projects.

On the other hand, lime sales volumes in Western Australia and the Northern Territory were similar to 2015 thanks to stable demand from the minerals processing sector. Demand from the non-alumina sector stabilised after a period of recovery and demand from the globally competitive alumina sector improved slightly in the second half.

Eastern states concrete and aggregate volumes were strong, with average selling prices for concrete and aggregates increasing significantly more than inflation. Margins were enhanced by cost control, logistical improvements and increased pricing.

In Sydney, aggregates markets continue to be supported by the depletion of traditional reserves and increasing reliance on product from farther afield. We are very well positioned in this market with high quality reserves to take advantage of these long term supply trends.

The recovery in concrete and aggregate volumes in South Australia continued in the second half and the outlook appears favourable given the major infrastructure projects which are underway.

In Concrete Products, operational improvement initiatives have introduced flexibility into the operations, contributing to a significant increase in gross margins, compared to 2015, despite a small reduction in volumes. Excluding property profits, Concrete Products earnings increased 20% in 2016.

Through our investment in the Concrete Products business over the past decade, we have consolidated an oversupplied and unstable industry, dramatically improved efficiency and lifted product innovation to get the market growing again.

This business can improve further with ongoing opportunities for reductions in transport costs and efficiencies from toll manufacturing arrangements.

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

Our joint venture operations in cement, clinker, concrete and aggregates, also delivered a strong increase in profit contribution with earnings growing 44% in 2016.

Strategy

Adelaide Brighton's long term strategy is based on three areas of focus:

> Vertical integration in concrete, aggregates, concrete products and logistics operations;
> Growth in lime - to take advantage of our unique resource position; and
> Continuous operational improvement.

It's a simple strategy which hasn't required much change over the past decade but, demonstrably, it has served us well and, more importantly, has delivered added value for our shareholders.

Concrete and aggregates downstream integration delivers benefits

The returns from our investment in aggregates and concrete businesses in the last three years is a feature of the 2016 results, reflecting the realisation of our long term vertical integration strategy as a major contributor to shareholder returns.

In March 2017, we continued this approach by acquiring the Central Pre-Mix Concrete and Quarry (Central) business for $61 million, an integrated operation with five concrete plants and a hard rock aggregate quarry serving metropolitan Melbourne, the largest premixed concrete market in Australia.

The acquisition provides Adelaide Brighton with access to strategically located, high quality assets, entry to the Melbourne aggregates market and an increase in scale of the existing business.

Australian industry position

#1

Lime producer in the minerals processing industry

Concrete products producer

Cement and clinker imported with unmatched channels to market

#2

Cement and clinker supplier to the Australian construction industry

#4

Concrete and aggregates producer

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I'm pleased to report the premixed concrete and aggregates acquisitions in 2014 and 2015 in South Australia and Queensland are exceeding earnings expectations with a positive outlook.

Lime Growth

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

We produce lime for the globally competitive Australian mineral processing industry, at our Munster plant near Perth where we have one of the largest and lowest cost lime operations in the world with capacity of 1.25 million tonnes per annum, which is about 80% utilised. To put this in perspective, a typical world class lime operation would have capacity of 200-300 thousand tonnes per annum - many are much smaller.

Lime sales volumes have grown 50% since Adelaide Brighton acquired the business in 1999 and this expansion has been an important driver of growth and returns for the Company. The reduced cost of energy in Western Australia in 2016 and the Munster plant's low cost position delivered improved operating margins.

Lime sales volumes were similar to 2015 and pleasingly the non-alumina sector recovered, which represents about 30% of lime demand in Western Australia. In the alumina sector, production expansions have the potential to add 15% to lime demand in Western Australia in the medium to longer term.

Cost reduction and continuous improvement

Adelaide Brighton has a constant focus on cost reduction, efficiency and improved operational performance. We take a long term view of customer and market trends in order to match operational capacity with those trends. In 2016, we achieved savings of $16 million by reducing expenses in a range of areas including a significant reduction in natural gas costs in Western Australia, reduced transport costs and other operational efficiencies.

Import strategy delivers competitive supply into key markets

Adelaide Brighton is Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag), utilising more than 2 million tonnes of imported product per annum across multiple import facilities in key locations across Australia.

The Company's industry leading position maximises efficiency in procurement, transport, storage and distribution. As well, the use of imported material enables the supply of competitively priced products in markets where demand exceeds the Company's production capacity. As a result, Adelaide Brighton's domestic assets are fully utilised.

The benefits of the Company's highly effective import strategy are evident in Western Australia. There, the business has greater operational flexibility and now operates at lower cost than before the rationalisation. Accordingly, we are very well positioned to benefit from any recovery in demand.

Land sales program

Adelaide Brighton continues to sell, and prepare for sale, properties released by the rationalisation and improvement program. In many cases, this includes re-zoning to realise greater value over time.

In 2016, sales realised $20.6 million and added $7.9 million NPAT. Since 2013, property sales have realised proceeds of $85 million and the sale of properties in the next 10 years could realise a further $120 million or more.

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Left: Adelaide Brighton Cement's Birkenhead plant supplied cement for the new Royal Adelaide Hospital in South Australia

Right: Part of the Central Pre-Mix Concrete truck fleet, acquired by Adelaide Brighton in March 2017

Far right: Concrete products manufactured by Adelaide Brighton used in decorative architectural applications - grey Besser blocks and were used in the design of Adelaide Brighton's Sydney office

Photograph courtesy of 'Kenworth Down Under Magazine'

Photograph courtesy of @robyreid

Outlook

Our business and strategy are sound and we will strive to maintain attractive growth and returns to shareholders while retaining a strong balance sheet.

In 2017, we expect strong demand for most products, particularly on the east coast, improved pricing and further efficiency improvements.

We expect sales volumes of cement and clinker to be higher than those achieved in 2016 with strong east coast demand. Western Australia and the Northern Territory demand is expected to stabilise and South Australian demand will improve.

Sales volumes of premixed concrete and aggregates are likely to increase this year due to infrastructure projects on the east coast and South Australia and the Central acquisition will add further sales in Melbourne.

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

Lime sales volumes are expected to be higher in 2017, with improved margins from lower costs. Our import costs are expected to be lower than 2016 due to savings in shipping, materials purchasing and favourable foreign currency outcomes.

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

Our people

Finally, I sincerely thank Adelaide Brighton's senior management team and all our employees for their hard work in the past year. Our success is built on their dedication and commitment to continual improvement.

As always, our work is never done but Adelaide Brighton has a strong and sustainable future.

Martin Brydon
Chief Executive Officer and Managing Director

Finance report

In 2016 Adelaide Brighton grew net profit after tax (NPAT) (excluding property) despite a modest decline in revenue and earnings before interest and tax (EBIT). Revenue fell 1.2% to $1,396.2 million. EBIT declined 10.9% to $266.1 million. NPAT, excluding property earnings, grew 3.1% to $178.4 million.

Sales and profits

Revenue of $1,396.2 million was 1.2% lower than in 2015, due to reduced demand for cement from residential and resource construction projects in Western Australia and the Northern Territory, which offset stronger demand in the eastern states and South Australia. Excluding the impact of lower freight revenue, Group revenue increased slightly in 2016.

Adelaide Brighton's long term strategy has positioned the Company to be resilient to the cyclical nature of construction markets. Excluding property profits, NPAT grew 3.1%. This was despite a decline in sales volume of 20% in Western Australia and the Northern Territory, and electricity market disruptions which impacted profit before tax by $9 million.

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

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

EBIT margins excluding property were assisted by price increases, cost initiatives and higher joint venture earnings.

These more than offset the impact of lower cement volumes and electricity supply disruptions in South Australia. Import costs were higher due to the weaker Australian dollar.

Joint venture arrangements and associate earnings increased 44% to $30.9 million in 2016, reflecting improved demand and higher cement prices on the east coast of Australia and higher production in the Malaysian specialty cement operations.

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

Tax expense of $68.4 million decreased $9.4 million from 2015 and represents an effective tax rate of 26.9%. Excluding property profits or one-off impacts, the Group's ongoing tax rate is expected be in the range of 27% to 28%.

Due to the absence of one-off items, Underlying NPAT was the same as Reported NPAT in 2016.

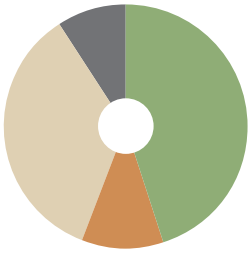
EBIT margins

Excluding property profits Group EBIT margin increased to 18.5% compared with 17.9% in 2015.

This increase in margins reflected lower costs, higher prices and an improved contribution from our joint venture operations.

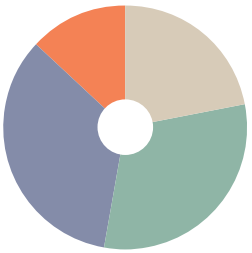
Cement margins declined due to a 4% reduction in volume (driven by Western Australia and Northern Territory) and higher energy and import costs. Energy market disruptions in South Australia lifted cement operating costs by $9 million. However, an increase in the use of alternative fuels and transport efficiencies provided some offset.

Lime margins improved on stable volume, higher prices and markedly lower energy costs. Transport and contractor costs were also improved following contract renegotiation.



Revenue by product group

- Cement
- Lime
- Concrete and aggregates
- Concrete products

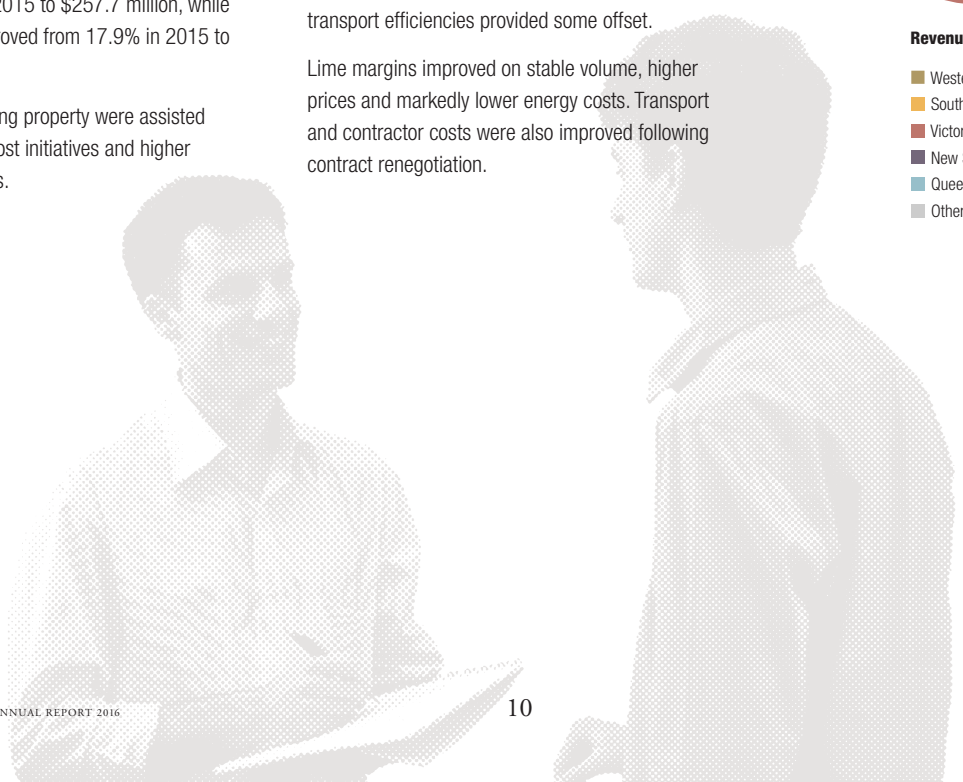


Revenue by market

- Non-residential
- Residential
- Engineering
- Mining operations

Revenue by state

- Western Australia
- South Australia
- Victoria
- New South Wales
- Queensland
- Other



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Strong volume, higher prices and lower transport costs contributed to an expansion in concrete and aggregates margins. This business now represents 35% of group revenue.

Concrete Products returns were 20% higher (excluding property), supported by higher prices and lower costs following restructuring of the business over recent years.

The profit contribution from joint venture operations increased 44% in 2016 driven by healthy demand, cost improvements and higher prices.

The devaluation of the Australian Dollar against Adelaide Brighton's major trading currencies, the US Dollar and the Japanese Yen, reduced import profitability by approximately $7 million before tax in 2016 compared to 2015.

Operational improvement programs delivered benefits of $16 million (pre-tax) for the 2016 year compared to 2015. Key initiatives included the renegotiation of energy and supplier contracts and operating cost and energy efficiency programs.

Shareholder returns

A final ordinary dividend of 11.5 cents per share (fully franked) and a final special dividend of 4.0 cents per share (fully franked) has been declared. The full year fully franked dividend of 28.0 cents is 3.7% higher than 2015. The ordinary dividend payout ratio is 70%.

Excluding property, return on funds employed increased from 16.8% to 16.9%. Adelaide Brighton's returns continue to exceed its cost of capital.

Adelaide Brighton has delivered top quantile Total Shareholder Return over the last decade. The Company has been included in the S&P/ASX100 Index since 2012.

The Dividend Reinvestment Plan remains suspended given the Company's strong cash flows and low gearing.

Cash flow and debt

Operating cash flow increased 8.0% from the prior year to $248.4 million, driven by improved operating profit and stronger cash conversion. Working capital increased modestly. Debtor days sales outstanding declined and doubtful debt provision was lower.

Capital expenditure was $86.5 million. Stay in business capital of $49.7 million represents 64% of depreciation and amortisation. Stay in business expenditure was higher than prior corresponding period with $19.2 million spent on concrete plants in Sydney that are being relocated due to urban growth.

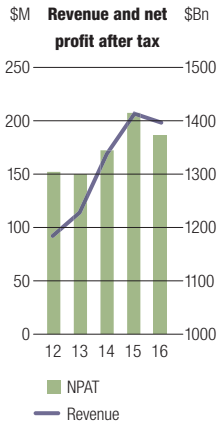
Development capital increased $2.3 million to $36.8 million for organic projects that will improve costs and expand production capacity.

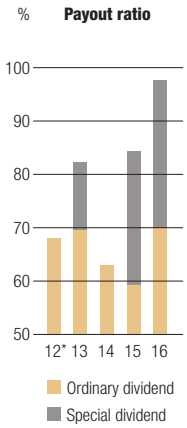
Cash proceeds of $23.2 million from the sale of assets includes $20.6 million from the disposal of property. So far, we have realised $85 million in proceeds from property sales since 2013 and we believe there is more than $120 million further to come in the next decade.

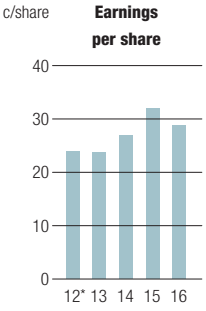
Dividends paid to shareholders increased 28% to $178.5 million. Despite this, strong cash flow contributed to a reduction in net debt of $8.7 million to $288.5 million and net debt to equity gearing declined from 24.6% to 23.6% over the year. This is slightly below the targeted gearing range of 25% to 45%.

To maximise shareholder returns, Adelaide Brighton seeks to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund its long term growth strategy as opportunities are identified.

Michael Kelly
Chief Financial Officer







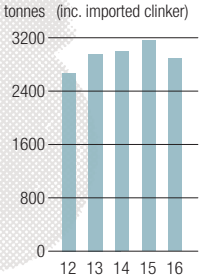
** In line with changes to accounting policies effective 1 January 2013, comparative numbers for 2012 have been restated*

Cement and lime

Adelaide Brighton Cement Ltd · COCKBURN CEMENT · MCI · Swan Cement · Northern Cement

Demand in east coast markets remained strong in 2016. Residential activity was robust in Victoria, New South Wales and Queensland, while South Australia returned to growth. Non-residential building and infrastructure[1] activity also underpinned demand in these markets. In Western Australia and the Northern Territory, weaker construction and resource project activity impacted cement demand, while lime volumes were similar to 2015 with cost improvements assisting margins.

Adelaide Brighton cement milled

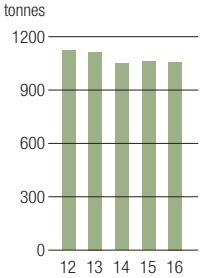


Cement and clinker

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

This was partially offset by higher sales to construction markets in New South Wales, Victoria and south east Queensland, and a return to normal sales to a major mining customer in South Australia. Cement sales in South Australia were also assisted by the start of major infrastructure projects, which are anticipated to ramp up over 2017 and continue into 2018.

Adelaide Brighton lime production



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

Overall cement margins declined due to lower volumes, and higher energy and import costs. The impact of the Western Australia and Northern Territory downturn has been moderated by the strategy to rationalise inefficient production, expand import operations and lower supply costs, as well as an improvement in the performance of businesses on the east coast.

Cost initiatives delivered significant incremental benefits compared to 2015. Further savings are anticipated in 2017 from the rationalisation of specialty cement production at the Angaston (South Australia) facility.

Energy

Energy costs in South Australia were higher in 2016 due to an anticipated increase in natural gas costs and unanticipated market wide disruptions to electricity supply in that state. The disruptions caused higher electricity and gas prices, production losses at Adelaide Brighton plants and reduced sales to affected customers.

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

Adelaide Brighton Cement plant at Birkenhead in South Australia with the Company's limestone carrier "Accolade II" in the foreground

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Cockburn Cement in Western Australia supplied cement for the construction of the new Perth Stadium, a multi-purpose stadium with capacity for 60,000 people making it the third largest stadium in Australia

Clinker storage at the Munster plant in Western Australia

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

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

Elsewhere in Adelaide Brighton, significant energy cost savings were delivered from a reduction in natural gas costs in the Western Australian lime business and the lower cost of transport fuels.

Imports

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

Imports remain a key component of the Adelaide Brighton growth strategy, ensuring utilisation of domestic production and providing competitive supply into key markets.

Import volumes declined slightly as a result of the lower sales volumes in Western Australia and the Northern Territory. Import costs increased by $7 million before tax due to the decline in the Australian dollar compared to the previous year.

Lime

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

Lime margins improved as a result of lower operating costs, with natural gas contract negotiations delivering pre-tax benefits of $8 million. Maintenance and transport costs have also benefited from contract renegotiations.

Brad Lemmon
Executive General Manager
Cement and Lime

Concrete and aggregates

Concrete volumes improved in 2016, driven primarily by increased residential demand in the eastern states. Strong demand across all major concrete and aggregates markets pushed selling prices higher across the board. Investment in recent years in capacity in South Australia, Queensland and New South Wales has contributed to a strong lift in earnings for the business and Adelaide Brighton continues to identify further opportunities for growth.

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

The recovery in South Australian concrete and aggregates volumes continued in the second half.

The outlook for demand in South Australia appears favourable given major infrastructure projects. Sales volumes were also strong in New South Wales, Victoria and Queensland.

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

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

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

The business is complementary to the cement 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.

Photographs courtesy Kennett Builders

Hy-Tec and Direct Mix Concrete's experience and logistical capability support large and small construction projects. Direct Mix Concrete supplied product, including decorative exposed aggregate concrete, for the construction of the Fleurieu Regional Aquatic Centre in regional South Australia

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In continuing with our growth strategy, in March 2017 Adelaide Brighton acquired the Central Pre-Mix Concrete and Quarry (Central) business for $61 million. Central is 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.

We are confident that price increases in 2017 will be at similar levels to those achieved in 2016.

