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

2018 DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Adelaide Brighton Limited registered office:

Level 1, 157 Grenfell Street, Adelaide SA 5000

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 2018.

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:

Z Todorcevski
RD Barro
VA Guthrie (appointed 8 February 2018)
KB Scott-Mackenzie
AM Tansey
GR Tarrant (appointed 8 February 2018)
LV Hosking (retired 16 May 2018)
GF Pettigrew (retired 17 May 2018)
M Brydon (retired 30 January 2019)

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 2018 is set out below:

Statutory results

	Consolidated	
$ million	**2018**	Restated[1] 2017
Revenue from contracts with customers	**1,630.6**	1,559.6
Earnings before interest, tax, depreciation and amortisation	**352.8**	350.1
Depreciation and amortisation	**(87.4)**	(82.5)
Earnings before interest and tax ("EBIT")	**265.4**	267.6
Net finance cost[2]	**(14.4)**	(12.1)
Profit before tax	**251.0**	255.5
Income tax expense	**(65.8)**	(72.7)
Net profit after tax	**185.2**	182.8
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	**185.3**	182.7
Non-controlling interests	**(0.1)**	0.1
Basic earnings per share (cents)	**28.5**	28.1
Ordinary dividend per share (cents)	**20.0**	20.5
Special dividend per share (cents)	**8.0**	4.0
Franking (%)	**100.0**	100.0
Net debt[3] ($ million)	**424.8**	371.6
Leverage ratio[4] (times)	**1.2**	1.1
Net debt/equity (%)	**34.1**	29.8

[1] Restated numbers are due to a change in accounting policy on adoption of AASB15 Revenue from Contracts with Customers applied from 1 January 2018. As a result of the changes, prior year financial statements were restated.
[2] Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in other income.
[3] Net debt is calculated as total borrowings less cash and cash equivalents.
[4] Leverage ratio is net debt / trailing 12 months EBITDA.

The results were impacted by a number of significant items. The table below sets out the underlying financial results for the year ended 31 December 2018 which have been adjusted for the significant items. An explanation of the significant items and reconciliation to statutory results is provided on page 10.

Underlying results

	Consolidated	
		Restated[1]
$ million	**2018**	2017
Revenue from contracts with customers	**1,630.6**	1,559.6
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**360.9**	372.4
Depreciation and amortisation	**(87.4)**	(82.5)
Earnings before interest and tax ("EBIT")	**273.5**	289.9
Net finance cost	**(14.4)**	(12.1)
Profit before tax	**259.1**	277.8
Income tax expense	**(68.2)**	(79.3)
Net profit after tax	**190.9**	198.5
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	**191.0**	198.4
Non-controlling interests	**0.1**	(0.1)
Basic earnings per share (cents)	**29.4**	30.5

Net profit after tax

Full year reported net profit after tax (NPAT) increased 1.4% on 2017, to $185.3 million. Underlying NPAT declined 3.7% from $198.4 million in 2017 to $191.0 million. Property profits contributed $0.9 million to NPAT in the year, compared to $8.4 million in 2017.

Revenue from contracts with customers

Full year revenue of $1,630.6 million, was 4.6% higher than 2017, supported by continued growth in east coast markets, improved pricing and the contribution of acquisitions completed in 2017. Excluding the acquisitions completed in 2017, revenue increased 2.6% on 2017.

Earnings before interest and tax

Earnings before interest and tax (EBIT) decreased 0.8% in 2018 to $265.4 million. Underlying EBIT, which excludes restructuring and transaction costs, declined 5.7% to $273.5 million. Underlying EBIT was impacted by lower cement earnings, due to market mix changes and the increase in energy costs more than offsetting earnings growth in concrete, aggregates and joint ventures.

Cash flow and debt

Operating cash flow increased 9.1% to $244.7 million - higher sales coupled with improved receivables processes and working capital management. Net debt increased to $424.8 million at year end, as a consequence of ongoing capital investment and a high dividend payout ratio. Net debt to equity gearing was 34.1% at period end, up from 29.8% at 31 December 2017. The leverage ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) was 1.2 times at year end. This leverage ratio is towards the bottom end of the board's target range, while gearing is near the mid-point.

