Chairman's report

In 2015 Adelaide Brighton achieved significant growth in sales and earnings and substantially increased rewards to shareholders through higher ordinary and special dividends, all fully franked. The Company reported a 20.6% lift in earnings before interest and tax (EBIT) to $298.6 million and a 20.4% rise in net profit after tax (NPAT) to $207.9 million.

Leslie Hosking
Chairman

This strong growth in earnings was achieved on record sales revenue of $1,413.1 million, 5.6% higher than in the prior year. Earnings per share increased by 19% to 32.0 cents.

Year in review

A buoyant residential construction market, especially in New South Wales, Victoria and south east Queensland led to improved demand for the Group's cement, clinker, concrete, aggregates and concrete products. This strong demand offset an anticipated reduction in cement sales in South Australia as well as lower sales to resource projects in Western Australia and the Northern Territory.

Sales volumes increased for all products in 2015 and operating margins improved in concrete and aggregates and concrete products. Excluding property earnings, underlying EBIT margins for the Group as a whole were slightly lower, but nonetheless generated attractive returns for shareholders.

The first full year of earnings from our successful acquisition in 2014 of concrete and aggregates businesses in South Australia and Queensland improved Group earnings. The purchase of Penrice Quarry & Mineral and Direct Mix and Southern Quarries in South Australia and the Webb business in Queensland were immediately value accretive and the acquired businesses added an estimated 5% to 2015 Group revenue.

The record EBIT result, including contribution from property sales of $45.0 million, was assisted by the impact of the acquisitions, improved efficiency and volume and price growth across the Company.

Sales of cement and clinker in 2015 continued to benefit from strong demand from the residential construction sector. Infrastructure projects in South Australia, New South Wales and Queensland are expected to contribute to demand for cement and clinker during the current year.

Lime sales increased during the year as demand from the gold sector improved, sales to the alumina sector remained stable and the return to normal operations of a customer impacted by a site disruption in the first half of 2014.

The Concrete Products Division benefited from strong residential demand and improving commercial demand in the eastern States. This, combined with the benefits from our business improvement program undertaken in the last few years allowed EBIT from the Concrete Products division to jump by 75.4% on 2014. This business is now well positioned to efficiently supply all major markets.

Dividends and Balance Sheet

I am very pleased to report to shareholders that the final ordinary dividend of 11.0 cents per share and final special dividend of 4.0 cents took full year 2015 dividends to 27.0 cents per share fully franked, which is a 59% increase on 2014. Including special dividends, the full year dividend payout ratio was 84%, compared with 63% in 2014.

Our dividend payments made to shareholders in 2015 totaled $139.5 million, up 12% on 2014. This was supported by our strong cash flow (including property sale proceeds) which allowed us to not only increase dividends, but also reduce debt significantly over the year with net debt to equity gearing falling from 31.6% to 24.6%.

We aim for efficient use of shareholder funds that ensures financial stability while retaining the flexibility to fund opportunities to grow. We take the carefully considered view that when we have surplus capital, we return capital to shareholders, which may include the payment of special dividends.

Strategy

In 2015 Adelaide Brighton continued to progress its long term growth strategy, the success of which is clear both in our financial results and, importantly, in our ability to improve shareholder returns while ensuring that our balance sheet remains sound.

As we have stated consistently, our growth strategy has three complementary elements: operational improvement in all our divisions, increasing vertical integration through value-accretive acquisitions and the further development of our highly efficient market leading lime business.

Our operational improvement program is ongoing and will continue to improve our competitive position, enabling us to compete more effectively in our key markets. During 2015 this program delivered benefits of $21 million.

In addition, this has released significant parcels of land for sale. It is now estimated that the portfolio of properties targeted for sale could realise in excess of $140 million in proceeds over the next 10 years, most of which is anticipated to be profit. This is a significant asset to your Company.

Our acquisition strategy, as evidenced by the incremental benefits delivered in 2015, remains in place. The $172 million we invested in 2014 to secure highly valuable and strategic aggregate and concrete businesses in South Australia and Queensland has delivered synergies and enhanced 2015 earnings in line with our expectations. These benefits will continue to accrue in 2016 and beyond with several major South Australian infrastructure projects to assist this year.

Our strategy of growing through both organic projects and through profitable acquisitions remains important to increasing shareholder value and we will continue to examine opportunities to grow value for shareholders.

Lime volume growth has been inhibited in recent years by the non-alumina sector but the sector appears to be improving, with increased demand from gold projects. Given possible refinery expansions, there is also potential for growth in the alumina sector that should increase demand for lime in Western Australia by around 15% in the medium to longer term.

Safety performance

Safety is a key performance indicator at both business and Group level. Management and the Board maintain a focus on continual improvement in safety culture and performance.

The Company is committed to achieving a safe, productive and healthy work environment through the continued enhancement of our safety standards and systems and through cultural change. Our lost time injury frequency rate recorded in 2015 was 2.3, a slight increase on last year.

Board and governance

In November 2015, Martin Brydon, Chief Executive Officer since May 2014, was appointed to the Board as Managing Director. Martin has made an important contribution in his 16 years at Adelaide Brighton (and a total of 34 years in the construction materials industry) in management roles and also in the last two years as Chief Executive Officer.

The Board is committed to conducting business ethically and in accordance with high standards of corporate governance. Adelaide Brighton believes its policies and practices are consistent in all substantial respects with good corporate governance practice in Australia appropriate for the circumstances of the Company, including the ASX Corporate Governance Council's Principles and Recommendations (3rd edition).

Sustainability and the environment

Adelaide Brighton believes that a proactive approach to sustainability, working with our local communities, government and regulatory bodies optimises outcomes for both our stakeholders and Adelaide Brighton. With this in mind, the Company continually challenges its performance in order to achieve improved results.

Risk management

Adelaide Brighton's risk management framework is a key factor in sustaining the Group's ongoing performance. The Board's Audit, Risk and Compliance Committee oversees the Company's risk management framework, encapsulating financial, operating, regulatory and environmental risks. These risks are reviewed and mitigation strategies modified on a regular basis to ensure that changes in risk are managed appropriately.

In conclusion

On behalf of your Directors, I acknowledge the hard work and commitment of the executive management team led by Martin Brydon and of all employees over the last year which has been one of steady growth for Adelaide Brighton. The Board is especially pleased that we have been in a position to increase substantially the rewards to our loyal shareholders.

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

Financial summary

($million)	*2015*	*2014*
Revenue	1,413.1	1,337.8
Depreciation, amortisation and impairments	(77.8)	(75.0)[1]
Earnings before interest and tax ("EBIT")	298.6	247.5
Net finance cost[2]	(13.0)	(15.0)
Profit before tax	285.6	232.5
Tax expense	(77.8)	(59.9)
Net profit after tax	207.8	172.6
Non-controlling interests	0.1	0.1
Net profit attributable to members ("NPAT")	207.9	172.7
Return on funds employed[3] (%)	19.8	17.7
Basic earnings per share ("EPS") (cents)	32.0	26.9
Dividends per share - fully franked (cents)	27.0[4]	17.0
Net debt[5] ($ million)	297.2	359.7
Gearing (%)	24.6	31.6

[1] *Includes impairment charge of $2.0 million*
[2] *Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in revenue*
[3] *Return on funds employed = EBIT/average monthly funds employed*
[4] *Includes special dividend of 8.0 cents per share in 2015*
[5] *Net debt is calculated as total borrowings less cash and cash equivalents*