Top right: Southern Quarries Secondary Crushing Plant plant at Sellicks Hill, South Australia

Centre and below: Concrete supplied by Direct Mix Concrete in South Australia polished to a durable and aesthetically attractive finish

Photographer: Sian Noonan / Instagram: @sian_noonan_photo Architect: Swanbury Penglase Architects Builder: Sarah Construction

George Agriogiannis
Executive General Manager
Concrete and Aggregates

Concrete products

adbri MASONRY

Operating earnings again increased in 2016, as price increases and operating cost reductions combined with the continued benefits of structural improvements in this division. The concrete products business is an important and growing customer for the cement, aggregates and sand business, which offers vertical integration benefits for the Company.

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

After a solid first half, sales declined slightly in the second half, and full year revenue was little changed from 2015.

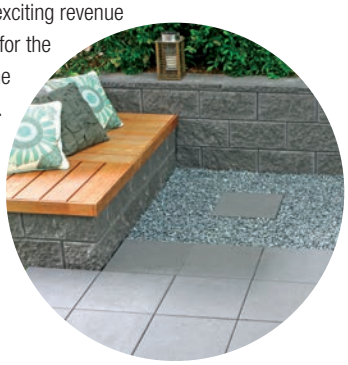
Volumes were adversely affected in South Australia and Victoria by weather. There were also delays in supply to several projects and competitive pressures in some markets. Adelaide Brighton has taken a proactive stance to increase returns in the business through cost reductions and price increases.

This approach has meant in some cases losing unprofitable business but has contributed to a significant improvement in earnings.

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

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

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



Andrew Dell
Executive General Manager
Concrete Products

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A selection of Adbri Masonry concrete pavers and retaining wall products

Joint ventures

Adelaide Brighton's Joint Ventures, in conjunction with our own operations, provide an unmatched network for the efficient supply and distribution of products across Australia. The businesses delivered a strong improvement in profit contribution in 2016 with a positive outlook.

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.

iCL's sales volumes increased in 2016, reflecting continued strength in construction activity across the New South Wales and Victoria markets. Higher selling prices, strong demand and an easing of input cost pressures supported an increased contribution.

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.

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, assisted by improved residential demand across south east Queensland and projects, particularly in the Gold Coast and Sunshine Coast regions. Volumes, prices and margins were all higher than the prior corresponding period.

Batesford Quarry (50%)

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.

An increase in volumes due to strong demand for agricultural lime, higher average selling prices and control of production costs resulted in an improvement in 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 driven largely by strong demand for higher margin quarry products supplied to major projects. Most of this demand occurred in the second half of the year. This was moderated by competitive pressure impacting premixed concrete margins.

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

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

APM contribution to Group earnings significantly improved. A lift in production output following the full commissioning of the kiln upgrade led to higher sales volumes and better operating cost performance compared to 2015.

Michael Miller
Executive General Manager
Marketing and International Trade

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Sustainability report

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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 2016, 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.*

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 adjacent have been assessed to be material to the Group's sustainability performance.

This Sustainability Report should be read in conjunction with other sections of this Annual Report and its financial statements. The Directors' Report, Corporate Governance Statement and reports on Remuneration and People, Health and Safety all contain information relevant to the sustainability performance of the Group.

Key performance indicator	*Discussion in Annual Report*
Alternative fuels and energy consumption	Page 23
Alternative raw materials	Page 23
Carbon emissions	Page 20
Employee turnover by age group	Page 24
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 21
Participation of women in the Company	Page 29 - Diversity Report
% of employees on EBAs vs staff	Page 26
Restricted duties injury frequency rate	Page 25

Other reports	
Coverage of organisation defined benefit plan obligations	Page 81 - 83 - Note 18
Direct economic value added (sales, costs, employee compensation, retained earnings)	Page 61 - Income Statement and Page 67 - 68 - Note 3 and 4
Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Page 39 - 40 - Directors' Report Environment Performance

For further information about the sustainability report email adelaidebrighton@adbri.com.au or telephone 08 8223 8005.

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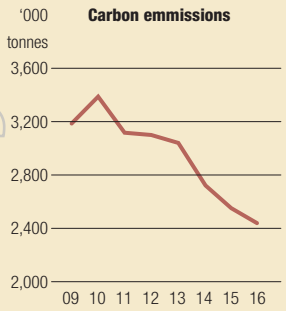
Innovation and improving operational and energy efficiencies ensured Adelaide Brighton continued to be a sustainable business in 2016. Assessing and improving current work practices, implementing innovation solutions and building on our community relationships saw the business continue to improve our sustainability performance through the year.



Climate change and carbon emissions

Carbon emissions related to our day to day operations are closely monitored and reported. The business remains committed to continuously reducing its greenhouse gas footprint and is pleased to report a reduction in carbon emissions (scope 1 and 2) from the previous year of 4.5%. The reduction is due to a number of factors across the Group including operating efficiency improvements, tailored projects to reduce natural gas use when curing concrete products as well as an overall decrease in fuel use due to the reduction in production volumes.

Expanding the use of mineral additions (namely limestone and shellsand) in our process as a cement clinker alternative has been an area of focus within the business. Mineral addition is added at the final grinding stage of the cement manufacturing process, reducing the volume of clinker required in the final product, and therefore lowering the greenhouse gas footprint while maintaining the product quality.

In addition to improving our carbon footprint of the business through the use of mineral addition, Adelaide Brighton continues to explore the use of supplementary cementitious materials, energy efficiency practises and alternative fuels to ensure our emissions profile is managed sustainably.

Environmental improvement initiatives

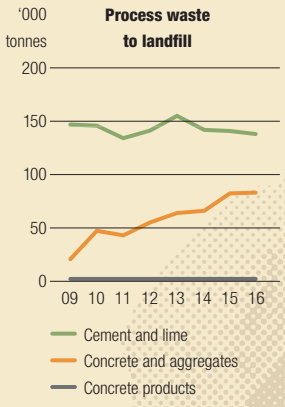
Improving the way we operate in an environmental capacity is a continuous process throughout our business. Each business unit identifies environmental aspects impacting our sites, and improvement plans are developed and initiatives implemented. Some initiatives undertaken during the year are provided below.

Cement and Lime

Recycling waste product

> The hydrated lime plant at Kemerton in Western Australia has historically produced waste lime as a result of washing down the hydration plant and from product spills. This waste lime was previously sent to landfill, but is now captured into waste bins, made into a slurry and then is reintroduced back into the process. Any product that cannot be re-used in the production process is removed from site and used within the agricultural industry. The main benefit of this initiative is the reduction of waste to landfill. This project has also been successful in winning the 2016 Cement, Concrete and Aggregates Association Environmental Initiative industry award.

> A waste product recycling initiative was implemented at the bag and dry-mix packaging plant at the Kwinana operation in Western Australia. Waste product is now collected and re-used resulting in significantly less waste material being sent offsite to landfill.



Constructed wetlands at the Munster plant, Western Australia

A sample of construction and demolition waste used in the Birkenhead plant clinker production process

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Increased capacity to use waste as alternate fuel

2016 saw the completion of design and installation of a second wood derived fuel storage and firing facility at the Birkenhead plant in South Australia. Incorporating the successful elements of the original facility, the additional facility will allow for a greater volume of wood derived fuel to be burnt in the clinker production process. The burning of the wood derived fuel displaces natural gas thereby reducing the site's greenhouse gas emissions. Additionally the combustible wood waste no longer ends up in landfill, further abating greenhouse gas emissions.

Anemometer installation at Munster

An Anemometer, a device for measuring wind speed and direction, was installed at the Munster site in Western Australia. The Anemometer provides production controllers with live real-time wind speed and direction data to assist in the mitigation and investigation of emission events from the site.

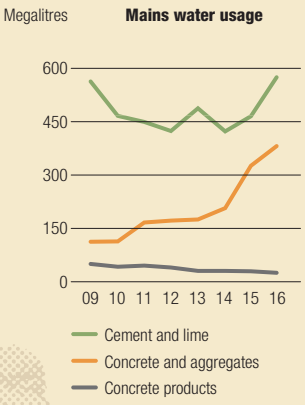
Dust mitigation measures

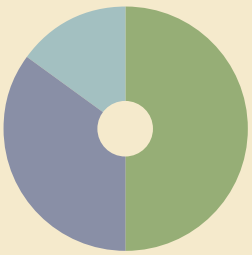
> The Kwinana site introduced the use of dust suppressant on unsealed roads within the site as part of its dust mitigation measures to reduce fugitive dust from truck movements. Additional benefits of this initiative included reduced operation of the site's water truck with associated reduction in greenhouse gas emissions and reduced water usage.

> Installation of a new dust collector at the clinker grinding plant in Darwin has increased dust collection capability by approximately 25%.

> Five metre high storage bunkers were constructed at the Birkenhead plant to contain raw material stockpiles as well as lowering of limestone stockpile heights to reduce fugitive dust from the site.

> A dedicated water truck is used to apply dust suppressant and sealing agent to unsealed roads and exposed raw materials stockpiles within the Birkenhead plant site.





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: $CaCO_3 > CaO + CO_2$. 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.

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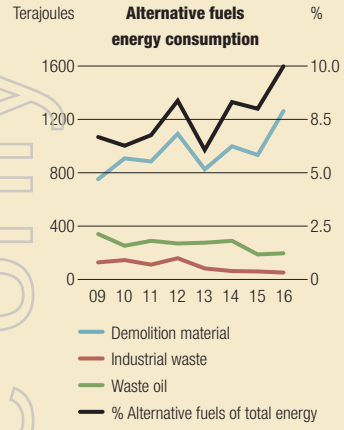
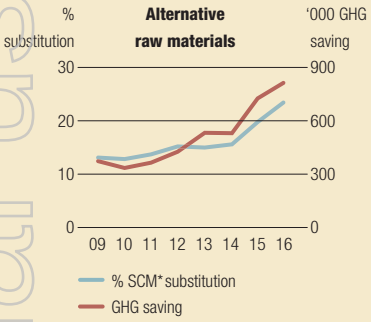
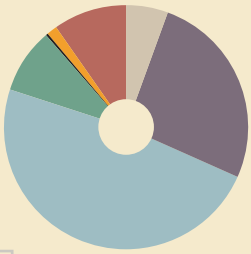




** By-products of industrial processes - slag from the steel manufacturing industry and fly ash from coal fired power stations*



Noise abatement

The Birkenhead plant undertook numerous projects under its Environmental Improvement Plan to reduce noise from its operations - the replacement of a 200 metre chain drive within the limestone reclaiming conveyor system and the installation of an energy efficient and quieter motor system in one of the sites cement mill dust collectors - resulted in a significant reduction in noise, resulting in positive community response.

Embracing the power of the sun

The cement and lime distribution centre near Kalgoorlie, Western Australia, has embraced the power of the sun to reduce costs and improve efficiencies. A rail locomotive, which required constant battery replacements, was converted to an auxiliary charge system using solar panels to charge a 24-volt battery. This has resulted in an improvement in energy and running efficiency, improved employee safety as well as a financial benefit due to reduced energy and maintenance costs.

Energy efficiency at Kwinana

The installation of a new slag dryer at the Kwinana plant, replacing an existing less efficient dryer, has been substantially completed. The new dryer significantly increases the output per hour, reduces dust through additional dust collectors and double handling of material into the dryer, thereby improving the efficiency of the drying process.

Environmental Management System accreditation in South Australia

The Birkenhead and Angaston sites in South Australia gained certification under the new ISO14001:2015 for Environmental Management. This certification demonstrates the commitment of the business to environmental management and continuous improvement.

Concrete and Aggregates

Visual concealment strategy

The Austen Quarry in Hartley west of Sydney, developed and implemented a strategy to improve the quarry's effect on surrounding communities and the ecosystem.

The initiative involves planting trees and use of emulsified spray to ensure the natural appearance of the area is maintained through the minimisation of the visual starkness of the quarry excavation area and minimisation of quarry product stockpiles.

Austen Quarry engages with the local community by holding an annual awareness day to inform residents and businesses about its operations and to encourage two way communication.

Dam expansion project

Onsite dams at the Austen Quarry are part of the operations buffer from the local water system during rain events. The capacity of two existing dams was extended to contain a 95th percentile 5-day rainfall event, should it occur. Construction of an additional dam is planned to support future expansion of the quarry operations.

Dust suppression

During 2016, Austen Quarry implemented the following dust suppression initiatives:

> A remote controlled roadway sprinkler system was installed to increase wetting of the haul road and reduce the time required for water cart operation.
> New spray bars were designed in order to suppress the dust agitated at the end of the conveyor belt system to limit fugitive dust.
> A conveyor belt cover was installed at the exit of the crusher to slow down the air movement to limit the amount of dust produced from the crushing process.
> A larger volume water cart was purchased in order to more effectively suppress the dust from the haul roads, production and stockpiling areas.

Concrete Products

Reduction in gas usage

> Modification of the curing process at the Ulverstone site in Tasmania enabled the removal of inefficient gas heaters, with product now cured using natural heat in the environment.
> Operational changes were implemented at the Maroochydore plant in Queensland to take advantage of the site's warmer climatic conditions to naturally cure product. This has led to the complete removal for the need to use LPG at the site.

South Coogee Primary School children took part in the Munster plant's Seedling Program

> An upgrade of the Townsville manufacturing plant has seen a significant reduction in LPG usage at site following the introduction of a new curing system. The new system still requires the use of LPG, however the plant operates more efficiently by heating air instead of water which keeps the kilns at the required temperature and recycles the hot air for product curing.

Landcare and rehabilitation

Geelong Quarry rehabilitation
Adelaide Brighton has progressed the rehabitation of the former Geelong Quarry to prepare the site for future sale. Earth works have been undertaken to build stable slopes of significant height and length to support future urban development. Previously a significant liability, the site is undergoing an exciting transformation that is planned to include a lake, open public space and residential housing that will be part of the Geelong urban area.

Austen Quarry vegetation program
In 2016, Austen Quarry's ongoing commitment to rehabilitation and conservation has seen over 2,000 trees planted in and around the quarry. Trees planted in previous years continue to grow well and it is expected that a further 2,000 trees will be planted in Autumn 2017.

Rehabilitation program - Calcium and Coominya Quarries in Queensland
The Calcium Quarry near Townsville in Queensland initiated a quarry rehabilitation program involving children from local schools. The program involves the school children helping plant trees at the quarry and learning from the quarry staff about the geology of the site and the day to day running of a quarry. The children's' involvement forms part of their school curriculum and involves project work on their experience at the quarry. The success of this initiative has resulted in the program being established at our Coominya Quarry, west of Brisbane.

Munster seedling program
The Munster plant in Western Australian donated over 2,000 native plants to nine primary schools in the area surrounding the Munster site.

The Munster seedling program supports the schools' tree planting initiatives and assists in the education of future generations regarding the local environment and importance of revegetation to protect and nurture local flora and fauna.

Geelong Quarry rehabilitation underway with earth works carried out to build stable slopes to support future urban development

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. Reports submitted in 2016 showed no significant variance to the previous year.
> The Renewable Energy Target - an Australian Government scheme designed to reduce emissions of greenhouse gases in the electricity sector and encourage additional generation of electricity from sustainable sources.

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 interaction and support

Adelaide Brighton is committed to engaging with the community and supports a broad range of organisation with donations, public tours and work experience.

The core purpose of Adelaide Brighton's community support program is to make a valued and sustainable contribution to the communities in which we operate by investing in carefully considered donation and sponsorship of primarily community and children services in the local communities in which we operate, support of specialised higher education programs and environmental education through local school's participation in vegetation programs and wetland education.

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People, health and safety

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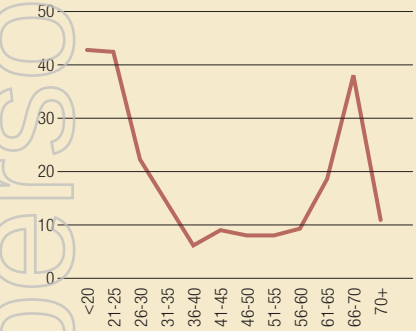
At Adelaide Brighton our commitment to health, safety and the environment is an essential and integral part of the way we do business. We continually work on improving our safety and environmental management systems and culture. We believe that good planning and preparation will minimise risks to health, safety and the environment.

Following the launch of our Safety Vision and Strategy in 2015 "Safety Leaders - Everyone, Everyday", we continue to see improvement in our injury frequency rates. We recorded a Total Recordable Injury Frequency Rate as at December 2016 of 23.0 compared to 33.2 at December 2015. We recorded a Lost Time Injury Frequency Rate as at December 2016 of 1.7 compared to 2.0 at December 2015. The downward trend in frequency rates can be attributed to the improved utilisation of our safety systems and tools, investigating incidents related to potential risk and the result of investment in our safety culture and awareness.

As an initiative to improve contractor management, we launched a contractor Health, Safety and Environment Compliance System to capture and retain critical contractor data, as well as facilitating online inductions. The system provides Group wide mobile accessibility and visibility of contractor documentation.

Employee trurnover by age group



We achieved Health and Safety Innovation Awards across three states: New South Wales, South Australia and Western Australia at the Cement, Concrete & Aggregates Australia (CCAA) Environment, Health & Safety Awards this year. The Awards recognised our commitment to continual improvement leading to innovation in our business. In addition, our Kemerton lime plant in Western Australian won an Environmental Innovation Award for recycling of lime hydrate.

Safe Work New South Wales Awards also recognised our Austen and Grants Head quarries in New South Wales with a win for the excavator bucket tooth exchanger, the emergency response and safety station being a finalist and also winning the Gold Hard Hat Site Safety award from the Institute of Quarrying Australia.

The investment in our safety culture "the way things work around here" is driven by our leaders. We continue to measure the effectiveness of our programs, like our award winning Safety Leadership Program. More than 50% of our workforce has participated in this program which is proving to be a positive investment in our safety culture.

Leadership Strategic Priorities

Our leadership talent priorities, support the Adelaide Brighton business goals and the culture we are building. The priorities include:

> Leaders who deliver safe, sustainable production
- 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 decisions reinforce safety is as important as production.

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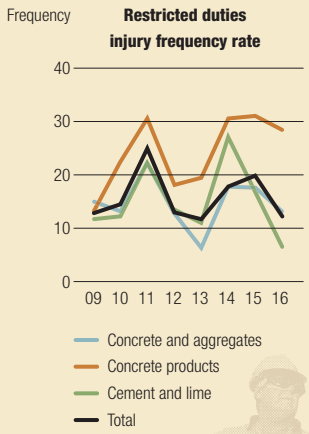

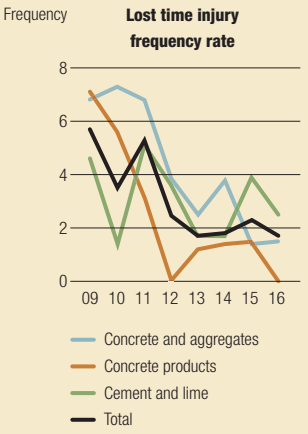

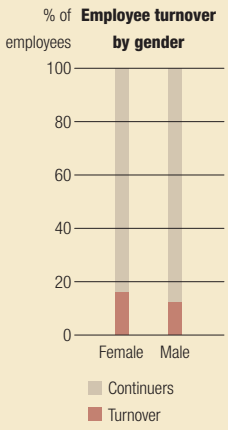

> Engagement
- Appropriate plans are in place to maximise development, engagement and retention of employees across the business.
- We continue to develop our employee engagement activities.

> Build capability and retain company knowledge
- We continue to monitor development plans for Executive successors and future leaders.
- We provide opportunities for mentoring and secondments across the Group.