Shareholder returns

Basic earnings per share (EPS) increased 1.4% on 2017 to 28.5 cents, reflecting underlying EPS of 29.4 cents. Final ordinary dividend of 11.0 cents per share (franked to 100%), compared to 12.0 cents per share for FY17. Final special dividend of 4.0 cents per share (franked to 100%), compared to 4.0 cents for FY17.

Strategy and outlook

- Focus on realising further benefits from unchanged corporate strategy: cost reduction and operational improvement; growth of the lime business; and focussed and relevant vertical integration. Strategy on track and relevant to growing shareholder value.
- Senior management appointments – Chief Executive Officer, Chief Financial Officer and internal promotion of Executive General Manager – Concrete and Aggregates.
- Demand expected to be broadly stable in 2019, with lower demand from residential construction offset by improved demand from infrastructure and non-residential projects.
- Stable demand environment anticipated to be supportive of announced price increases.

[1] Restated numbers are due to a change in accounting policy on adoption of AASB15 Revenue from Contracts with Customers applied from 1 January 2018. As a result of the changes, prior year financial statements were restated.

Demand overview

In 2018, the demand environment remained generally favourable, with demand for construction materials in New South Wales and Victoria robust. Demand in South Australia, Queensland and Northern Territory was stable, while demand in Western Australia declined. Overall, residential construction activity remained healthy during the year and the non-residential, engineering and infrastructure sectors[1] continued to improve, with several major infrastructure projects moving from early stage works to construction. Demand for lime from the resources sector was stable on 2017.

In 2018, Adelaide Brighton is estimated to have generated revenue from key sectors of the Australian economy as follows:

- Engineering and infrastructure construction 32%
- Residential building 32%
- Non-residential building 22%
- Mining and resources 14%

Cement and clinker

Sales – Demand strong on east coast

In 2018, total cement sales volumes increased 1.1% compared to 2017. Demand remained strong in Melbourne and Sydney, with continued demand from residential construction supported by the commencement of the construction phase of major infrastructure projects. Non-residential development such as office towers, further supported sales in these markets.

Sales volumes declined in South Australia, as higher mining volumes were offset by subdued project volumes. Western Australian volumes were lower as the market remained subdued.

Prices were higher compared to 2017 in the majority of markets, particularly the eastern states. Increased competitive pressures emerged in the South Australian market from imported bulk bag product. Adelaide Brighton's weighted average cement price declined in 2018 as a result of sales mix toward lower price markets.

Volumes for granulated blast furnace slag increased following the securing of further long term contracts, albeit at lower prices.

Operations – Margins pressured by lower volumes and import costs

Lower cement volumes in 2H18, combined with a change in product sales mix and increased import costs resulted in a decline in cement margins.

In South Australia, a five year agreement for the supply of electricity delivered savings during 2018 that more than offset higher gas costs.

Adelaide Brighton continues to pursue its strategy of increasing the use of alternative fuels and alternative cementitious products to reduce energy costs and carbon emissions, led by the Birkenhead plant in South Australia.

During the first half of 2018, cement milling was disrupted due to the temporary failure of a mill bearing in the Birkenhead plant. The financial impact of this was largely offset by an insurance claim and the settlement receipts of $4.6 million.

Import costs increased, due to higher shipping and material procurement costs. The value of expected imports is hedged through to the end of June 2019.

Clinker sales volumes declined, due to Sunstate Cement's other shareholder electing to supply their 50% entitlement to the Joint Venture's clinker requirements. Offsetting this, Adelaide Brighton now supplies all of the clinker via import contracts to its own wholly owned grinding facility in Port Kembla, New South Wales.

Lime

Sales – Volumes stable

Lime sales volumes were stable in 2018. Adelaide Brighton continued to successfully defend its market position with reliable, high quality and cost competitive domestic production.

Average lime prices were lower compared to 2017, due to both sales mix and contractual pricing arrangements.

Operations – Energy costs increase

The renewal of a contract for coal fuel in Western Australia resulted in higher energy costs from 1 January 2018 which impacted lime margins in 1H18, however these were partially offset by higher prices in 2H18 and the benefit from renegotiated gas supply contract.