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

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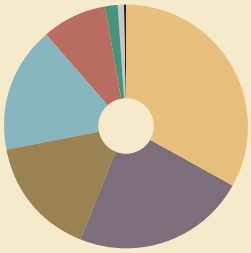
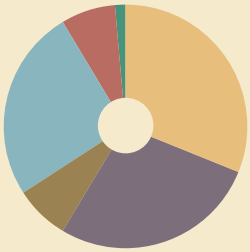


Employment by geography

- 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

% employees on EBA vs staff

- EBA
- Staff

Developing a diverse and inclusive workforce

Adelaide Brighton continues the promotion of diversity and inclusion within our organisation. An employee survey was undertaken to measure the inclusiveness of our business in the fourth quarter of 2015. To further understand what makes Adelaide Brighton a great place to work, in early 2016 we conducted interviews and focus groups with employees in key workforce groups. This included employees in production, technical professional and corporate professional roles, at front line and supervisory levels.

From a strategic perspective, what sets the Adelaide Brighton employment experience apart is its ability to enable an individual to grow; professionally, technically and/or personally through the supportive connection with those around them. The consistent themes which underpin this valuable experience are:

> Variety - roles typically include a broad range of tasks and responsibilities that also shift and change, to routinely challenge and push an individual out of comfort zones, to routinely achieve more.

> Trust from respect - managers and colleagues trust in the ability and intention of an individual to do their job well. This increases the control people feel they have over how their talents and judgement are applied, facilitating personal growth and increasing the ownership and pride they have in the outcome.

> Great people - Adelaide Brighton people are consistently friendly, approachable and supportive, creating a particularly positive environment where individuals are motivated to do a good job, and feel happier and more content.

> Organisational stability - the continued strength and stability of the organisation provides employees a valuable peace of mind that enables them to confidently plan and live a life, in an increasingly unpredictable world.

In addition, we continue our focus on gender balance in our business and the industry through a number of scholarships and sponsorships such as the Women in Engineering initiatives at the University of Wollongong including the 2016 NSW Senior High Schools STEM Competitions.

Cockburn Cement Munster Plant apprentices receiving on the job skills training

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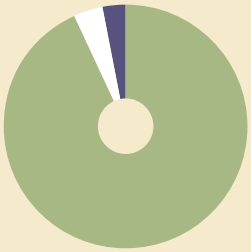
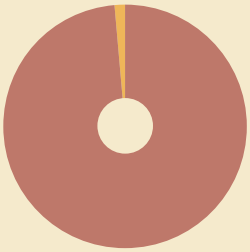


Employment by employment status

- Full time
- Casual
- Part time



Employment by contract status

- Permanent
- Fixed term

Our scholarships include: Adelaide Brighton Engineering Scholarship at the University of Adelaide where the recipient is a student enrolled in Bachelor of Chemical Engineering and receives 4 years of financial support, and the Adelaide Brighton Junior Cooperative Scholarship at the University of Technology Sydney where the recipient is a student enrolled in Bachelor of Engineering and receives financial support in addition to an internship of 24 weeks.

We are also an active participant on the Australian Brick and Blocklaying Training Foundation which supports the skills development of apprentices in the industry ensuring future skilled labour supply.

Our student vacation program employs undergraduate student engineers for 12 week blocks in Adelaide and Perth where they are supervised and receive mentoring.

The students are assigned operational projects that are important to the business and aligned to their degree.

Indigenous diversity has been supported by our continued active participation in the South Australian Indigenous Law Student Mentoring program, and a new initiative to provide a scholarship for an indigenous secondary school student at St Peters College in Adelaide.

Formal mentoring programs have been implemented across our business with mentors and mentees participating in workshop training, webinars and individual coaching sessions for a shared positive mentoring experience.

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

Case study: Mentoring Program

"I've got tremendous value from this program. A strong relationship has been built based on trust and openness. My mentor, Carolyn Fisher has been genuinely open in helping me to deal with specific situations. Our discussions have been truly inspiring and I've been able to get valuable advice on my career decisions."

Cindy Liu, Senior Soil and Aggregate Technician

"Assisting Cindy to navigate through day to day challenges and discuss solutions to problems as well as being an objective sounding board has been a large component of our mentor and mentee relationship."

Carolyn Fisher, Health, Safety and Environment Manager, Concrete and Aggregates

Case study: SitePass contractor management

"Dominion Industry have over 100 personnel registered with Adelaide Brighton as contractors. Use of the SitePass management system allows us the flexibility to monitor the status of Dominion personnel's induction - we receive an automated electronic notification when personnel have been registered; documentation uploaded; and also when their induction is due to expire."

Sharon Hancock - Dominion Industry

"From a Company Approver perspective, the design and layout of the SitePass contractor management system is intuitive and guides the Approver through the process to approve Contractors induction applications and is capable of dealing with unique contractor requirements."

Daniel Mellor - Process Manager Kiln (Cement and Lime Birkenhead Mechanical SitePass representative)

Diversity report

Adelaide Brighton is committed to being an inclusive workplace that values and promotes diversity. For us this encompasses gender, race, ethnicity, age, physical ability, mental ability, religious beliefs, industry and life experience and thinking styles.

We recognise that an inclusive culture encourages diversity of thought leading to innovation and enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business. In 2016 we launched the revised Diversity and Inclusion Policy which outlines seven core objectives which form the foundations of our approach to diversity and upon which we measure our performance in this area.

An overview of these objectives, and our progress towards achieving these objectives during the 2016 financial year, are set out below:

Objectives	*Diversity measures to facilitate achievement of objectives*	*Progress*
To promote a culture of diversity and inclusion	> Launch of the revised Diversity and Inclusion Policy and deployment of the plan to deliver progress towards achieving the objectives which were approved by the Board and Nomination, Remuneration and Governance Committee of Adelaide Brighton as being relative to the industry structure in which the Company operates.	> In 2016, the Board and the Nomination, Remuneration and Governance Committee discussed the Company's diversity measures and reviewed progress towards achieving the objectives, to continue to develop a positive workplace culture that values diversity and inclusion.
	> Proactively engage with our people to develop inclusion	> Externally facilitated focus groups were held in each Division to gain further insight into our employee value proposition - what makes Adelaide Brighton a great place to work.
	> Company wide training in workplace policies (including Diversity and Inclusion, Bullying and Harassment, Equal Employment Opportunity).	> Employee and contractor inductions include information on Company policies.
To ensure that recruitment and selection processes seek out candidates from a diverse background, with selection decisions being based on merit	> Recruitment sourcing strategies and practices deliver diverse candidate pools. Employment decisions are made without regard to factors that are not applicable to the inherent requirements of a position and unconscious bias does not influence outcomes. > Promote Adelaide Brighton as a diverse employer with an inclusive culture.	> Recruitment training continues across the business with a view to creating diverse candidate pools and to eliminate any unconscious bias that may occur. 19% of all new hires in 2016 were female. > Refreshed advertising templates and copy writing training delivered to ensure job advertisements are attractive to a diverse pool of job seekers. 62% of roles advertised in 2016 attracted female applicants. > Website page dedicated to career profiles of female employees, 'Women in Adelaide Brighton'.
Build talent pipelines through investment in skills and capabilities	> Executive Leadership Team sponsored mentoring program for high potential employees, to continue to develop inclusive leadership.	> Mentoring program launched with 28 mentors and mentees attending workshop training, webinars and 1:1 coaching sessions for a shared positive mentoring experience.
	> Ensure performance, development and succession management processes support the career progression of individuals including the identification of future executive talent.	> Development programs are provided for individuals and facilitated via an online portal. > Talent and Succession Management process proactively challenges and promotes gender representation. > 17% of women and 13% of men were promoted internally in 2016.
	> 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.

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Objectives	*Diversity measures to facilitate achievement of objectives*	*Progress*
	> Sponsor MBA or post-graduate studies for high potential employees.	> Adelaide Brighton supports external study and development for high potential employees.
	> 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 undertaking tertiary education to consider engineering as a career option; - offer opportunities for high school students to become aware of diverse career opportunities within our industry.	> Continued sponsorship of the Women in Engineering program at the University of Wollongong in 2016 that provides both a financial benefit and a work placement opportunity. > Engineering scholarships in place at University of Adelaide and University of Technology Sydney. > Participation in the STEM Program (Science, Technology, Engineering and Math) for Year 10 and 11 high school students. > Vacation programs in place in Adelaide, Perth and Sydney. Participation in WA Kwinana Industries Council "iWomen project". Sponsorship of the SA Law Society Indigenous Law Student Mentoring Program and establishment of a Scholarship for an indigenous high school student at St Peter's College in Adelaide.
To reward and remunerate fairly and equitably	> 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.	> A gender pay parity review was completed in 2016 as part of Adelaide Brighton's annual remuneration review processes.
To provide flexible work practices	> Adelaide Brighton seeks to provide suitable working arrangements for employees returning from maternity leave. > Flexible working arrangements are available to all employees under our flexible work policy, to recognise that employees may have different domestic responsibilities throughout their career. > We also offer 12 weeks' paid parental leave for the primary carer. > Formal review of all part time work arrangements to ensure roles are appropriate to maintain career development.	> As per previous years, 100% of the women who commenced and finished maternity leave in 2016 have returned to work in either a full or part time capacity. > 3% of the workforce have a part time work arrangement. > 60% of employees who returned from maternity leave are still with Adelaide Brighton three years later. > 16% of employees have taken 'Paternity Leave' in 2016.
Understand the diversity of our workforce	> Measure age, gender, and cultural identity of our workforce.	> Results of employee survey of cultural identity plus diversity data is collected from candidates during the recruitment process.

Adelaide Brighton is committed to the regular review of its objectives to ensure that these continue to be appropriate and relevant. This commitment includes the completion of the workplace profile report as required by the Workplace Gender Equality Act 2012.

A copy of the workplace profile report is available from our website: www.adbri.com.au/ourresponsibilities#reporting. The Board is committed to build upon the achievements to date and reinforce the continued efforts in promoting and cultivating a culture of diversity and inclusiveness.

The proportion of women across Adelaide Brighton's workforce is reflective of the generally low level of female representation in the building, manufacturing and construction materials industries in which we operate.

We recognise that the available pool of female candidates in manufacturing and engineering roles relevant to our business operations is limited, and this impacts our ability to increase the number of female new hires. In an effort to make our Company (and industry) more attractive to women, we have focused on measures designed to increase the proportion of female candidates and graduates and to support the development of female employees who are recognised as having future potential. We believe that, over time, our diversity objectives and measures will achieve an improvement in the level of female representation and inclusiveness across the organisation.

The following table shows the proportional representation of women employees at various levels within the Adelaide Brighton Group (as at 31 December 2016 and 2015 respectively).

We are pleased to report that improvements have been made at the senior executive and senior manager level contributing to an overall gender improvement between 2015 and 2016.

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

(1) Executive and non-executive Directors
(2) Direct reports to the CEO and Managing Director (Chief Financial Officer, General Counsel and Company Secretary and Executive General Managers)
(3) Senior managers include a variety of positions which report directly to the senior executives.

A copy of Adelaide Brighton's Diversity and Inclusion Policy is available in the Governance section of Adelaide Brighton's website under Our Responsibilities.

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Directors

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Les Hosking
Age 72

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 Axiss Australia, and Managing Director of National Electricity Market Management Company (NEMMCO).
Director, AGL Energy Limited (appointed November 2008) and Australian Energy Market Operator Limited (appointed July 2009 and retired November 2014) and Chairman, Carbon Market Institute Limited (appointed October 2010 and retired November 2014).
Adjunct Professor, The University of Sydney, John Grill Centre for Project Leadership (appointed May 2016).

Special responsibilities
Appointed Chairman 17 May 2012.
Member, Audit, Risk and Compliance Committee.
Member, Nomination, Remuneration and Governance Committee.
Member, Independent Directors' Committee.

Raymond Barro
BBus, CPA, FGIA, FCIS
Age 55

Experience
Non-executive Director since August 2008.
Over 26 years experience in the premixed concrete and construction materials industry.
Managing Director of Barro Group Pty Ltd.

Special responsibilities
Member, Safety, Health and Environment Committee.

Graeme Pettigrew
FIPA, FAIM, FAICD
Age 68

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). Former Director, Holocentric Pty Ltd (appointed September 2012 and retired August 2014).

Special responsibilities
Chairman, Audit, Risk and Compliance Committee.
Member, Nomination, Remuneration and Governance Committee.
Member, Safety, Health and Environment Committee.
Member, Independent Directors' Committee.

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Ken Scott-Mackenzie
BE(Mining), Dip Law
Age 66

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 Chairman, Macmahon Holdings Limited (appointed Chairman in November 2009 and a Director in May 2009 and retired March 2014).

Special responsibilities
Chairman, Safety, Health and Environment Committee.
Member, Nomination, Remuneration and Governance Committee.
Member, Independent Directors' Committee.

Arlene Tansey
FAICD, MBA, JD, BBA
Age 59

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), Aristocrat Leisure Limited (appointed July 2016), Lend Lease Real Estate Investments Limited (appointed October 2010), Hunter Phillip Japan Limited (appointed March 2013), External Member of Infrastructure New South Wales (appointed June 2014) and Serco Asia Pacific Advisory Board. Member of Board of Advice,The University of Sydney Business School (appointed May 2016). Former Chairman of Future Fibre Technologies Limited (appointed March 2015 and resigned in October 2016) and Urbanise.com Limited (appointed June 2014 and resigned in October 2016). Former Director, Lend Lease Funds Management Limited (appointed October 2010 and ceased January 2015), Urbanise.com (Mena) Pty Ltd (appointed June 2015 and resigned in October 2016), Mystrata Holdings Pty Ltd (appointed June 2015 and ceased in October 2016), Mystrata Pty Ltd (appointed June 2015 and ceased in October 2016) and Australian Research Alliance for Children and Youth Limited (appointed September 2013 and ceased October 2015).

Special responsibilities
Chairman, Nomination, Remuneration and Governance Committee.
Member, Audit, Risk and Compliance Committee.
Member, Independent Directors' Committee.

Zlatko Todorcevski
MBA, BCom, FCPA, FCIS
Age 49

Experience
Independent non-executive Director appointed in 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 Brambles, Oil Search Limited and BHP Billiton's Energy business.
President of the Group of 100 and Chairman of the Accounting and Auditing Standing Committee of the Australian Securities and Investments Commission.

Martin Brydon
MBA, FAICD, FAIM, Dip Elect Eng, Dip Elron Eng
Age 61

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

Special responsibilities
Member, Independent Directors' Committee.

Information for shareholders

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Annual general meeting

The annual general meeting of shareholders will be held at the InterContinental, North Terrace, Adelaide, South Australia on Thursday 25 May 2017 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/CHESS 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

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 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 (CHESS) 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
GPO Box 2155
Adelaide SA 5001
Telephone 08 8223 8005
Facsimile 08 8215 0030
Email adelaidebrighton@adbri.com.au

Communications

Our internet site www.adbri.com.au offers access to our ASX announcements and news releases as well as information about our operations.

Substantial shareholders

Barro Properties Pty Ltd, by a notice of change of interests of substantial shareholder dated 15 September 2016, informed the Company that it or an associate had a relevant interest in 227,526,486 ordinary shares or 35.0% of the Company's issued share capital.

On market buy back

At 11 April 2017 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 11 April 2017

Shareholder	*Number of ordinary shares held*	*% of issued capital*
Barro Properties Pty Ltd	186,549,322	28.72
HSBC Custody Nominees (Australia) Limited	80,972,504	12.46
Citicorp Nominees Pty Ltd	60,492,677	9.31
Barro Group Pty Ltd	43,752,619	6.73
JP Morgan Nominees Australia Limited	43,156,346	6.64
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	14,434,637	2.22
National Nominees Limited	10,983,592	1.69
Argo Investments Ltd	7,681,385	1.18
HSBC Custody Nominees (Australia) Limited	6,202,871	0.95
BNP Paribas Nominees Pty Ltd <DRP>	5,885,677	0.91
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	5,239,152	0.81
Milton Corporation Limited	2,835,886	0.44
Sandhurst Trustees Ltd <Harper Bernays Ltd A/C>	1,994,254	0.31
IOOF Investment Management Limited <IPS Super A/C>	1,956,170	0.30
RBC Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	1,247,004	0.19
Diversified United Investment Limited	1,000,000	0.15
BNP Paribas Noms (NZ) Ltd <DRP>	782,791	0.12
Bond Street Custodians Limited <COCKEJ-F01832 A/C>	780,251	0.12
Geoff and Helen Handbury Foundation Pty Limited <Geoff&Helen Handbury Fdn AC>	755,000	0.12
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	738,137	0.11
Total top 20 shareholders	**477,440,275**	**73.48**
Total remaining shareholders balance	**172,213,824**	**26.52**

Voting rights

All shares at 11 April 2017 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 11 April 2017	*Number of shareholders*	*% of issued capital*
1 - 1,000	4,254	0.33
1,001 - 5,000	10,115	4.32
5,001 - 10,000	4,396	5.01
10,001 - 100,000	3,567	12.26
100,001 - over	154	78.08
Total shareholders	**22,486**	**100.00**
Less than a marketable parcel of 89 shares	702	

Unquoted securities

2,919,824 Awards issued to the Chief Executive Officer 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.

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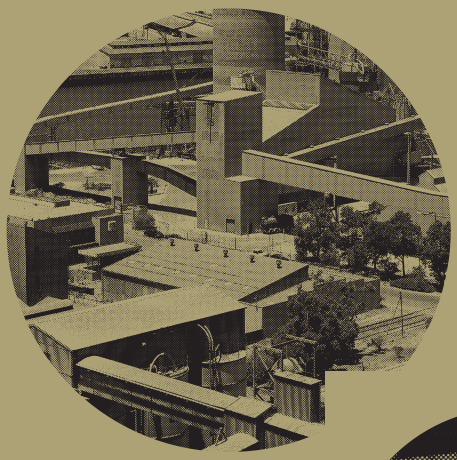

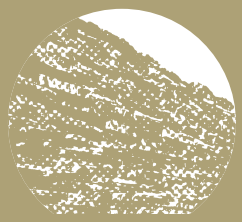

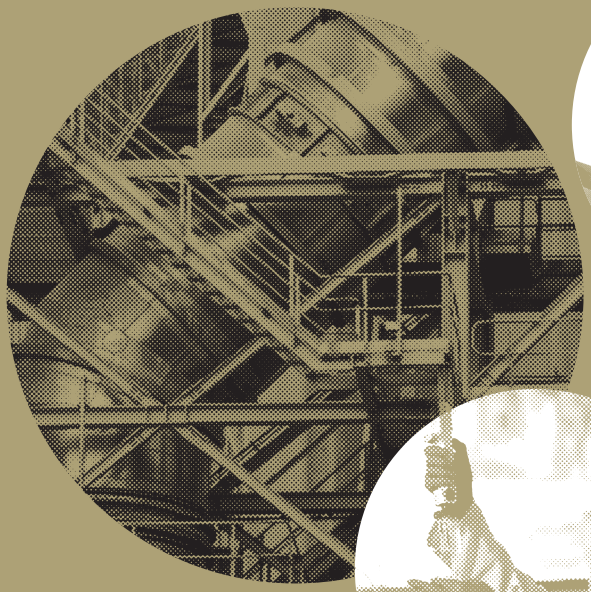

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Directors' report

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 2016.

Directors

The Directors of the Company, at any time during or since the end of the financial year and up to the date of this report, are:
LV Hosking
RD Barro
GF Pettigrew
KB Scott-Mackenzie
AM Tansey
M Brydon

Principal activities

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

Review of operations

A summary of the financial results for the year ended 31 December 2016 is set out below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cement and clinker

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

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

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

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

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

(i) Energy disruptions
Energy in South Australia had an unfavourable pre-tax impact of $13 million versus pcp.

$9 million of this was a result of the market wide disruptions to electricity supply in that state. The disruptions caused higher electricity and gas prices, production losses at Adelaide Brighton plants and subsequent reduced sales to customers whose production facilities were temporarily suspended.

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

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

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

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

Lime

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

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

Concrete and Aggregates

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

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

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

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

Concrete Products

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

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

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

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

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

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

Joint arrangements and associates

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

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

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

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

Strategic developments

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

1 Cost reduction and operational improvement across the Group;

2 Growth of the lime business to supply the resources sector in WA, SA and NT; and

3 Focused and relevant vertical integration into downstream aggregates, concrete, logistics and masonry.

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

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

1 Cost reduction and continuous improvement

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

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

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

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

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

Import strategy delivers competitive supply into key markets
Adelaide Brighton is Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag) utilising more than two million tonnes of imported product per annum, across multiple import facilities located in key markets across Australia.

This industry leading position enhances supply chain efficiency in procurement, transport, storage and distribution. The use of imported materials allows the supply of competitively priced product into a range of markets where demand exceeds the Company's manufacturing capacity. It enables Adelaide Brighton's domestic production assets to operate at full utilisation, which underpins its competitive position and shareholder returns.

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

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

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

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

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

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

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

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2 Lime growth

Positioned for demand growth

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

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

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

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

3 Downstream integration

Further downstream acquisitions

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

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

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

The purchase price of approximately $61 million, including transaction costs, represents 7.0 times 2016 calendar year EBITDA. Adelaide Brighton completed the acquisition effective 1 March 2017 and it is expected to be earnings accretive (excluding transaction costs) in 2017.

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

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

The premixed concrete and aggregates acquisitions in 2014 and 2015 in South Australia and Queensland are exceeding earnings expectations with a positive outlook.

Operational results

Cash flow

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

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

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

Balance sheet

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

Working capital increased modestly. Debtor days sales outstanding reduced versus the prior corresponding period and doubtful debt provision reduced to $1.2 million (0.09% of revenue) compared to $1.8 million (0.13% of revenue) in the prior corresponding period.

Strong cash flows reduced net debt by $8.7 million to $288.5 million. Net debt to equity gearing of 23.6% at year end was below the targeted range of 25% to 45%.

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

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

Income statement

Freight revenue declined by $28.5 million due to a decrease in sales volumes of cement to remote resource projects. Freight and distribution costs on these sales declined by a similar amount. However, offsetting this reduction, increased deliveries of premixed concrete increased freight and distribution costs. Premixed concrete is sold on a delivered basis and as such concrete freight revenue is included in total segment operating revenue and not identified separately as freight revenue.

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

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

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

The movement in the value of the Australian Dollar against the Malaysian Ringgit during the year resulted in a $0.9 million loss being recognised in other comprehensive income. The loss reflects movements in the Australian Dollar value of the Group's investment in Aalborg Portland Malaysia Sdn. Bhd.

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

An actuarial gain of $1.7 million (2015: $4.5 million) related to the defined benefit superannuation plan was recognised through other comprehensive income. The gain was primarily due to the improvement in value of investments held by the fund up to the end of the year and an increase in discount rate used to calculate the defined superannuation benefit liability.

Dividends paid or declared by the Company

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

- A final dividend in respect of the year ended 31 December 2015 of 15.0 cents per share (fully franked) was paid on 12 April 2016. This dividend totalled $97,332,862; and
- An interim dividend in respect of the year ended 31 December 2016 of 12.5 cents per share (fully franked) was paid on 12 October 2016. This dividend totalled $81,206,796.

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

State of affairs

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

Events subsequent to the end of the financial year

Subsequent to reporting date, Adelaide Brighton had agreed to acquire the Central Pre-Mix Concrete (Central) business, an integrated concrete and aggregate operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market. The purchase price of approximately $61 million, including transaction costs of $3 million, represents 7.0 times 2016 calendar year earnings before interest, tax, depreciation and amortisation.

Adelaide Brighton completed the acquisition effective 1 March 2017.

Other than the purchase of Central, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

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

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

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

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

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

Lime sales volumes are expected to be higher in 2017. Margin increases are expected in 2017 however, the threat of small scale lime imports in Western Australia and the Northern Territory remains.

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

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

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

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

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

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

Environmental performance

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

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

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

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

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

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

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

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

Directors' meetings

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

Director	*Board Meetings*		*Audit, Risk and Compliance Committee*		*Nomination, Remuneration & Governance Committee*		*Independent Directors' Committee*		*Safety, Health & Environment Committee*	
	A	*H*	*A*	*H*	*A*	*H*	*A*	*H*	*A*	*H*
LV Hosking	11	11	4	4	4	4	0	0	-	-
R Barro	11	11	-	-	-	-	-	-	2	2
GF Pettigrew	11	11	4	4	4	4	0	0	2	2
KB Scott-Mackenzie	9	11	-	-	4	4	0	0	2	2
AM Tansey	11	11	4	4	4	4	0	0	-	-
M Brydon (1)	11	11	-	-	-	-	0	0	-	-

A Number of meetings attended.
H Number of meetings held during period of office.
(1) Mr Brydon was appointed as a member of the Independent Directors' Committee from 23 February 2016.

Director profiles

Information relating to Directors' qualifications, experience and special responsibilities are set out on pages 30 and 31 of the Annual Report.

Directors' interests

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

	Ordinary shares
LV Hosking	4,851
RD Barro	227,579,355
GF Pettigrew	7,739
KB Scott-Mackenzie	5,000
AM Tansey	10,000
M Brydon	39,296

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 42 to 60 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 42 to 60 of this report.

Company Secretaries

The Company's principal Company Secretary is Marcus Clayton, who has been employed by the Company in the two separate offices of General Counsel and Company Secretary since 24 February 2003. He is a legal practitioner admitted in South Australia with 28 years experience.

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

Indemnification and insurance of officers

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

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

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

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

The Company was not liable during 2016 under such indemnities.

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

During the year the Company paid the premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Company and its subsidiaries, and the General Managers of each of the divisions of the Group, for the period 1 May 2016 to 30 April 2017. Due to confidentiality obligations under that policy, the premium payable and further details in respect of the nature of the liabilities insured against cannot be disclosed.

Proceedings on behalf of the Company

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

Non-audit services

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

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 27 to the Financial Statements on page 92 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 out in Note 27, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

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

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:

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

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

Registered office

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

Corporate governance statement

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

adbri.com.au/ourresponsibilities#governance-exp

Signed in accordance with a resolution of the Directors

M Brydon
Director
Dated 17 March 2017

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Adelaide Brighton Ltd

Dear Fellow Shareholders

On behalf of the Board and as Chair of the Nomination, Remuneration and Governance Committee, I am pleased to present the Adelaide Brighton 2016 Remuneration Report.

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

2016 performance

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

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

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

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

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

2016 Remuneration Initiatives

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

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

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

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Short Term Incentive

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

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

The Board set relevant and challenging non-financial targets for the individual KMP in 2016. Performance against these non-financial targets was assessed impacting individual KMP outcomes.

The overall result was short term incentives for KMP vesting in the range of 48.9% to 68.9% of their potential maximum, recognising the strong management performance during the year, which delivered an increase in NPAT (excluding property) despite a significant downturn in the Company's key markets of Western Australia and the Northern Territory, and difficulties in the South Australian energy market.

2016 saw the introduction of a short term deferred element into our annual short term incentive program. For the 2016 year, 25% of the short term incentive will be deferred, increasing to 50% from 2017. The short term incentive deferral is intended to emphasise the need for management to continue to make decisions that deliver our annual targets in a manner that is consistent with delivering sustainable growth in value for our shareholders.

Long Term Incentive

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

Board renewal

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

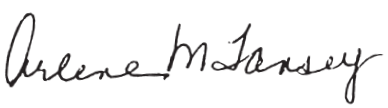
Taking into consideration the Board skills matrix and matching those skills to our strategic plans, the Board has considered new Director appointments and expects to announce a new appointment to the Board in the near future.

Conclusion

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

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

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



Arlene Tansey
Chairman of Nomination, Remuneration and Governance Committee

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Remuneration report

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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 2016. The Report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Company and is prepared in accordance with section 300A of the *Corporations Act 2001*. This Report, which forms part of the Directors' Report, has been audited by PricewaterhouseCoopers.

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

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

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

Table 1

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

(1) Appointed Executive General Manager, Cement and Lime on 1 May 2016, previously Regional Executive Manager, Cement and Lime (WA/NT).
(2) Appointed Executive General Manager, Marketing and International Trade on 1 May 2016.

Section 1 - Executive remuneration policy and framework

1.1 Remuneration policy

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

- Be competitive in the market place in which the Group operates in order to attract, reward, motivate and retain a highly capable executive team;
- Reward individual performance, responsibility and potential;
- Drive leadership performance and behaviours that reinforce the Group's short and long term strategic and operational objectives;
- Provide a common interest between executives and shareholders by linking the rewards that accrue to executives to the creation of long term value for shareholders;
- Have regard to market practice and market conditions; and
- Provide transparency and clarity on what, to whom and on what basis remuneration has been paid.

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

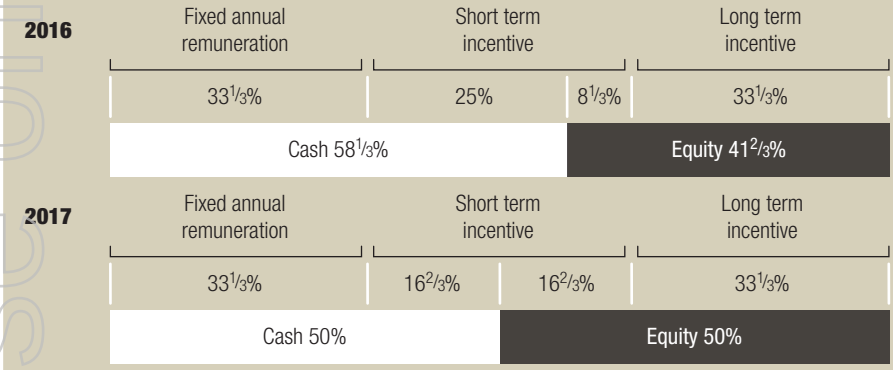
1.2 Remuneration framework

In order to meet the aims of our remuneration policy, our executive remuneration framework consists of the following three components:

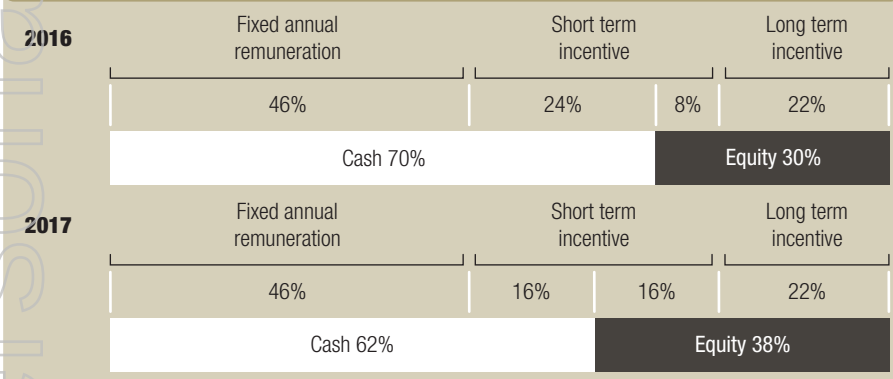
- Fixed annual remuneration
- An annual short term incentive
- A long term incentive

Adelaide Brighton's mix of fixed and at risk components for the Executives disclosed in this Report, as a percentage of potential maximum total annual remuneration for the 2016 and 2017 financial years, is shown below.

CEO and MD



Key management personel



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

Component	Performance measure	'At risk' weight	Strategic objective/performance link
Fixed Annual Remuneration (FAR) Salary and other benefits (including statutory superannuation)	**Considerations:** > Long term individual performance > Role, responsibility and potential > Benchmarked to competitive market rate	N/A	> Remuneration set at competitive levels in the market to attract, retain and engage key talent > Motivate to achieve outstanding performance
+			
Annual Short Term Incentive (STI) Cash + Deferred rights to receive fully paid ordinary shares	**Financial targets (80%) - CEO and CFO - 80%** relating to Group NPAT **Other Executives (Division Executive General Managers) - 60%** relating to Group NPAT and **20%** relating to Divisional EBIT **Non-financial targets (20%)** Relating to personal performance against individual objectives	**Maximum:** 60% - 80% of FAR (100% of FAR for CEO)	> Alignment to Group budget through NPAT and Divisional budget through Divisional EBIT performance > Non-financial targets drive leadership performance and behaviours consistent with achieving the Group's short and long term objectives and commitments including safety, strategic plans, individual business targets and other specific personal or non-financial performance objectives which align the interest of Company executives and shareholders
+			
Long Term Incentive (LTI) Rights to receive fully paid ordinary shares	**Earnings Per Share (EPS) (50%)** and **Total Shareholder Return (TSR) (50%)** Measured over a four year performance period	**CEO:** 50% - 100% of FAR **Other Executives:** 20% - 70% of FAR	> 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
=			
Total Remuneration	The total remuneration mix is designed to attract, retain and motivate a highly capable executive team, encourage and drive leadership performance that reinforces the Group's short and long term strategic objectives and provides a common interest between executives and shareholders by linking the rewards that accrue to executives to the creation of value for shareholders		

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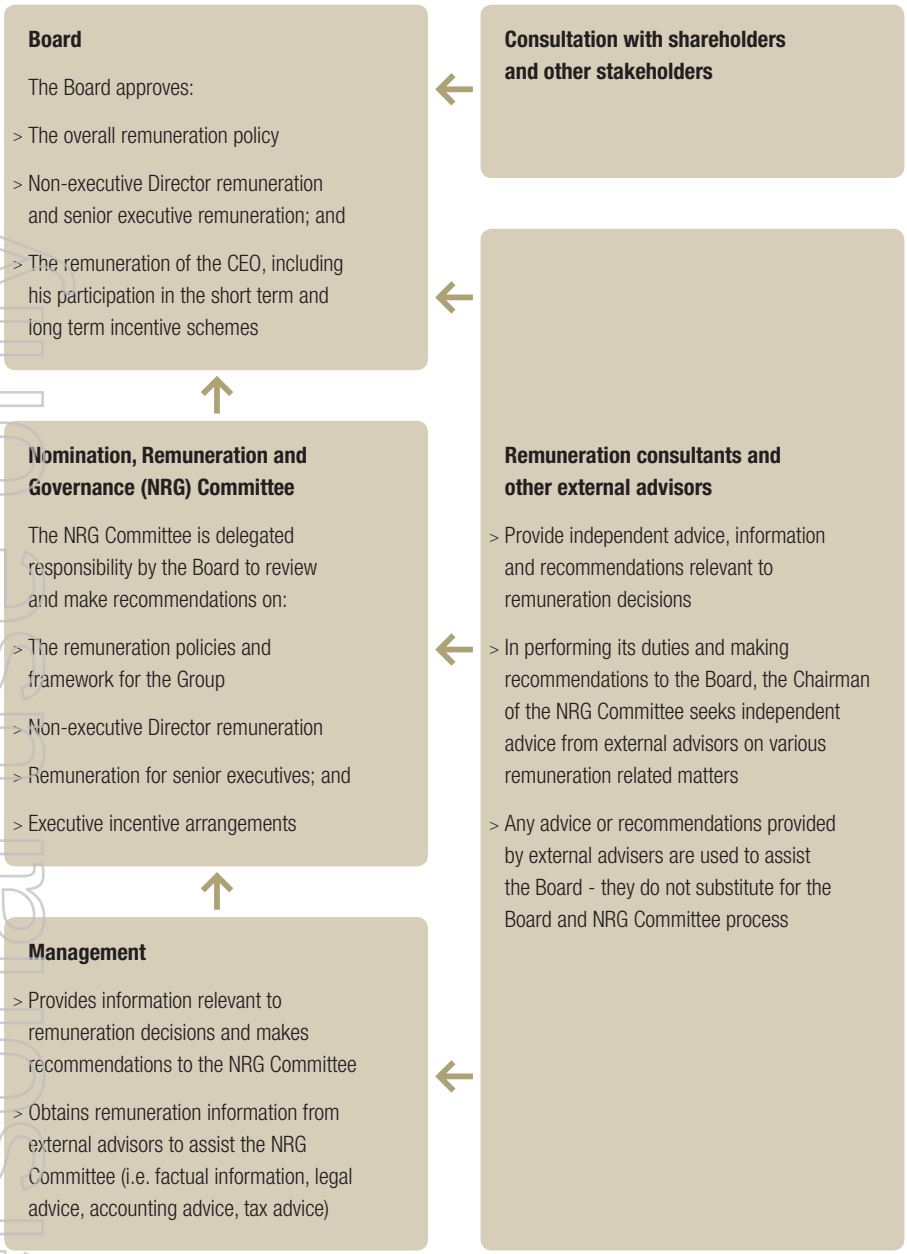
1.3 Remuneration governance - responsibility for setting remuneration

Our governance framework for determining executive remuneration is outlined below:



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

Section 2 - Overview of Company performance

2.1 Financial performance in 2016

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

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

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

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

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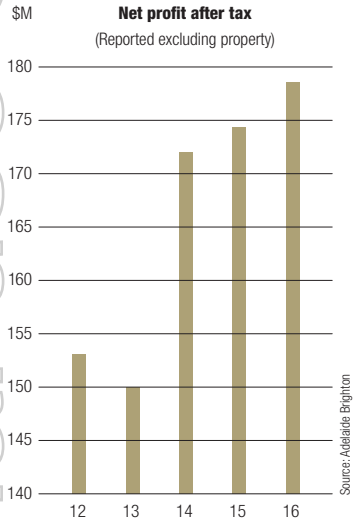
On an excluding property basis, key profit measures for 2016 versus 2015 show an improvement of between 1.3% and 3.1% (depending on the metric), on a revenue decline of 1.2%, as shown in Table 2.

2.2 Long term financial highlights

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



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

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

Table 3 provides an overall view of the Company's financial performance and operating cash flow over the past five financial years to 31 December 2016.

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

Table 2

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

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

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

(1) Compound Annual Growth Rate.
(2) At 31 December.
(3) Includes 3.0 cents special dividend.
(4) Includes 8.0 cents total special dividend.

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

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Section 3 - Linking remuneration to Company performance

This section explains how the Group's performance has driven Short Term Incentive and Long Term Incentive outcomes for our Executives during 2016. Strong Company performance across key indicators is reflected in the remuneration outcomes during the year.