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

Concrete and Aggregates

Sales – Strong growth in sales volumes

In 2018, concrete volumes increased by 14%, compared to 2017. Excluding the impact of acquisitions completed in 2017, concrete volumes grew by approximately 9%. All markets improved, with volume growth strongest in the east coast markets. Average concrete prices increased compared to 2017.

In 2018, aggregate volumes increased 10%, assisted by strong east coast markets and acquisitions. Aggregate prices increased in the majority of markets over the year, but the supply of a significant volume of lower value fill material to the early stages of infrastructure projects resulted in slightly lower average realised prices and a decline in quarry margins. Sales of higher value aggregates are expected to increase as these projects progress, assisting average selling prices and margins.

Operations – Acquisitions delivering

Concrete margins increased in 2018 on higher volumes and prices. While average aggregate margins declined due to fill sales, margins increased in premium aggregates for concrete and asphalt making, supported by increased volume and prices.

The acquisition of the Central Pre-Mix, Davalan Concrete and the Northern Territory concrete and aggregates assets of Holcim in 2017 added further scale to Adelaide Brighton's business. In 2018, these acquisitions provided growth in revenue and EBIT, and pull through benefits to the Group.

Concrete Products

Sales – Mixed demand across regions

Concrete Products revenue was flat compared to 2017. Volumes decreased slightly over the prior year largely due to reduced commercial sales in Queensland. Sales volumes improved in the majority of other markets.

A focus on selling prices resulted in average prices increasing across all regions.

Operations – Business enhancements continue

The Concrete Products business continues to focus efforts around operational improvement, product innovation and developing new market segment opportunities. In 2H18, a number of plant upgrades were undertaken to reduce energy costs, lift plant efficiencies and facilitate the launch of a number of products into emerging market opportunities.

Lower revenue and the calibration of production volumes to match sales led to higher costs due to reduced fixed cost recovery, offsetting the benefits from cost controls. While overall EBIT increased 4.9% to $10.7 million, this included $1.3 million in property profits (2017: nil).

Joint arrangements and associates

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

ICL is a specialist supplier of cement and cement blended products to a wide variety of industries and retail outlets throughout Victoria and New South Wales and is Adelaide Brighton's distributor in those markets. Strong demand across Victoria and New South Wales resulted in increased volumes and prices, resulting in ICL's contribution increasing 21% on 2017 to $17.8 million.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate is a joint venture with a cement milling, storage and distribution facility at Fisherman Islands, Port Brisbane. In a competitive market that included reduced offtake from our joint venture partner, Sunstate equity accounted earnings were in line with the prior year at $11.6 million. Improved pricing and favourable material costs largely offset the impact of the lower volumes.

Mawson Group (Mawsons) (50%)

Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria, and also operates in southern regional New South Wales. Mawsons is a significant aggregates producer in the region, holding number one and number two positions in the markets it serves. Mawsons' contribution to earnings improved 4.3% to $7.2 million. Concrete sales volumes improved during the year due to demand from major regional infrastructure projects, while aggregate volumes were in line with the prior year. Aggregate selling prices improved while concrete prices moderated marginally.

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

Aalborg manufactures and sells white cement and clinker for the domestic Malaysian markets and exports to Australia and markets throughout south east Asia. Improved sales volumes were offset by higher distribution and materials costs, as well as adverse movement in regional exchange rates.

Strategic Developments

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

1. Cost reduction and operational improvement;
2. Growth of the lime business to supply the resources sector; and
3. Focussed and relevant integration into aggregates, concrete, logistics and masonry businesses.

Efficiency has remained a driver of shareholder returns with ongoing improvements in the cement manufacturing and logistics operations.

Managing energy costs across the Adelaide Brighton operations remains an important focus and a significant opportunity for shareholder value creation, which includes the growing utilisation of alternative fuels and cementitious materials.

The lime business continues to benefit from an emphasis on costs and efficiency. The business is well positioned for long term growth in resources sector demand.

In addition to downstream acquisitions, pursuing organic opportunities has also been a driver of growth. In particular, the Group has a well established record of taking long term positions in strategic quarry resources and other greenfields investments that complement Adelaide Brighton's operations.