3.1 Short Term Incentive

3.1.1 Short Term Incentive - performance measures

	Performance measures	Reason chosen
Financial	**Financial performance**	
	The "financial metrics" for the Group is NPAT and EBIT for Divisions. Actual financial metrics are compared to target. The Board has discretion to adjust NPAT for target assessment.	The Board believes the financial measure aligns the interests of Executives with shareholders, ensuring the KMP are rewarded on the Group's annual business objectives, ensuring Executives create sustainable value for shareholders. The comparison to budget allows for recognition of the cyclical nature of the industry in which the Company operates and forward looking factors that can be incorporated into a budget, while the stretch targets provide incentives beyond budget to enhance shareholder returns.
Strategic	**Non-financial performance**	
	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.	Proactively responding to market developments and implementing strategies to drive sustainable growth are critical to delivering the strategy and the creation of shareholder value.
People	A range of metrics focused on safety, engagement, building capability, retaining company knowledge and diversity with specific metrics for: > Leadership in safety > Employee engagement > Development of capability > Deepening succession pools > Increasing diversity of candidate pools.	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.
Operation excellence	Specific operational targets focused on productivity gains, cost reduction, operational improvement and improved asset management towards achieving improved return on investment.	Specific measures and initiatives were identified to ensure the delivery of sustainable operations and shareholder return.

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Performance assessment	Result
Target included a financial stretch The 2016 target was set at 4% above 2015 actual, which was a challenging target given the outlook in the Company's major markets of Western Australia and the Northern Territory. **NPAT** of $178.4 million, excluding property, was at 99.1% of target, and exceeded 2015 NPAT by 3.1%. The Board exercised discretion and determined that for assessment purposes, property profits will be excluded. The Board's view is that the performance of the Group continues to be strong with contribution from recent concrete and aggregate acquisitions (part of the Company's vertical integration strategy) delivering profitability which offset the impact of a 20% reduction in cement demand from residential and resource construction projects in Western Australia and the Northern Territory.	Group financial performance was 99.1% of target, resulting in 58% achievement of the Group financial component. Concrete and Aggregates Division financial performance was greater than 110% of target, resulting in 100% 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.
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 potential acquisition opportunities which culminated in the Central Pre-Mix concrete and quarry acquisition on 1 March 2017. **Organic growth** Strategy and planning including acquisition of property progressed for potential greenfields expansion. **Acquisition performance** Performance from concrete and aggregates acquisitions - Direct Mix Concrete, Southern Quarries, Penrice Quarry & Mineral and ITS Sand and Gravel - exceeded expectations due to better outcomes on pricing and delivery of integration synergies.	60%-80% achievement of strategic non-financial objectives.
Leadership in safety The Lost Time Injury Frequency Rate (LTIFR) is 1.7 compared to 2.0 for the previous year reflecting management's focus on processes, procedures and culture. **Safety Leadership Workshop** The Group introduced Safety Leadership Workshops which lead participants in their understanding of how their actions influence our workplace safety culture, 'safety leaders, everyone, every day'. More than 60% of employees participated in the workshops. The CEO and management demonstrate their visible and active leadership through active participation in site safety committee meetings throughout the Company's Australia wide operations. **Employee engagement** Focus groups were facilitated across the Company to understand the results of the employee survey where 77% of employees stated Adelaide Brighton was a great place to work. **Development of capability** Implementation of a Group Mentoring Program to support personal and career growth opportunities for high potential employees in addition to building capability across the mentor group. **Deepening succession pools and identification of future executive talent** The CEO and management exceeded targets set in respect of succession plans for key leadership roles, including the identification of future executive talent. **Increasing diversity** Targeted sourcing strategies increased the gender diversity of candidate pools with 62% of roles advertised in 2016 attracting female applicants.	50-70% achievement of people non-financial objectives.
Operational improvement Significant operational improvements benefits of $16 million were delivered and progressed to deliver further savings in 2017: > Cost savings of $9 million in energy costs, of which $8 million benefit resulted from renegotiation of gas contracts in Western Australia. > Headcount reductions resulted in $1 million in savings. > Benefit of $6 million achieved through a range of initiatives, including improved efficiency in transport and usage of alternative materials. Successful commissioning of second alternative fuels storage, receival and firing plant at the Birkenhead plant to support increased usage of alternative fuel, less reliance on gas and financial cost benefits. **Import strategy** Management has undertaken a range of initiatives that will decrease import costs in 2017 including savings in shipping and materials purchasing. **Investment in operational improvement** Workforce planning for consolidation of Angaston operation through the cessation of oilwell cement production. Initiatives to give benefit from 2017. **Land sales program** Preparation and negotiation of sale of land at a price that exceeded expectations during 2016, and ongoing progress on delivery of value from the long term land sales program.	60-80% achievement of operational excellence non-financial objectives.

3.1.2 Short Term Incentive - financial outcomes

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

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

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

Table 4

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

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

Table 5

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

(1) Where the actual STI payment is less than the maximum potential, the difference is forfeited and does not become payable in subsequent years.
(2) The 2016 STI was determined in conjunction with the finalisation of 2016 results and paid in February 2017.

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3.2 Long Term Incentive

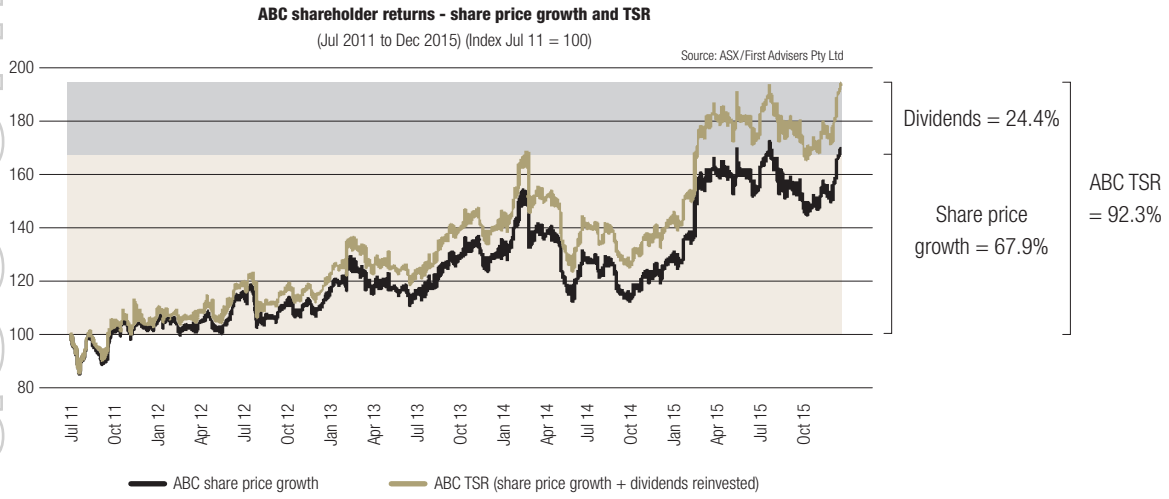
3.2.1 Long Term Incentive - outcomes

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

> The Total Shareholder Return component vested at 100.0% with the Company achieving a Total Shareholder Return of 92.3% being the 77th percentile of the Comparator Group.

> The compound annual EPS growth rate over the 2013 to 2015 financial period was 10.1% with the EPS component fully vesting at 100.0%.

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



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

Table 6

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

(1) This represents the maximum number of Awards granted in 2016 that may vest to each Executive. As the Awards granted in 2016 only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of the Awards as set out above vested or were forfeited during the year. At the end of the applicable performance period, any Awards that have not vested will expire.

(2) These Awards which were exercisable during 2016 were in fact exercised, being Tranche 2 of the 2012 Awards. The number of Awards that vested during the period and exercisable at 31 December 2016 is NIL. The number of Awards that vested but not yet exercisable at 31 December 2016 is NIL.

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

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

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

(6) The value per share at the date of exercise is the Volume Weighted Closing Price which is the average of the closing price and number of Adelaide Brighton Limited shares traded on the Australian Securities Exchange for the five trading days before the exercise date, but not including the day of exercise. The aggregate value of Awards that vested during the year is $3,636,735 based on the Volume Weighted Closing Price.

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Section 4 - Executive remuneration

4.1 Fixed annual remuneration

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

Fixed remuneration is reviewed annually having regard to relevant factors including performance, market conditions (both generally and in the markets in which the Group operates), growth and comparable roles within peer companies and similar roles across a comparator group comprising those companies in the ASX 51-150. For someone who has performed successfully in their role for a number of years, FAR set between the median and 75th percentile of the comparator would be expected.

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

4.2 At-risk remuneration - Short Term Incentive

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

A summary of the key features of the 2016 STI is as follows:

Form and purpose of the STI	
Who participates in the STI?	Participation in the STI is generally offered to the CEO and Managing Director and senior executives who are able to have a direct impact on the Group's performance against the relevant performance hurdles.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a meaningful proportion of senior executives' remuneration at risk, to be delivered on the achievement of performance targets linked to the Group's annual business objectives, ensuring senior executives create sustainable value for shareholders.
Does the STI comprise a deferred component?	Yes. For STI awards for the 2016 financial year, 25% of awards will be deferred into rights to receive fully paid ordinary shares in Adelaide Brighton (issued at no cost to the executive) subject to disposal restrictions (Deferred Rights) (see below). For STI awards for the 2017 financial year onwards, 50% of STI awards will be deferred (unless otherwise determined by the Board).
Performance conditions	
When and how are the STI performance conditions set?	All performance conditions are set by the Board and agreed with the executive, in general, by the end of February in each year. In approving financial targets under the STI, the Board considers a number of factors, including the industry in which we operate and the extraneous factors including market conditions that impact our financial performance and those of our competitors. These include the dynamics of the construction and resources industries, exchange rates and energy considerations. Our management team has responded well to external pressures over recent years, and has generated positive return for longer term shareholders in a challenging environment. Accordingly, the Board strongly believes that our STI targets need to be set in this context in order to continue to attract and motivate a highly capable senior executive team who can drive the continued delivery of strong results for shareholders over the longer term.
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: *Financial target achieved* — *STI % for financial target* 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.

Governance	
How is performance against the performance conditions assessed?	All performance conditions under the STI are clearly defined and measurable. Historically, the STI scheme used budgeted PBT as the metric for determining financial performance. The measure was changed to NPAT for the 2016 year for target setting and measuring Group financial performance for the purposes of the STI as this more closely reflects the shareholder experience. Divisional financial performance will continue to be based on EBIT performance. 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. There were no significant items during the year and reported profit equalled statutory profit. However, in assessing the 2016 STI, the Board adjusted the NPAT used for STI purposes to exclude property profits. 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 attached)?	The 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 2018 (2 year disposal restriction); and > the Deferred Rights in Tranche 2 and the shares acquired on their exercise may not be sold or otherwise disposed of until after 31 December 2019 (3 year disposal restriction). No dividends (or voting rights) are received on the Deferred Rights during the disposal restrictions.
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.
Cessation of employment or a change of control	
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 2016 LTI Award is as follows:

Driving performance	
Who participates and how does the Plan drive performance and align participants' interests with shareholders?	The LTI is offered to senior executives whose behaviour and performance have a direct impact on the Group's long term performance. Its purpose is to focus executives on the Group's long term business strategy to create and protect shareholder value over a four year performance period, thus aligning executives' interests more closely with shareholders.
Vesting, performance conditions and reward opportunity	
What is the vesting / performance period?	The 2016 Awards will be tested and become exercisable to the extent of any vesting from 1 May 2020.
What happens on the exercise of Awards?	Shares are delivered to the executive on the exercise of the Awards. Awards are granted at no cost to the executive and no amount is payable by the executive on the exercise of the Awards. Any unexercised 2016 Awards will expire on 30 September 2020.
How is the TSR performance condition measured and what amount can be earned?	The Company's TSR performance must equal or exceed the growth in the returns of the median companies of the S&P/ASX 200 Accumulation Index (XJO AI), excluding all GICS Financial companies and selected resources companies over the period from 31 December 2015 to 31 December 2019. The 2016 Awards vest progressively in accordance with the following scale: *TSR growth relative percentile ranking* — *% of Awards subject to TSR hurdle to vest* Below 50% — Nil 50% — 50% Between 50% and 75% — Pro rata 75% or above — 100%
How is the EPS performance condition calculated and what amount can be earned?	The EPS performance hurdle requires the compound annual growth in EPS of the Company over the relevant performance period to equal or exceed 5% per annum before any Awards will vest. Awards under the 2016 Award are to vest progressively in accordance with the following scale: *Compound annual growth in EPS* — *% of Awards subject to EPS hurdle to vest* Below 5% per annum — Nil 5% per annum — 50% Between 5% and 10% per annum — Pro rata 10% per annum or above — 100%
Is re-testing permitted?	No. Re-testing of either of the performance conditions applicable to a tranche of Awards is not permitted.
Governance	
Is there ability to 'claw back' in appropriate circumstances?	Yes. The rules of the Plan have, for some time, provided the Board with a broad ability to claw back Awards if considered appropriate. In addition to the rules of the Plan, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a Participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.
What other conditions apply to the Awards (including voting rights and dividends)?	An executive's entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues. 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). Until the Awards vest, executives have no legal or beneficial interest in Adelaide Brighton Limited shares, no entitlement to receive dividends and no voting rights in relation to any securities granted under the 2016 Award, or any of the other Awards. 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.

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Cessation of employment or a change of control	
What happens to Awards that are not yet exercisable on cessation of employment?	If an Executive resigns or is terminated for cause, the Awards in respect of any tranche that is not exercisable will generally be forfeited. The 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.
How would a change of control of the Group impact on LTI entitlements?	In the event of a takeover bid (or other transaction likely to result in a change in control of the Company), an executive will only be allowed to exercise his or her Awards to the extent determined by the Board as provided under the rules of the Plan.

Section 5 - Executive Service Agreements

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

Table 7

Name	*Notice periods*	*Separation payments* [1]
M Brydon	6 months' notice by either party (or payment in lieu)	6 months fixed annual remuneration where the Company terminates on notice.
M Kelly	3 months' notice by either party (or payment in lieu)	12 months fixed annual remuneration where the Company terminates on notice.[2]
G Agriogiannis	3 months' notice by either party (or payment in lieu)	9 months fixed annual remuneration where the Company terminates 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 Managing Director 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.

Section 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 $1,300,000 per annum approved at the 2013 Annual General Meeting.

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Base fees for 2016

Fees for the Chairman of the Board and the non-executive Director base fee were increased by approximately 4% for the 2016 financial year.

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

Base fees (Board)	*$*	*$*
Non-executive Chairman [1]	330,000	
Non-executive Director	110,000	
Committee fees	*Committee chair*	*Committee member*
Audit, Risk and Compliance Committee	25,411	14,294
Nomination, Remuneration and Governance Committee	25,411	14,294
Safety, Health and Environment Committee	25,411	14,294

(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.

Section 7 - Key Management Personnel disclosure tables

7.1 Non-executive Directors' statutory remuneration

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

Table 8

		Fees and allowances			*Post-employment benefits*
Non-executive Director	*Year*	*Directors' base fees (incl. superannuation)*	*Committee fees (incl. superannuation)*	*Total*	*Superannuation contributions [1]*
		$	*$*	*$*	*$*
LV Hosking	**2016**	**330,000**	**-**	**330,000**	**23,449**
(Chairman)	2015	317,642	-	317,642	23,449
RD Barro	**2016**	**110,000**	**14,294**	**124,294**	**10,783**
	2015	105,881	14,294	120,175	10,426
GF Pettigrew	**2016**	**110,000**	**53,999**	**163,999**	**14,909**
	2015	105,881	53,999	159,880	14,535
KB Scott-Mackenzie	**2016**	**110,000**	**39,705**	**149,705**	**12,998**
	2015	105,881	39,705	145,586	12,631
AM Tansey	**2016**	**110,000**	**39,705**	**149,705**	**12,998**
	2015	105,881	39,705	145,586	12,631
Total non-executive Directors' remuneration	**2016**	**770,000**	**147,703**	**917,703**	**75,137**
	2015	741,166	147,703	888,869	73,672

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

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7.2 Executive statutory remuneration

Table 9

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

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

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

(3) In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that the individual Executives may ultimately realise should the equity instruments vest. The notional value of Awards as at the date of their grant has been determined in accordance with the accounting policy Note 26.

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

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

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

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

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

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7.3 Equity holdings of Key Management Personnel

A summary of Executives' and non-executive Directors' current shareholdings in the Company as at 31 December 2016 is set out below.

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

Table 10 [1]

	Balance at beginning of year	*Granted as remuneration during the year*	*Net movement due to other changes*	*Balance at end of year*
Executives				
M Brydon	8,400	265,896	(235,000)	39,296
M Kelly	5,500	189,306	(189,806)	5,000
G Agriogiannis	-	99,277	(99,277)	-
AL Dell [2]	-	-	-	-
BD Lemmon	-	61,416	(61,416)	-
Former KMP				
MF Miller	-	50,578	(50,578)	-
Non-executive Directors				
LV Hosking	4,851	-	-	4,851
RD Barro [3]	217,869,876	-	9,709,479	227,579,355
GF Pettigrew	7,739	-	-	7,739
KB Scott-Mackenzie	5,000	-	-	5,000
AM Tansey	10,000	-	-	10,000

(1) The balances reported in Table 10 include shares held directly, indirectly or beneficially by each KMP or close members of their family or an entity over which the person or the family member has either direct or indirect control, joint control or significant influence as at 31 December 2016.

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

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

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Income statement

For the year ended 31 December 2016

($ Million)	Notes	Consolidated 2016	2015
Revenue from continuing operations	3	**1,396.2**	1,413.1
Cost of sales		**(885.8)**	(884.1)
Freight and distribution costs		**(195.5)**	(211.2)
Gross profit		**314.9**	317.8
Other income	3	**14.5**	51.4
Marketing costs		**(21.9)**	(20.7)
Administration costs		**(68.4)**	(68.1)
Finance costs	4	**(13.0)**	(14.7)
Share of net profits of joint ventures and associate accounted for using the equity method	10(a)	**28.5**	19.9
Profit before income tax		**254.6**	285.6
Income tax expense	5(a)	**(68.4)**	(77.8)
Profit for the year		**186.2**	207.8
Profit attributable to:			
Owners of the Company		**186.3**	207.9
Non-controlling interests		**(0.1)**	(0.1)
		186.2	207.8
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32	**28.7**	32.0
Diluted earnings per share	32	**28.6**	31.9

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Statement of comprehensive income

For the year ended 31 December 2016		*Consolidated*	
($ Million)	Notes	**2016**	2015
Profit for the year		**186.2**	207.8
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	20(a)	**(0.9)**	(1.3)
Changes in the fair value of cash flow hedges	20(a)	**1.3**	(1.3)
Income tax relating to these items	5(c)	**(0.4)**	0.4
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on retirement benefit obligation	18(b)	**1.7**	4.5
Income tax relating to these items	5(c)	**(0.5)**	(1.4)
Other comprehensive income for the year, net of tax		**1.2**	0.9
Total comprehensive income for the year		**187.4**	208.7
Total comprehensive income for the year attributable to:			
Owners of the Company		**187.5**	208.8
Non-controlling interests		**(0.1)**	(0.1)
Total comprehensive income for the year		**187.4**	208.7

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Balance sheet

As at 31 December 2016

($ Million)	Notes	Consolidated 2016	2015
Current assets			
Cash and cash equivalents	6	**21.5**	33.3
Trade and other receivables	7	**204.6**	208.3
Inventories	8	**160.2**	161.5
Assets classified as held for sale	9	**3.8**	-
Total current assets		**390.1**	403.1
Non-current assets			
Receivables	7	**34.4**	32.9
Retirement benefit asset	18(b)	**2.3**	1.3
Joint arrangements and associate	10	**151.2**	142.2
Property, plant and equipment	11	**978.4**	986.1
Intangible assets	12	**270.3**	272.9
Total non-current assets		**1,436.6**	1,435.4
Total assets		**1,826.7**	1,838.5
Current liabilities			
Trade and other payables	14	**117.0**	122.9
Borrowings	15	**0.4**	1.0
Current tax liabilities		**15.4**	15.0
Provisions	16	**31.9**	33.6
Other liabilities	17	**3.3**	6.8
Total current liabilities		**168.0**	179.3
Non-current liabilities			
Borrowings	15	**309.6**	329.5
Deferred tax liabilities	5(f)	**89.9**	85.4
Provisions	16	**39.0**	36.9
Other non-current liabilities		**0.1**	0.1
Total non-current liabilities		**438.6**	451.9
Total liabilities		**606.6**	631.2
Net assets		**1,220.1**	1,207.3
Equity			
Share capital	19	**731.4**	729.2
Reserves	20(a)	**2.9**	1.2
Retained earnings	20(b)	**483.3**	474.3
Capital and reserves attributable to owners of the Company		**1,217.6**	1,204.7
Non-controlling interests		**2.5**	2.6
Total equity		**1,220.1**	1,207.3

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Statement of changes in equity

For the year ended 31 December 2016
Consolidated

		Attributable to owners of Adelaide Brighton Limited					
($ Million)	*Notes*	*Share capital*	*Reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2016		**729.2**	**1.2**	**474.3**	**1,204.7**	**2.6**	**1,207.3**
Profit for the year		-	-	186.3	186.3	(0.1)	186.2
Other comprehensive income		-	-	1.2	1.2	-	1.2
Total comprehensive income for the year		**-**	**-**	**187.5**	**187.5**	**(0.1)**	**187.4**
Deferred hedging gains and losses and cost of hedging transferred to the carrying value of inventory purchased in the period		-	0.9	-	0.9	-	0.9
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	21	-	-	(178.5)	(178.5)	-	(178.5)
Executive performance share plan	19(b)/20(a)	2.2	0.8	-	3.0	-	3.0
		2.2	**0.8**	**(178.5)**	**(175.5)**	**-**	**(175.5)**
Balance at 31 December 2016		**731.4**	**2.9**	**483.3**	**1,217.6**	**2.5**	**1,220.1**
Balance at 1 January 2015		**727.9**	**3.3**	**402.8**	**1,134.0**	**2.7**	**1,136.7**
Profit for the year		-	-	207.9	207.9	(0.1)	207.8
Other comprehensive income		-	(2.2)	3.1	0.9	-	0.9
Total comprehensive income for the year		**-**	**(2.2)**	**211.0**	**208.8**	**(0.1)**	**208.7**
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	21	-	-	(139.5)	(139.5)	-	(139.5)
Executive performance share plan	19(b)/20(a)	1.3	0.1	-	1.4	-	1.4
		1.3	**0.1**	**(139.5)**	**(138.1)**	**-**	**(138.1)**
Balance at 31 December 2015		**729.2**	**1.2**	**474.3**	**1,204.7**	**2.6**	**1,207.3**

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Statement of cash flows

For the year ended 31 December 2016

($ Million)	Notes	Consolidated 2016	2015
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,536.1**	1,545.8
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,239.1)**	(1,272.1)
Joint venture distributions received		**18.6**	16.2
Interest received		**1.5**	1.7
Interest paid		**(12.1)**	(13.0)
Other income		**6.2**	5.6
Income taxes paid		**(67.2)**	(58.5)
Income taxes refunded		**4.4**	4.2
Net cash inflow from operating activities	31	**248.4**	229.9
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(86.5)**	(74.3)
Payments for acquisition of businesses, net of cash acquired		**-**	(6.5)
Proceeds from sale of property, plant and equipment		**23.2**	50.8
Loans to joint venture entities		**(2.0)**	(0.9)
Repayment of loans from other parties		**0.6**	0.6
Net cash outflow from investing activities		**(64.7)**	(30.3)
Cash flows from financing activities			
Proceeds from issue of shares		**4.0**	2.8
Repayment of borrowings		**(21.0)**	(61.5)
Dividends paid to Company's shareholders	21	**(178.5)**	(139.5)
Net cash outflow from financing activities		**(195.5)**	(198.2)
Net (decrease)/increase in cash and cash equivalents		**(11.8)**	1.4
Cash and cash equivalents at the beginning of the year		**33.3**	31.8
Effects of exchange rate changes on cash and cash equivalents		**-**	0.1
Cash and cash equivalents at the end of the year	6	**21.5**	33.3

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1 Summary of significant accounting policies

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

The financial report was authorised for issue by the Directors on 17 March 2017. The Directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are either set out below or included in the accompanying notes. These policies have been consistently applied to all the years presented. Unless otherwise stated the financial statements are for the consolidated entity consisting of Adelaide Brighton Limited and its subsidiaries.

(a) Basis of preparation

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

Comparative information has been re-stated where appropriate to enhance comparability.

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

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

New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 15 *Revenue From Contracts With Customers*

AASB 15 *Revenue From Contracts With Customers* will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard replaces the existing notion of risk and rewards with the notion of control to recognise when a good or service transfers to a customer. The Group performed a preliminary assessment of the impact of the new standard and based on the results do not believe that the standard will have a material impact on the financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018 and Adelaide Brighton will adopt the standard at that time.

AASB 16 Leases

AASB 16 *Leases* will replace the current standard on lease accounting, AASB 117. AASB 16 introduces a single lessee accounting model and requires the lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A preliminary assessment of the impact of the standard has been undertaken by the Group. Based upon current leases, adopting the standard would result in the recognition of a right of use asset with a value of $14.0 million and a corresponding liability at 31 December 2016, and reduce 2016 net profit after tax by $0.7 million. The standard is mandatory for financial years commencing on or after 1 January 2019 and Adelaide Brighton will adopt the standard at that time.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Adelaide Brighton Limited as at 31 December 2016 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as "the Group".

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(c) Foreign currency translation

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

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement or deferred in equity if the gain or loss relate to a qualifying cash flow hedge.

1 Summary of significant accounting policies *(continued)*

(c) Foreign currency translation *(continued)*

(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.

2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions in preparing the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions differeing to actual outcomes. The areas involving significant estimates and assumptions are listed below.

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

Detailed information about each of these estimates and assumptions is included in Notes 13, 16(iv) and 18 together with information about the basis of calculation for each affected line item in the financial statements.

3 Revenue and other income

Accounting policy - revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Sales revenue

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

(ii) Interest income

Interest income is recognised using the effective interest rate method.

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

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

4 Expenses

Accounting policy - borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**4.4**	4.3
Plant and equipment	**66.5**	66.0
Mineral reserves	**5.2**	5.6
Total depreciation	**76.1**	75.9
Amortisation of intangibles	**2.0**	1.9
Other charges		
Employee benefits expense	**156.3**	150.7
Defined contribution superannuation expense	**11.7**	11.1
Operating lease rental charge	**6.6**	5.2
Impairment expense recognised on trade debtors	**0.7**	1.1
Provision for inventory	**0.7**	0.4
Finance costs		
Interest and finance charges paid / payable	**12.3**	14.5
Unwinding of the discount on restoration provisions and retirement benefit obligation	**1.1**	0.9
Fair value loss/(gain) on forward foreign currency contracts at fair value through profit or loss	**0.2**	(0.2)
Total finance costs	**13.6**	15.2
Amount capitalised [1]	**(0.6)**	(0.5)
Finance costs expensed	**13.0**	14.7

(1) The rate used to determine the amount of borrowing costs to be capitalised is the average interest rate applicable to the Group's outstanding borrowings during the year, in this case 2.5% p.a. (2015: 3.1% p.a.).

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5 Income tax

Accounting policy - income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to previously unrecognised tax losses. The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

Tax consolidation

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

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

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

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

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

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

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($ Million)	Consolidated 2016	2015
5 Income Tax *(continued)*		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**254.6**	285.6
Tax at the Australian tax rate of 30% (2015: 30%)	**76.4**	85.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non allowable expenses	**0.7**	0.5
Non assessable income	**(1.9)**	(0.5)
Non assessable capital profits	**-**	(1.3)
Rebateable dividends	**(4.0)**	(3.9)
Fair value adjustment	**-**	(0.1)
Other deductions	**(1.3)**	-
Previously unrecognised capital tax losses offset against capital gains	**(1.9)**	(3.3)
Under provided in prior years	**0.4**	0.7
Aggregate income tax expense	**68.4**	77.8
Aggregate income tax expense comprises:		
Current taxation expense	**69.9**	68.1
Net deferred tax	**(1.7)**	10.0
Under/(Over) provided in prior year	**0.2**	(0.3)
	68.4	77.8
(b) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly (credited) debited to equity		
Current tax	**(1.1)**	(0.3)
Net deferred tax	**(0.9)**	0.3
	(2.0)	-
(c) Tax expense relating to items of other comprehensive income		
Actuarial gain on retirement benefit obligation (Note 18)	**0.5**	1.4
Changes in the fair value of cash flow hedges (Note 20(a))	**0.4**	(0.4)
	0.9	1.0
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised:		
Revenue losses	**0.4**	0.4
Capital losses	**11.6**	13.4

This benefit for tax losses will only be obtained if:

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

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

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

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($ Million)	Consolidated 2016	2015
5 Income Tax *(continued)*		
(e) Non-current deferred tax assets		
The balance comprises temporary differences attributable to:		
Share based payment reserve	**1.7**	1.3
Provisions	**24.6**	21.0
Other assets	**1.7**	5.8
Tax losses	**0.9**	-
Deferred tax assets - before offset	**28.9**	28.1
Offset deferred tax liability (Note 5(f))	**(28.9)**	(28.1)
Net deferred tax assets - after offset	**-**	-
Movements:		
Opening balance at 1 January - before offset	**28.1**	31.6
Recognised in the income statement	**2.3**	(2.4)
Recognised in other comprehensive income	**(0.9)**	(1.0)
Recognised in equity	**-**	(0.3)
Under/(over) provision in prior year	**(0.6)**	-
Acquired in business combinations	**-**	0.2
Closing balance at 31 December - before offset	**28.9**	28.1
(f) Non-current deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**101.6**	95.5
Inventories	**9.7**	9.9
Other	**7.5**	8.1
Deferred tax liabilities - before offset	**118.8**	113.5
Offset deferred tax assets (Note 5(e))	**(28.9)**	(28.1)
Net deferred tax liabilities - after offset	**89.9**	85.4
Net deferred tax liabilities to be settled after more than 12 months	**76.5**	75.1
Net deferred tax liabilities to be settled within 12 months	**13.4**	10.3
	89.9	85.4
Movements:		
Opening balance at 1 January - before offset	**113.5**	106.3
Recognised in the income statement	**0.6**	6.1
Recognised in equity	**0.4**	-
Under/(over) provision in prior year	**4.3**	1.1
Closing balance at 31 December - before offset	**118.8**	113.5

6 Cash and cash equivalents

Accounting policy - cash and cash equivalents

Cash and cash equivalents includes cash on hand, term deposits and deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Current		
Cash at bank and in hand	**19.8**	31.5
Term deposits	**1.7**	1.8
Cash and cash equivalents	**21.5**	33.3

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6 Cash and cash equivalents *(continued)*

(a) Offsetting

The Group has an offsetting agreement with its bank for cash facilities. The agreement allows the Group to manage cash balances on a total basis, offsetting individual cash balances against overdrafts. The value of overdrafts at 31 December 2016 was $nil (2015: $nil).

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 22. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

7 Trade and other receivables

Accounting policy - trade and other receivables

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

The Group applies the simplified approach to providing for expected credit losses for all trade receivables as set out in Note 22(b).

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

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

Fair value and credit, interest and foreign exchange risk

Due to the short term nature of current receivables, their carrying value is assumed to approximate their fair value. All receivables are denominated in Australian Dollars. Information concerning the fair value and risk management of both current and non-current receivables is set out in Note 22.

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

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($ Million)	Consolidated 2016	2015

8 Inventories

Accounting policy - inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost includes the reclassification from equity of any gains or losses on qualifying cashflow hedges relating to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Current		
Finished goods	**70.6**	70.4
Raw materials and work in progress	**60.1**	60.2
Engineering spare parts stores	**29.5**	30.9
	160.2	161.5

Inventory expense

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

9 Assets classified as held for sale

Accounting policy - assets held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

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

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

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10 Joint arrangements and associate

Accounting policy - joint arrangements and associate

(i) Associate entity

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

(ii) Joint arrangements

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

Joint operations

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

Joint ventures

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

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

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

(a) Summarised financial information for joint ventures and associate

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

	Total non-material				Consolidated	
	Joint ventures		Associate			
($ Million)	**2016**	2015	**2016**	2015	**2016**	2015
Investment in joint ventures and associate	**114.2**	107.2	**37.0**	35.0	**151.2**	142.2
Profit from continuing operations	**25.6**	19.0	**2.9**	0.9	**28.5**	19.9
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**25.6**	19.0	**2.9**	0.9	**28.5**	19.9

(b) Interests in joint arrangements and associate

		Ownership interest		
		2016	2015	
Name	Principal place of business	**%**	%	Activities
Aalborg Portland Malaysia Sdn. Bhd.(1)	Malaysia	**30**	30	White clinker and cement manufacture
Batesford Quarry (2)	Victoria	**50**	50	Limestone products
Burrell Mining Services JV (2)	New South Wales and Queensland	**50**	50	Concrete products for the coal mining industry
E.B. Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd (3)	New South Wales and Victoria	**50**	50	Premixed concrete and quarry products
Independent Cement and Lime Pty Ltd (3)	New South Wales and Victoria	**50**	50	Cementitious product distribution
Peninsula Concrete Pty Ltd (3)	South Australia	**50**	50	Premixed concrete
Sunstate Cement Ltd (3)	Queensland	**50**	50	Cement milling and distribution

(1) Associate
(2) Joint operation
(3) Joint venture

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

(c) Contingent liabilities in respect of joint ventures

The Group has an unrecognised contingent liability to acquire the interest it does not own in certain of its joint ventures. Acquisition of the interest is subject to exercise by the joint venture partner, the occurrence of which affects the value of the interest. The minimum amount of the contingent liability is $30.8 million (2015: $30.4 million).

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11 Property, plant and equipment

Accounting policy - property plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(i) Mineral reserves

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

(ii) Complex assets

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

(iii) Leasehold property

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

(iv) Other fixed assets

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Consolidated at 31 December 2016

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

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11 Property, plant and equipment *(continued)*

Consolidated at 31 December 2015

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

	Consolidated	
($ Million)	**2016**	2015
Leased assets		
Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:		
Cost	**1.6**	2.7
Accumulated depreciation	**(0.5)**	(0.5)
Net book amount	**1.1**	2.2

12 Intangible assets

Accounting policy - intangible assets

(i) Goodwill

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

Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units which are expected to benefit from the business combination for the purpose of impairment testing. Each of those cash generating units are consistent with the Group's reporting segments.

(ii) Lease rights

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

(iii) IT development and software

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

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

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12 Intangible assets *(continued)*

($ Million)	Consolidated			
	Goodwill	*Software*	*Other intangibles*	*Total*
31 December 2016				
Cost	**248.7**	**18.0**	**13.3**	**280.0**
Accumulated amortisation	**-**	**(8.6)**	**(1.1)**	**(9.7)**
Carrying amount at 31 December 2016	**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)**
Closing balance at 31 December 2016	**248.7**	**9.4**	**12.2**	**270.3**
31 December 2015				
Cost	**248.7**	**18.1**	**13.9**	**280.7**
Accumulated amortisation	**-**	**(6.9)**	**(0.9)**	**(7.8)**
Carrying amount at 31 December 2015	**248.7**	**11.2**	**13.0**	**272.9**
Opening balance at 1 January 2015	**248.7**	**11.2**	**6.5**	**266.4**
Reclassification	**-**	**1.1**	**-**	**1.1**
Additions in current year	**-**	**0.5**	**6.8**	**7.3**
Amortisation charge	**-**	**(1.6)**	**(0.3)**	**(1.9)**
Closing balance at 31 December 2015	**248.7**	**11.2**	**13.0**	**272.9**

13 Impairment tests

Goodwill is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

($ Million)	Consolidated	
	2016	2015
Cement and Lime	**134.0**	134.0
Concrete and Aggregates	**105.9**	105.9
Cement, Lime, Concrete and Aggregates segment	**239.9**	239.9
Concrete Products segment	**8.8**	8.8
	248.7	248.7

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

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

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

(1) Budgeted gross margin (excluding fixed production costs).

(2) Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period of up to 11 years.

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

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13 Impairment tests *(continued)*

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

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

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

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

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

14 Trade and other payables

	Consolidated	
($ Million)	**2016**	2015
Current		
Trade payables and accruals	**113.3**	120.7
Trade payables - joint ventures	**3.7**	2.2
	117.0	122.9

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

15 Borrowings and lease commitments

Accounting policy - borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Accounting policy - leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

	Consolidated	
($ Million)	**2016**	2015
Current		
Finance lease	**0.4**	1.0
Non-current		
Bank loans - unsecured	**309.3**	328.8
Finance lease	**0.3**	0.7
	309.6	329.5

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

Details of the Group's exposure to interest rate changes is set out in Note 22. Due to the short term fixed interest rates of the borrowings, the carrying value is the fair value.

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15 Borrowings and lease commitments *(continued)*

($ Million)	Consolidated 2016	2015
Lease commitments - finance leases		
Commitments in relation to finance leases for various plant and equipment are payable as follows:		
Within one year	**0.4**	1.1
Later than one year but not later than five years	**0.4**	0.7
Minimum lease payments	**0.8**	1.8
Future finance charges	**(0.1)**	(0.1)
Total lease liabilities	**0.7**	1.7
The present value of finance lease liabilities is as follows:		
Within one year	**0.4**	1.0
Later than one year but not later than five years	**0.3**	0.7
Minimum lease payments	**0.7**	1.7
Lease commitments - operating leases		
Commitments in relation to operating leases contracted for at the reporting date, but not recognised as liabilities, are payable as follows:		
Within one year	**4.8**	4.4
Later than one year but not later than five years	**12.9**	8.9
Later than five years	**8.0**	9.1
	25.7	22.4

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

16 Provisions

Accounting policy - provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(i) Short term employee benefit obligations

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

(ii) Long term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Workers' compensation

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

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16 Provisions *(continued)*

(iv) Provisions for close down and restoration costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are based on the net present value of the estimated future costs of a closure plan.

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

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

Significant estimates - future cost to rehabilitate

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

Provisions for close down and restoration costs at the end of the year was $38.1 million (2015: $37.7 million).

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

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

	Consolidated	
($ Million)	**2016**	2015
Current leave obligations expected to be settled after 12 months	**3.5**	3.1

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

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

17 Other liabilities

	Consolidated	
($ Million)	**2016**	2015
Current		
GST liability	**3.3**	6.8

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18 Retirement benefit obligations

Accounting policy - retirement benefit obligations

Except those employees that opt out of the Group's superannuation plan, all employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has a defined benefit section and defined contribution section within its plan. The defined benefit section provides defined lump sum benefits on retirement, death, disablement and withdrawal, based on years of service and final average salary. The defined benefit plan section is closed to new members. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date.

The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur in the statement of comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Past service costs are recognised immediately in the income statement.

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

Significant estimate - key assumptions

The present value of defined benefit superannuation plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These include selection of a discount rate, future salary increases and expected rates of return. The assumptions used to determine the obligations and the sensitivity of balances to changes in these assumptions are detailed in Note 18(d).