1 Cost reduction and operational improvement

Cost competitive manufacture and import model

Adelaide Brighton remains Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag). Utilising its import facilities in key markets across Australia, the company sources more than 2.5 million tonnes of imported product per annum.

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 for white clinker and a major Japanese trading house for supply of granulated blast furnace slag.

Adelaide Brighton also has a leading position in the supply of supplementary cementitious materials including ground granulated blast furnace slag and fly ash.

The use of supplementary cementitious materials in the production of concrete can enhance durability, while reducing both the consumption of natural resources and the environmental impact from disposal of these industrial by-products.

The Company's unique distribution network affords significant scale economies and opportunities to further improve efficiency. A new long term contract with a domestic shipping provider and the commissioning of a new vessel by the supplier for cement deliveries between Adelaide and Melbourne, together provide significant benefits to the logistics operations. The new contract delivered savings of approximately $2.0 million during 2018 and is expected to rise to $2.5 million annually from 2019.

Energy efficiency remains a key focus

Adelaide Brighton has a proactive strategy to manage energy costs and operating risks, through measures including:

- A portfolio approach to energy supply and procurement benefits;
- Long term contracts that lower electricity costs i.e. a new five year contract signed for electricity from renewables;
- Increased use of alternative fuels to reduce reliance on traditional sources (targeting increased substitution of fuel supply in South Australia in the medium term);
- Increased use of alternative cementitious materials e.g. slag;
- Short term consumption management through operational adjustments;
- A proactive approach to cost recovery in the marketplace, supported by vertical integration, and through partnership contracts with long term customers; and
- Hedging and other financial strategies, where it adds value for shareholders.

The 2017 rationalisation of oil well cement production at Angaston in South Australia and the leveraging of the supply network has improved the energy efficiency of the South Australian cement operations as well as returns.

Land sales program to release capital over the next decade

Adelaide Brighton has been actively engaged in selling and preparing for sale properties released by its operational rationalisation and improvement program. Since the beginning of 2013, proceeds from the property sale program have totalled $100 million.

The portfolio of properties targeted for sale is projected to realise proceeds in excess of $100 million over the next 10 years. The EBIT margin on these sales is anticipated to be circa 85% with an effective tax rate of approximately 20%.

2 Lime growth

Efficient operations with strong competitive position

Adelaide Brighton's Munster, Western Australia, lime business is underpinned by low cost mineral resources secured by a State Agreement Act and long term statutory approvals.

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

The Western Australian alumina sector, which includes some of the lowest cost alumina production in the world, represents about 70% of Western Australian lime demand. Lime demand is expected to grow over the medium term, in line with incremental output improvements and growth in the Western Australian resources sector. Adelaide Brighton's leading cost position and substantial capacity means it is well placed to benefit from this growth.

3 Downstream integration

Growth continues in concrete and aggregates

Adelaide Brighton continues to actively pursue its strategy of building, via acquisitions and organic growth, 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 value creation through cost synergies, logistics benefits and raw materials pull through. Adelaide Brighton's investment approach includes a preference for long term quarry reserves, identifying clear opportunities for synergies and a disciplined approach to investment.

On a national perspective, Adelaide Brighton has a number four position in concrete and aggregates with operations in all mainland capitals, excluding Western Australia, and many significant regional centres. Given the high cost of transporting concrete and aggregates long distances, and the perishable nature of premixed concrete, markets tend to be highly localised with leading positions in local markets affording scale benefits. As such, Adelaide Brighton aims to establish a leading market position within local markets.

Adelaide Brighton's Austen Quarry at Hartley, west of Sydney, is a low cost aggregate quarry supplying the Sydney market with construction materials. Adelaide Brighton recently received Development Consent to increase the sales volume limit of the hard rock quarry from 1.2 mtpa to 1.6 mtpa and extend its hours of operation. The efficiency afforded by extended operating hours, particularly in transportation outside of peak hour traffic, and the increase in the allowable annual sales volume, positions the quarry to supply customer demand for construction materials in the growing Sydney market.

Long term diversification strategy

The Company's diversification program has been underway for more than a decade, and in the last five years, Adelaide Brighton invested more than $262 million in acquisitions. The businesses have yielded synergy savings from back office, transport and materials pull through. These acquisitions have met financial targets; they have also diversified earnings and delivered significant strategic benefits.

Three acquisitions in 2017, in Victoria, South Australia and the Northern Territory, are in line with the Company's strategy of focussed value added vertical integration in the concrete and aggregates businesses. The businesses, acquired at a total cost of $85.2 million, complement existing Adelaide Brighton operations in these markets and are meeting earnings and strategic expectations.

Organic projects an important contributor to growth

In addition to acquisitions, organic growth has been a key growth driver in many markets, with a well established strategy of taking long term positions on strategic quarry resources and assets that complement Adelaide Brighton operations.

Organic projects recently completed include a state-of-the-art indoor concrete plant in Alexandria, New South Wales, servicing the high growth inner west Sydney market and a concrete plant in Larapinta, south of Brisbane.

Other projects underway include a concrete plant at Swanbank in Brisbane and a hard rock quarry at Gympie, Queensland, to service the Sunshine Coast market where Adelaide Brighton already has a leadership position in concrete.

Financial Review

Strong cash flow

Cash flow from operations increased by $20.5 million on 2017 to $244.7 million, supported by improvements to working capital management.

Improved processes and management of collections from customers resulted in a reduction in trade debtor balances despite higher revenue in the period.

Capital expenditure of $115 million declined $55 million compared to 2017, due to the timing of acquisition spending during the year, partially offset by higher investment spending on development capital. In 2018, capital expenditure occurred on 27 projects above $1 million in value, comprising stay in business capex of $55 million, development projects of $58 million and acquisitions of $2 million.

Proceeds from the sale of assets were $5.3 million, a decline of $12.4 million on 2017, driven by the reduction in proceeds from property sales. Dividend payments increased by $32.6 million over 2017 as a result of the higher dividends declared.

Net debt and gearing – conservative approach

Adelaide Brighton has a conservative approach to capital management with the following broad objectives:

- Ensure an efficient balance sheet to optimise cost of capital and thereby shareholder returns through utilisation of a prudent level of debt;
- Maintain an investment grade rating to optimise funding cost;
- Retain balance sheet flexibility to fund capital projects and acquisitions; and
- Distribute surplus capital to shareholders in an efficient manner.

Net debt at the end of the period was $424.8 million.

When assessing capital requirements and balance sheet risk, Adelaide Brighton also considers a core measure of leverage ratio. This is the ratio of period end net debt to 12-month trailing Underlying EBITDA.

This measure compares debt levels to recent cash generation rather than to historical book value. As such, it offers a more responsive measure of capital management and better reflects the Group’s ability to service debt obligations.

Under this measure, net debt was 1.2 times 12-month trailing Underlying EBITDA at 31 December 2018. The Board considers a leverage ratio of between 1.0 to 2.0 times 12-month trailing Underlying EBITDA is an appropriate target range, which equates to net debt to book equity range of approximately 30% to 60%.

The upper end of the range is within the intermediate band for credit rating purposes and therefore well within the investment grade band.

The net debt to book equity gearing ratio was 34.1% at 31 December 2018 and remains close to the midpoint of the target range of 25% to 45%.

Funding facilities – financial flexibility

The Company’s low gearing, strong cash flow and consistent returns provide it with funding flexibility.

In August 2018, Adelaide Brighton renewed its bank debt facilities that were to mature in January 2019. In addition to extending the maturity of the renewed facilities to January 2022, the facility limit was increased from $210 million to $260 million on similar pricing. The maturity date for the $330 million balance of the Company’s bank debt facilities remains unchanged at January 2021.

In total, Adelaide Brighton has bank debt facilities of $590 million spread across three of Australia’s major trading banks. The average tenure of the facilities has increased from 2.2 to 2.4 years as a result of the facility renegotiation in 2018.

Maturity	Limit
January 2021	$330 million
January 2022	$260 million

Finance cost and tax – higher financing costs

Net finance costs of $14.4 million were $2.3 million higher than 2017. The increase was due to higher market interest rates and higher average borrowings.