(a) Superannuation plan details

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

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

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

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

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

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

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal, and are guaranteed benefits to the equivalent of the notional balance they would have received as accumulation members through additional contributions from the Group. The defined benefit section of the Plan is closed to new members. During the 12 months to 31 December 2016, all new employees, who are members of this fund, have become members of the accumulation category of the Plan.

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

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

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

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18 Retirement benefit obligation *(continued)*

(b) Balance sheet amounts

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

($ Million)	Present value of obligation	Fair value of plan assets	Net obligation /(asset)
At 1 January 2016	**52.4**	**(53.7)**	**(1.3)**
Current service cost	**1.8**	**-**	**1.8**
Interest expense/(income)	**1.9**	**(2.0)**	**(0.1)**
Transfers in	**0.1**	**(0.1)**	**-**
	3.8	**(2.1)**	**1.7**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	**-**	**(1.6)**	**(1.6)**
(Gain) from change in financial assumptions	**(0.1)**	**-**	**(0.1)**
Experience (gain)	**-**	**-**	**-**
	(0.1)	**(1.6)**	**(1.7)**
Contributions:			
Employers	**-**	**(1.0)**	**(1.0)**
Plan participants	**1.0**	**(1.0)**	**-**
Payments from Plan:			
Benefit payments	**(5.7)**	**5.7**	**-**
At 31 December 2016	**51.4**	**(53.7)**	**(2.3)**
At 1 January 2015	58.9	(56.7)	2.2
Current service cost	2.0	-	2.0
Interest expense/(income)	1.4	(1.4)	-
Transfers in	0.3	(0.3)	-
	3.7	(1.7)	2.0
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(1.5)	(1.5)
Gain from change in financial assumptions	(2.8)	-	(2.8)
Experience losses	(0.2)	-	(0.2)
	(3.0)	(1.5)	(4.5)
Contributions:			
Employers	-	(1.0)	(1.0)
Plan participants	0.9	(0.9)	-
Payments from Plan:			
Benefit payments	(8.1)	8.1	-
At 31 December 2015	52.4	(53.7)	(1.3)

(c) Categories of plan assets

The major categories of plan assets are as follows:	**31 December 2016 Unquoted**		31 December 2015 Unquoted	
	$ Million	**in %**	$ Million	in %
Australian equity	**13.4**	**25%**	15.0	28%
International equity	**16.1**	**30%**	16.1	30%
Fixed income	**10.8**	**20%**	10.2	19%
Property	**6.4**	**12%**	6.5	12%
Cash	**3.8**	**7%**	1.1	2%
Other	**3.2**	**6%**	4.8	9%
Total	**53.7**	**100%**	53.7	100%

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

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18 Retirement benefit obligations *(continued)*

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	Consolidated	
	2016	2015
	%	%
Discount rate - % p.a.	**3.7**	3.9
Future salary increases - % p.a. - first year	**2.0**	2.0
Future salary increases - % p.a. - second year	**3.5**	3.0
Future salary increases - % p.a. - thereafter	**3.8**	4.0

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

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
31 December 2016			
Discount rate	0.50 ppts	Decrease by 1.7%	Increase by 1.8%
Future salary increases	0.50 ppts	Increase by 1.4%	Decrease by 1.3%
31 December 2015			
Discount rate	0.50 ppts	Decrease by 1.8%	Increase by 1.9%
Future salary increases	0.50 ppts	Increase by 1.4%	Decrease by 1.4%

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

(e) Defined benefit liability and employer contributions

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

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

19 Share capital

Accounting policy - share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the purpose of acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

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

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

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19 Share capital *(continued)*

(c) Ordinary shares

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

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

(d) Dividend Reinvestment Plan

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

(e) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue shares as well as issue new debt or redeem existing debt. The Group monitors capital on the basis of the gearing ratio. Adelaide Brighton's target gearing ratio is 25% to 45%.

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

	Consolidated	
($ Million)	**2016**	2015
Total borrowings	**310.0**	330.5
Less: cash and cash equivalents	**(21.5)**	(33.3)
Net debt	**288.5**	297.2
Total equity	**1,220.1**	1,207.3
Gearing ratio	**23.6%**	24.6%

(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 26.

20 Reserves and retained earnings

(a) Reserves		
Foreign currency translation reserve	**(0.7)**	0.2
Share-based payment reserve	**2.7**	1.9
Cash flow hedge reserve	**0.9**	(0.9)
	2.9	1.2
Foreign currency translation reserve		
Opening balance at 1 January	**0.2**	1.5
Currency translation differences arising during the year	**(0.9)**	(1.3)
Closing balance at 31 December	**(0.7)**	0.2
Share-based payment reserve		
Opening balance at 1 January	**1.9**	1.8
Awards expense	**1.0**	1.3
Deferred tax	**0.9**	(0.3)
Issue of shares to employees	**(1.1)**	(0.9)
Closing balance at 31 December	**2.7**	1.9
Cash flow hedge reserve		
Opening balance at 1 January	**(0.9)**	-
Revaluation - gross	**1.3**	(1.3)
Reclassified to the carrying amount of inventory	**1.3**	-
Deferred tax on movement in reserve	**(0.8)**	0.4
Closing balance at 31 December	**0.9**	(0.9)

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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 26.

Cash flow hedge reserve

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

(b) Retained earnings

	Consolidated	
($ Million)	**2016**	2015
Opening balance at 1 January	**474.3**	402.8
Net profit for the year	**186.3**	207.9
Actuarial gain/(loss) on defined benefit obligation net of tax	**1.2**	3.1
Dividends	**(178.5)**	(139.5)
Closing balance at 31 December	**483.3**	474.3

21 Dividends

Dividends paid during the year

	The Company	
($ Million)	**2016**	2015
2015 final dividend of 15.0 cents (2014 - 9.5 cents) per fully paid ordinary share, franked at 100% (2014 - 100%) paid on 12 April 2016	**97.3**	61.6
2016 interim dividend of 12.5 cents (2015 - 12 cents) per fully paid ordinary share, franked at 100% (2015 - 100%) paid on 12 October 2016	**81.2**	77.9
Total dividends - paid in cash	**178.5**	139.5

Dividend not recognised at year end

Since the end of the year the Directors have recommended the payment of a final dividend of 15.5 cents (2015: 15.0 cents) per fully paid share, franked at 100% (2015: 100%).The aggregate amount of the proposed final dividend to be paid on 12 April 2017, not recognised as a liability at the end of the reporting period, is	**100.7**	97.3

Franked dividend

The franked portion of the dividend proposed as at 31 December 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2017.

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

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

(a) franking credits that will arise from the payment of any current tax liability;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $43.2 million (2015: $41.7 million).

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22 Financial risk management

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

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

The Group uses different methods to measure different types of risk to which it is exposed, which are reviewed on intervals appropriate to the individual risk. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

The Group uses derivative financial instruments in the form of foreign exchange forward contracts to hedge certain currency risk exposures and price caps to hedge the price risk related to certain electricity purchases.

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

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

(ii) Electricity price risk

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

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

(iii) Interest rate risk

The Group's main interest rate risk arises from bank borrowings with variable rates which expose the Group to interest rate risk. Due to the historically low levels of gearing, Group policy is to take on debt facilities on a one to five year term with fixed bank lending margins associated with each term. Cash advances to meet short and medium term borrowing requirements are drawn down against the debt facilities on periods up to 90 days, at a variable lending rate comprising the fixed bank margin applied to the daily bank bill swap rate effective at the date of each cash advance. During both 2016 and 2015, the Group's borrowings at variable rates were denominated in Australian Dollars.

The Group analyses its interest rate exposure on a dynamic basis. Periodically, various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on forecast profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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

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

(iv) Summarised sensitivity analysis

Foreign currency risk relating to assets and liabilities at year end is immaterial as the majority of sales and assets are denominated in Australian Dollars, while the Group's purchases that are in foreign currency are settled at the time of the transaction. Consequently, liabilities recognised at 31 December are generally in Australian Dollars. All borrowings are denominated in Australian Dollars.

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

The following table summarises the sensitivity of the Group's floating rate borrowings to interest rate risk at the end of the reporting period. A 100 basis-point sensitivity has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

	Consolidated			
	2016		2015	
	Impact on post-tax profit	**Impact on equity**	Impact on post-tax profit	Impact on equity
Interest rates - increase by 1%	(2.2)	(2.2)	(2.3)	(2.3)
Interest rates - decrease by 1%	2.2	2.2	2.3	2.3

(b) Credit risk

Credit risk is managed on a Group basis using delegated authority limits. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and financial guarantees. Financial guarantees are only provided in exceptional circumstances and are subject to approval in accordance with the Board approved delegated authorities.

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

For trading credit risk, the Group assesses the credit quality of the customer, taking into account its financial position, past experience, external credit agency reports and credit references. Individual customer risk limits are set based on internal approvals in accordance with delegated authority limits set by the Board. The compliance with credit limits by credit approved customers is regularly monitored by line credit management. Sales to non-account customers are settled either in cash, major credit cards or electronic funds transfer, mitigating credit risk. In relation to a small number of customers with uncertain credit history, the Group has taken out personal guarantees in order to cover credit exposures. From the 1st of August 2016 the group commenced using credit insurance for selected accounts with a credit limit exceeding $0.25 million. The maximum liability insured is capped at $14 million.

The Group has no significant concentration of credit risk. As at 31 December 2016, the Group held no collateral over outstanding debts. Consequently, the maximum exposure to credit risk represents the carrying value of receivables and derivatives.

The Company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 31 December 2016 is determined as set out below, which incorporates past experience and forward looking information, including the outlook for market demand and forward looking interest rates.

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22 Financial risk management *(continued)*

(b) Credit risk *(continued)*

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

The gross carrying amount includes external receivables of $167.2 million (2015: $168.4 million) and joint venture receivables of $28.3 million (2015: $29.3 million).

(c) Liquidity risk

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

Financing arrangements

	Consolidated	
($ Million)	**2016**	2015
Unrestricted access was available at balance date to the following lines of credit:		
Credit standby arrangements		
Total facilities		
Bank overdrafts	**4.0**	4.0
Bank facilities	**540.0**	540.0
	544.0	544.0
Used at balance date		
Bank overdrafts	**-**	-
Bank facilities	**310.0**	330.0
	310.0	330.0
Unused at balance date		
Bank overdrafts	**4.0**	4.0
Bank facilities	**230.0**	210.0
	234.0	214.0
Maturity profile of bank facilities. Maturing on:		
5 January 2018	**330.0**	330.0
4 January 2019	**210.0**	210.0
	540.0	540.0

The table below analyses the Group's financial liabilities that will be settled on a gross basis. The amounts disclosed are the contractual undiscounted cash flows. For bank facilities the cash flows have been estimated using interest rates applicable at the end of the reporting period.

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22 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Contractual maturities of financial liabilities

	Consolidated				
($ Million)	< 6 months	6-12 months	1-2 years	> 2 years	Total
31 December 2016					
Non-derivatives					
Trade payables	**117.0**	**-**	**-**	**-**	**117.0**
Bank facilities	**4.2**	**4.3**	**310.1**	**-**	**318.6**
Finance leases	**0.4**	**0.3**	**0.3**	**-**	**1.0**
Bank guarantees	**24.1**	**-**	**-**	**-**	**24.1**
	145.7	**4.6**	**310.4**	**-**	**460.7**
Derivatives					
Gross settled forward foreign exchange contracts (cash flow hedges):					
- (inflow)	**(27.5)**	**(7.9)**	**-**	**-**	**(35.4)**
- outflow	**28.4**	**8.3**	**-**	**-**	**36.7**
	0.9	**0.4**	**-**	**-**	**1.3**
31 December 2015					
Non-derivatives					
Trade payables	122.9	-	-	-	122.9
Bank facilities	5.1	5.1	350.5	-	360.7
Finance leases	0.4	0.7	0.8	-	1.9
Bank guarantees	22.3	-	-	-	22.3
	150.7	5.8	351.3	-	507.8
Derivatives					
Gross settled forward foreign exchange contracts (cash flow hedges):					
- (inflow)	(29.8)	(8.5)	-	-	(38.3)
- outflow	28.9	8.3	-	-	37.2
	(0.9)	(0.2)	-	-	(1.1)

(d) Financial instruments, derivatives and hedging activity

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

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

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

Accounting policy - financial instruments

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

(i) Financial assets at amortised cost

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

(ii) Financial assets through profit or loss

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

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

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22 Financial risk management *(continued)*

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

(iii) Hedging instruments

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

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

Refer to Note 22(a) for details of the movements in the Group's reserves relating to hedging activities.

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

	Consolidated	
	2016	2015
Hedging instrument - forward foreign exchange contracts		
Carrying amount - $Million	**1.3**	(1.3)
Notional amount US Dollars - $Million	**32.7**	38.3
Notional amount Yen - $ Million	**2.7**	-
Maturity date	**Jan - Sep 2017**	Jan - Sep 2016
Hedge ratio	**1:1**	1:1
Change in value of outstanding hedge instruments since 1 January - $Million	**1.3**	(1.3)
Change in value of hedge item used to determine hedge effectiveness - $Million	**(1.3)**	1.3
Weighted average hedge rate - US Dollars	**A$1 : US$0.7511**	A$1 : US$0.7058
- Yen	**A$1 : Yen 84.3**	-
Hedging instrument - electricity price caps		
Carrying amount - $Million	**-**	0.6
Notional amount - megawatts	**-**	10
Maturity date	**-**	Jan - Mar 2016
Hedge ratio	**-**	1:1
Change in value of outstanding hedge instruments since 1 January - $Million	**-**	-
Change in value of hedge item used to determine hedge effectiveness - $Million	**-**	-
Cap price	**-**	$300/MwH

23 Fair value measurements

Fair value hierarchy

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

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

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

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

(i) Recognised fair value measurements

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

(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).

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24 Contingencies

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

	Consolidated	
($ Million)	**2016**	2015
(a) Guarantees		
Bank guarantees	**24.1**	22.3

(b) Litigation

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

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

25 Commitments for capital expenditure

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

Within one year	**12.6**	29.6

26 Share-based payment plans

Accounting policy - share-based payments

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

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

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

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

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

(a) Employee Share Plan

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

No shares were issued under the Employee Share Plan during the year (2015 - nil). In subsequent years, the Board will decide whether, considering the profitability of the Company and the demands of the business, further invitations to take up grants of shares should be made.

(b) Executive Performance Share Plan

The Plan provides for grants of Awards to eligible executives. This plan was approved by shareholders at the Annual General Meeting held on 19 November 1997.

Under the Plan, eligible executives are granted Awards (each being an entitlement to a fully paid ordinary share of Adelaide Brighton Limited, subject to the satisfaction of performance conditions) on terms and conditions determined by the Board. On exercise of the Award following vesting, participants are issued shares of the Company. Detailed discussion of performance conditions is set out in the Remuneration Report on pages 42 to 60.

The exercise price for each Award is $nil.

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

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26 Share-based payment plans *(continued)*

(b) Executive Performance Share Plan *(continued)*

The average value per share at the earliest exercise date during the year was $5.08 (2015: $4.60). The value per share is calculated using the Volume Weighted Closing Price which is the average of the closing price and number of Adelaide Brighton Limited shares traded on the Australian Securities Exchange for the five trading days before the exercise date, but not including the day of exercise.

The fair value of Awards at the grant date are independently determined using a pricing model. For the purposes of pricing model inputs, the share price for calculation of the Award value is based on the closing published share price at grant date. The impact of the Award's performance conditions have been incorporated into the valuation through the use of a discount for lack of marketability and TSR vesting conditions. Volatility of the Company's share price has been considered in valuing the Awards, however the independent valuer has reached the conclusion that the volatility is not a factor in assessing the fair value of the Awards.

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

Awards granted in 2016 - weighted average pricing model inputs

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

Awards granted in 2015 - weighted average pricing model inputs

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

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

The Plan does not entitle the Participants to participate in any other share issues of the Company and the unexercised Awards do not attract dividend or voting rights. The Group recognised share based payments expense of $1,149,092 during the year (2015: $1,323,686).

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

27 Remuneration of auditors

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

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

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($ Million)	Consolidated 2016	2015

28 Related parties

(a) Compensation of Key Management Personnel

Short-term employee benefits	**6.6**	7.5
Post employment benefits	**0.1**	0.2
Share-based payments	**1.0**	1.3
	7.7	9.0

(b) Other transactions with Key Management Personnel

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

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

M Brydon, CEO and Managing Director, and M Kelly, a senior executive of Adelaide Brighton Limited, have been Directors of Sunstate Cement Ltd during the reporting period. G Agriogiannis, a senior executive of Adelaide Brighton Limited and M Kelly are also Directors of the Mawson Group. During the year, the Group traded significantly with Independent Cement and Lime Pty Ltd, Sunstate Cement Ltd, the Mawson Group and Aalborg Portland Malaysia Sdn. Bhd., which are all joint ventures or associates of the Group.

(c) Controlled entities

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

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

($)	Consolidated 2016	2015
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	**71,983,392**	60,530,291
Purchases from Director related parties	**20,818,254**	20,398,478

Details of interests in controlled entities are set out in Note 29. The ultimate parent company is Adelaide Brighton Limited.

(d) Joint arrangement and associate entities

The nature of transactions with joint arrangement and associate entities is detailed below:

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

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

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($'000)	Consolidated 2016	2015
(e) Transactions with related parties		
The following transactions occurred with related parties:		
Sales of goods		
- Joint venture entities	**242,702**	223,705
Purchases of materials and goods		
- Joint venture entities	**84,375**	76,491
- Associate entities	**8,142**	11,803
Interest revenue		
- Joint venture entities	**719**	762
Dividend and distribution income		
- Joint venture entities	**18,582**	16,227
Superannuation contributions		
- Contributions to superannuation funds on behalf of employees	**12,707**	12,189
Loans advanced to/(from):		
Joint venture entities	**2,046**	940
(f) Outstanding balances arising from sales/purchases of goods and services		
The following balances are outstanding at the reporting date in relation to transactions with related parties:		
Current receivables		
- Joint venture entities (interest)	**338**	345
- Joint venture entities (trade)	**28,041**	28,962
Non-current receivables		
- Joint venture entities (loans)	**31,917**	30,212
Current payables		
- Joint venture entities (trade)	**3,686**	2,243

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

(g) Loans to related parties

A loan to a joint venture entity, Independent Cement and Lime Pty Ltd, has interest charged at commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was $718,972 (2015: $762,637).

29 Subsidiaries and transactions with non-controlling interests

The Group's material subsidiaries at 31 December are set out below. The subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation	Class of shares	Ownership interest held by the Group 2016 %	2015 %
Adbri Masonry Group Pty Ltd	Australia	Ord	**100**	100
Adbri Masonry Pty Ltd	Australia	Ord	**100**	100
Adelaide Brighton Cement Investments Pty Ltd	Australia	Ord	**100**	100
Adelaide Brighton Cement Ltd	Australia	Ord	**100**	100
Adelaide Brighton Management Ltd	Australia	Ord	**100**	100
Aus-10 Rhyolite Pty Ltd	Australia	Ord	**100**	100
Cockburn Cement Ltd	Australia	Ord	**100**	100
Exmouth Limestone Pty Ltd	Australia	Ord	**51**	51
Hurd Haulage Pty Ltd	Australia	Ord	**100**	100
Hy-Tec Industries Pty Ltd	Australia	Ord	**100**	100
Hy-Tec Industries (Queensland) Pty Ltd	Australia	Ord	**100**	100
Hy-Tec Industries (Victoria) Pty Ltd	Australia	Ord	**100**	100
Morgan Cement International Pty Ltd	Australia	Ord	**100**	100
Northern Cement Ltd	Australia	Ord	**100**	100
Premier Resources Ltd	Australia	Ord	**100**	100
Screenings Pty Ltd	Australia	Ord	**100**	100
Southern Quarries Pty Ltd	Australia	Ord	**100**	100

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30 Deed of cross guarantee

As at the date of this report, Adelaide Brighton Limited, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Northern Cement Ltd, Premier Resources Ltd, Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Morgan Cement International Pty Ltd, Adbri Masonry Group Pty Ltd, C&M Masonry Products Pty Ltd, Adbri Masonry Pty Ltd, Hurd Haulage Pty Ltd, Aus-10 Rhyolite Pty Ltd, Screenings Pty Ltd, Southern Quarries Holdings Pty Ltd, Direct Mix Holdings Pty Ltd and Southern Quarries Pty Ltd are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others. By entering into the Deed, wholly owned entities classified as a "Closed Group" are relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

No changes to the Deed were made during 2016.

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

	Consolidated	
($ Million)	**2016**	2015
Current assets		
Cash and cash equivalents	**17.4**	28.2
Trade and other receivables	**203.7**	207.6
Inventories	**159.8**	161.2
Assets classified as held for sale	**3.8**	-
Total current assets	**384.7**	397.0
Non-current assets		
Receivables	**34.3**	32.9
Retirement benefit asset	**2.3**	1.3
Joint arrangements and associate	**90.3**	86.5
Other financial assets	**21.4**	21.4
Property, plant and equipment	**962.5**	958.7
Intangible assets	**268.2**	270.7
Total non-current assets	**1,379.0**	1,371.5
Total assets	**1,763.7**	1,768.5
Current liabilities		
Trade and other payables	**140.2**	130.3
Borrowings	**0.1**	0.7
Current tax liabilities	**15.4**	14.9
Provisions	**31.8**	33.4
Other liabilities	**3.3**	6.8
Total current liabilities	**190.8**	186.1
Non-current liabilities		
Borrowings	**309.4**	329.0
Deferred tax liabilities	**88.9**	85.0
Provisions	**38.9**	36.9
Other non-current liabilities	**0.1**	0.1
Total non-current liabilities	**437.3**	451.0
Total liabilities	**628.1**	637.1
Net assets	**1,135.6**	1,131.4
Equity		
Contributed equity	**731.4**	729.2
Reserves	**2.9**	1.3
Retained earnings	**401.3**	400.9
Total equity	**1,135.6**	1,131.4

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30 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 2016 of the Closed Group.

	Consolidated	
($ Million)	**2016**	2015
Profit before income tax	**247.1**	282.3
Income tax expense	**(69.4)**	(78.1)
Profit for the year	**177.7**	204.2
Retained earnings 1 January	**400.9**	333.4
Profit for the year	**177.7**	204.2
Other comprehensive income	**1.2**	2.8
Dividends paid	**(178.5)**	(139.5)
Retained earnings 31 December	**401.3**	400.9

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

Profit for the year	**186.2**	207.8
Doubtful debts	**0.7**	0.8
Depreciation, amortisation and impairment	**78.1**	77.8
Share based payments	**(2.9)**	(1.5)
Finance charges on remediation provision	**1.1**	0.9
(Gain) on sale of non-current assets	**(8.4)**	(45.9)
Share of profits of joint ventures, net of dividends received	**(9.9)**	(3.7)
Non-cash retirement benefits expense	**0.2**	1.0
Non-cash remediation obligation	**0.8**	(2.2)
Fair value accounting gain on acquisition of business	**-**	(0.2)
Capitalised interest	**(0.6)**	(0.5)
Other	**0.4**	(0.5)
Net cash provided by operating activities before changes in assets and liabilities	**245.7**	233.8
Changes in operating assets and liabilities, net of effects from purchase of business combinations:		
(Increase) in inventories	**1.3**	(6.6)
(Increase)/decrease in prepayments	**1.1**	(1.4)
(Increase) in receivables	**1.9**	(7.8)
Increase in trade creditors	**(2.3)**	0.8
(Decrease)/increase in provisions	**(0.7)**	(2.2)
Increase/(decrease) in taxes payable	**0.4**	13.6
Increase in deferred taxes payable	**4.5**	10.9
(Decrease)/increase in other operating assets and liabilities	**(3.5)**	(11.2)
Net cash inflow from operating activities	**248.4**	229.9

32 Earnings per share

Accounting policy - earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

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32 Earnings per share *(continued)*

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

($ Million)	Consolidated 2016	Consolidated 2015
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit after tax	**186.2**	207.8
Loss/(profit) attributable to non-controlling interests	**0.1**	0.1
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**186.3**	207.9

33 Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the CEO and Managing Director. These reports include segmental information on the basis of product groups and are used to regularly evaluate how to allocate resources and in assessing performance.

The two reportable segments have been identified as follows:

- Cement, Lime, Concrete and Aggregates
- Concrete Products

The operating segments Cement, Lime, Concrete and Aggregates individually meet the quantitative thresholds required by AASB 8 as well as meeting the aggregation criteria allowing them to be reported as one segment. The Group considered aggregation of these segments appropriate due to the similarity of the markets that the products are sold, the consistent regulatory environment for the production, handling and use of the products, distribution method and underlying demand drivers. Concrete Products meets the quantitative threshold therefore is reported as a separate segment. Joint arrangements and associates related to the reportable segments form part of the above two reportable segments.

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

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

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

31 December 2016

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

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33 Segment reporting *(continued)*

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

31 December 2015

($ Million)	*Cement, Lime, Concrete and Aggregates*	*Concrete Products*	*Unallocated*	*Total*
Total segment operating revenue	1,536.7	147.8	-	1,684.5
Inter-Company revenue	(64.0)	-	-	(64.0)
Revenue from external customers	1,472.7	147.8	-	1,620.5
Depreciation and amortisation	(65.6)	(8.3)	(3.9)	(77.8)
EBIT	321.7	11.4	(34.5)	298.6
Share of net profits of joint venture and associate entities accounted for using the equity method	19.9	-	-	19.9

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

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

	Consolidated	
($ Million)	**2016**	2015
Total segment operating revenue	**1,722.7**	1,684.5
Inter-Company revenue elimination	**(74.9)**	(64.0)
Freight revenue	**97.3**	125.8
Other production revenue	**6.0**	-
Interest revenue	**1.5**	1.7
Royalties	**0.5**	0.4
Elimination of joint venture and associate revenue	**(356.9)**	(335.3)
Revenue from continuing operations	**1,396.2**	1,413.1

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

	Consolidated	
($ Million)	**2016**	2015
EBIT	**266.1**	298.6
Net interest	**(11.5)**	(13.0)
Profit before income tax	**254.6**	285.6

(c) Other segment information

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

34 Parent entity financial information

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

(i) Investments in subsidiaries, associate and joint arrangements

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

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34 Parent entity financial information *(continued)*

(ii) Tax consolidation legislation

The Company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

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

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

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

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

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

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

(iii) Financial guarantees

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

(iv) Share based payments

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

(a) Summary financial information

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

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

(b) Guarantees entered into by the parent entity

Bank guarantees	**10.3**	5.9

(c) Contingent liabilities of the parent entity

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

35 Events occurring after the balance sheet date

Subsequent to reporting date, Adelaide Brighton had agreed to acquire the Central Pre-Mix Concrete (Central) business, an integrated concrete and aggregate operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market. The purchase price of approximately $61 million, including transaction costs of $3 million, represents 7.0 times 2016 calendar year earnings before interest, tax, depreciation and amortisation.

Adelaide Brighton completed the acquisition effective 1 March 2017.

Other than the purchase of Central, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 61 to 99 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 30.

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

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

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

M Brydon
Director
Dated 17 March 2017

Auditor's independence declaration

Auditor's independence declaration

As lead auditor for the audit of Adelaide Brighton Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Kevin Reid, Partner
PricewaterhouseCoopers
Adelaide 17 March 2017

Liability limited by a scheme approved under Professional Standards Legislation.

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

pwc

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

The Group's financial report comprises:

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

Basis for opinion

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

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

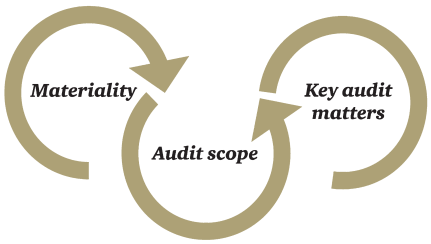
Independence

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

Our audit approach

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

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



Materiality

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

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

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

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

Audit scope

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

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

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

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

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

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Key audit matters

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

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

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

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

Key audit matter	How our audit addressed the key audit matter
Recoverability of goodwill and tangible assets ***(Refer to notes 11 & 12)*** The financial report for the Group includes property, plant and equipment of $978.4 million and goodwill of $248.7 million as at 31 December 2016. In order to assess recoverability of these assets, the Group prepared financial models at 31 December 2016 to determine if the carrying values of goodwill and property, plant and equipment were supported by forecast future cash flows, discounted to present value (the models). The appropriateness of the carrying amount of the goodwill and property, plant and equipment was a key audit matter due to: - the significance of these asset balances to the financial position of the Group; and - the Group's assessment of the carrying amount involving judgements, such as budgeted cash flows, growth rates and discount rate.	We evaluated the Group's cash flow forecasts and the process by which they were developed. We compared the 2017 forecast in the models to the Board approved budgets. We checked that prior year budgets have been materially consistent with actual performance to assess the Group's ability to make reliable forecasts. We found that the Group's previous forecasts had been materially accurate. 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 by recalculating the models using a range of reasonably possible alternative growth rates and discount rates assumptions. In particular, we applied the long term growth rate (or perpetual growth rate) from year 5 as opposed to year 20 (which was utilised by the Group). No impairment was identified from this analysis. Management engaged an expert to assist them in determining the discount rates applied in the impairment models. We assessed them as management experts, and considered the experts' method, competency and objectivity. Having done so, we were satisfied that we could rely on their work for the purpose of our audit. We tested the components of the discount rates by comparison to independent sources.

Key audit matter	How our audit addressed the key audit matter
Estimation of rehabilitation provisions ***(Refer to note 16)*** The Group recognised rehabilitation provisions of $38.1 million in relation to the rehabilitation of presently operating quarries and concrete plants. The rehabilitation provisions were a key audit matter because significant judgement is involved in assessing future costs and rehabilitation requirements for the estimation of the provision. The rehabilitation provision for sites being actively remediated is material. The provision for rehabilitation costs for these sites reflected tendered cost estimates for future stages of rehabilitation. For other quarries not currently being actively remediated, the provision is determined through annual cost estimates. The Group estimates future costs to rehabilitate each site (nominal cost), based on rehabilitation requirements, current costs and forecast cost inflation factors, and discounts these estimates to net present value. Cost inflation and discount rates are based on published government rates.	We obtained a listing of all quarries and concrete plants with a rehabilitation provision. We assessed whether a provision was included for all sites that required rehabilitation based on our knowledge of the operations, review of new lease contract agreements, review of meeting minutes and discussions with management. We did not identify any omissions. We focussed our attention on sites where there had been a change to the nominal cost from previous periods, or where we would have expected there to be a change to the nominal cost based on our knowledge of the business. We identified that a number of sites had a change to the nominal cost to rehabilitate, however individually and in aggregate, these changes were not material. Focusing on those with a greater size and risk, we made inquiries as to why the change had occurred and corroborated this inquiry by obtaining supporting evidence, including contracts and quotes for decommissioning and rehabilitation costs, or evidence of costs incurred for similar sites. Our procedures were more limited where there was no change in the underlying cost to rehabilitate, given (1) the movement in the provision year on year was due to the passing of time as opposed to a change in the future cost estimate and (2) we had tested the provision on initial recognition, or since the last significant change to nominal cost. We assessed whether the provisions had been updated to reflect any new knowledge gained from rehabilitation planned in other areas or changes in rehabilitation requirements. For sites being actively remediated, we compared the movement in the provision recognised with external quotes for the next stage of work to be performed. We found the provision estimate was consistent with the external quotes. To assess the Group's ability to estimate accurately, we also compared previous period's estimates of costs to the actual costs and found no material differences.

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Key audit matter

Measurement of inventory quantities for finished goods, raw materials and work in progress

(Refer to note 8)

The Group had $160.2 million of inventory on hand at 31 December 2016, which included finished goods, raw materials and work in progress totalling $130.7 million. Raw materials and work in progress inventory is typically stockpiled prior to consumption or sale.

The measurement of inventory quantities for these inventory types was a key audit matter as the measurement process is relatively complex for parts of the Group. The Group relies on independent surveyors to perform volumetric surveys to estimate the quantities of certain stockpiled inventory utilising aerial and laser surveys. The Group converts the survey quantities, which are reported in cubic metres, to tonnages using density factors.

How our audit addressed the key audit matter

We assessed the independent surveyors as management experts, and for each expert considered the surveyor's method, competency and objectivity. We were satisfied that we could rely on their work for the purpose of our audit.

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

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

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

This description forms part of our auditor's report.

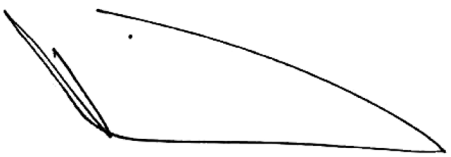
Report on the remuneration report

Our opinion on the remuneration report
We have audited the remuneration report included in pages 42 to 60 of the directors' report for the year ended 31 December 2016.

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

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers



Kevin Reid, Partner
Adelaide 17 March 2017

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Financial history

Year ended	*Dec*	*Dec*	*Dec* [1]	*Dec*	*Dec* [2]	*Dec*	*Dec*	*Dec*	*Dec*	*Dec*	*Dec*	*Dec*	*Dec* [3]
($ Million unless stated)	*2016*	*2015*	*2014*	*2013*	*2012*	*2011*	*2010*	*2009*	*2008*	*2007*	*2006*	*2005*	*2004*
Statements of financial performance													
Sales revenue	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	683.4
Depreciation, amortisation and impairments	(78.1)	(77.8)	(75.0)	(70.6)	(65.2)	(57.8)	(52.8)	(56.8)	(56.8)	(52.4)	(51.8)	(47.0)	(51.4)
Earnings before interest and tax	266.1	298.6	247.5	222.7	222.1	219.8 [2]	216.2	185.3	189.1	171.3	148.8	134.1	119.6
Net interest earned (paid)	(11.5)	(13.0)	(15.0)	(14.1)	(14.6)	(17.0)	(14.0)	(16.7)	(33.8)	(21.7)	(15.2)	(14.0)	(14.7)
Profit before tax, abnormal and extraordinary items	254.6	285.6	232.5	208.6	207.5	206.4	202.2	168.6	155.3	149.6	133.6	120.1	104.9
Tax expense	(68.4)	(77.8)	(59.9)	(57.5)	(54.6)	(58.0)	(50.8)	(45.4)	(34.5)	(35.7)	(31.0)	(29.2)	(11.8)
Profit from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	1.3
Non-controlling interests	0.1	0.1	0.1	-	0.1	-	0.1	(0.1)	-	-	(0.5)	-	(1.1)
Net profit after tax attributable to members	186.3	207.9	172.7	151.1	153.0	148.4	151.5	123.1	120.8	113.9	102.1	90.9	93.3
Group balance sheet													
Current assets	390.1	403.1	387.4	390.2	363.7	307.8	274.1	308.8	290.8	233.1	224.7	211.0	196.2
Property, plant and equipment	978.4	986.1	994.2	889.7	902.5	851.0	760.6	774.3	801.9	742.5	694.2	665.6	613.5
Receivables	34.4	32.9	32.7	31.4	29.6	27.2	30.4	30.4	28.4	29.5	27.5	23.3	19.1
Investments	151.2	142.2	139.9	138.5	129.0	97.2	87.7	72.5	67.6	66.9	40.8	38.1	35.6
Intangibles	270.3	272.9	266.4	183.9	184.8	183.0	179.1	169.0	169.4	164.4	164.6	165.0	165.5
Other non-current assets	2.3	1.3	0.0	0.0	3.5	0.0	0.0	0.0	0.0	2.7	22.9	19.0	19.7
Total assets	1,826.7	1,838.5	1,820.6	1,633.7	1,613.1	1,466.2	1,331.9	1,355.0	1,358.1	1,239.1	1,174.7	1,122.0	1,049.6
Current borrowings and creditors	117.4	123.9	122.7	105.4	115.0	99.2	106.4	106.5	98.4	145.5	125.8	323.5	294.6
Current provisions	50.6	55.4	44.2	105.8	78.5	34.5	52.6	55.4	44.5	49.5	54.1	58.2	48.1
Non-current borrowings	309.6	329.5	390.1	259.1	299.3	258.7	150.2	200.5	410.5	281.9	210.7	1.0	1.1
Deferred income tax and other non-current provisions	129.0	122.4	126.9	101.6	114.4	116.7	88.4	95.6	102.8	94.3	109.1	105.3	116.8
Total liabilities	606.6	631.2	683.9	571.9	607.2	509.1	397.6	458.0	656.2	571.2	499.7	488.0	460.6
Net assets	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9	957.1	934.3	897.0	701.9	667.9	675.0	634.0	589.0
Share capital	731.4	729.2	727.9	699.1	696.6	694.6	692.7	690.4	540.4	514.0	513.3	513.3	512.8
Reserves	2.9	1.2	3.3	4.3	2.1	2.3	2.6	2.9	3.5	14.5	13.3	14.0	12.8
Retained pofits	483.3	474.3	402.8	355.6	304.4	257.3	236.0	200.6	155.0	136.4	139.8	98.4	54.1
Shareholders' equity attributable to members of the Company	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	579.7
Non-controlling interests	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.0	3.0	8.6	8.3	9.3
Total shareholders' funds	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9	957.1	934.3	897.0	701.9	667.9	675.0	634.0	589.0
Share information													
Net Tangible Asset Backing ($/share)	1.46	1.44	1.34	1.38	1.29	1.22	1.19	1.15	0.97	0.93	0.94	0.87	0.78
Return on funds employed	17.5%	19.8%	17.7%	17.0%	18.0%	19.4%	20.0%	17.3%	18.0%	18.1%	16.7%	15.9%	13.4%
Basic earnings per share (¢/share)	28.7	32.0	26.9	23.7	24.0	23.3	23.9	20.4	22.2	21.0	18.8	16.8	17.2
Diluted earnings (¢/share)	28.6	31.9	26.8	23.4	23.8	23.2	23.7	20.3	22.0	20.8	16.4	16.2	14.6
Total dividend (¢/share) [4]	28.0	27.0	17.0	19.5	16.5	16.5	21.5	13.5	15.0	18.5	18.5	10.5	7.5
Interim dividend (¢/share) [4]	8.5	8.0	7.5	7.5	7.5	7.5	7.5	5.5	6.5	6.0	5.0	4.25	3.5
Final dividend (¢/share) [4]	11.5	11.0	9.5	9.0	9.0	9.0	9.0	8.0	8.5	7.5	6.25	4.0	
Special dividend (¢/share) [4]	8.0	8.0	-	3.0	-	-	5.0	-	-	3.5	6.0	-	-
Gearing	23.6%	24.6%	31.6%	23.4%	30.9%	26.0%	15.9%	19.6%	55.3%	48.4%	33.6%	35.8%	31.4%

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 Restated for AIFRS

4 Fully franked

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