The effective tax rate decreased from 28.5% to 26.2% due to the higher contribution from post-tax earnings of joint ventures and lower non-deductible expenses associated with acquisitions. Adelaide Brighton continues to expect its effective tax rate to be in the range of 27% to 28%, although this may be lower in periods when capital losses related to property sales are recognised.

Dividends

The Board has declared a final ordinary dividend of 11.0 cents per share (12.0 cents 2017) and a special dividend of 4.0 cents per share (4.0 cents in 2017). The full year ordinary dividend represents a payout ratio of 70.2% and total dividends of 28.0 cents for the 2018 year.

The record date for the final ordinary and special dividend is 3 April 2019 with payment on 15 April 2019.

Reconciliation of underlying profit

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

The following table reconciles underlying earnings measures to statutory results.

Full year ended 31 December		**2018**			2017 Restated	
$ million	**Profit before tax**	**Income tax**	**Profit after tax**	Profit before tax	Income tax	Profit after tax
Statutory profit	**251.0**	**(65.8)**	**185.2**	255.5	(72.7)	182.8
Rationalisation	**-**	**-**	**-**	3.3	(1.0)	2.3
Corporate restructuring	**6.9**	**(2.0)**	**4.9**	0.8	(0.3)	0.5
Acquisition expenses	**(1.4)**	**0.4**	**(1.0)**	5.0	-	5.0
Fair value gain	**-**	**-**	**-**	(4.5)	-	(4.5)
Doubtful debts	**2.6**	**(0.8)**	**1.8**	17.7	(5.3)	12.4
Underlying profit	**259.1**	**(68.2)**	**190.9**	277.8	(79.3)	198.5

Doubtful debts provision

In late 2017 Adelaide Brighton became aware of certain financial discrepancies which relate to transactions whereby it had been underpaid for products supplied. The Company completed its analysis with the assistance of forensic accountants KPMG and recognised a provision for doubtful debts and costs in its 2017 results. Further costs relating to the recovery of unpaid amounts have been incurred in the period of $2.6 million ($17.7 million pcp inclusive of provision and costs).

Rationalisation of cement production

Cement production at the Angaston site was rationalised in 2017. As part of the rationalisation, employee redundancy costs of $3.3 million were recognised in 2017.

Corporate restructuring costs

Redundancies and one-off employment costs of $6.9 million were recognised in 2018 ($0.8 million pcp). These costs result from staff restructuring within the Group.

Acquisition expenses and fair value gain

A refund of acquisitions costs paid in the prior year resulted in the recognition of $1.4 million in the income statement (costs of $3.8 million pcp). The costs were associated with the acquisitions, including stamp duty, legal and other consulting costs, which will fluctuate with transaction activity.

The prior year included a fair value gain of $4.5 million on acquisitions during that period.

Business Risks and Mitigation

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

Risk	Details	Mitigation
Macro-economic conditions	Adelaide Brighton supplies product to its Australian customers from local production sites across all states and territories, supplemented by imported product. Demand and supply conditions are therefore dependent upon economic conditions.	Adelaide Brighton has diversified its business both geographically within Australia and through vertical integration. This diversity has balanced the exposure of the business to fluctuations across its customer base of construction, infrastructure and mining sectors.
Regulatory compliance	With production and distribution sites across all states and territories of Australia, Adelaide Brighton is subject to significant regulatory requirements across areas such as environmental, labour, occupational health and safety, and taxation laws. Non-compliance with regulatory requirements could lead to substantial penalties and impositions on operations.	The Group employs a range of initiatives to meet or exceed regulatory compliance including: • Employment of specialists to support operational staff in areas such as human resources, and health, safety and environment; • Regular training and competency testing of employees; • Inclusion of regulatory compliance within the internal audit scope; and • Policies and procedures designed to instil and foster a culture going beyond mere compliance.
Movement to a low carbon economy (climate change)	The recognition of the impact of greenhouse gas emissions on climate change and the potential impacts on the environment have driven a movement toward a low carbon economy. A range of actions are being undertaken by governments, the corporate sector and individuals in recognition of climate change, including imposing a price on carbon and changes in product specifications. Production of clinker, an intermediary product in the production of cement, and lime are carbon emissions intensive. The movement to a low carbon economy could potentially increase the cost of production and reduce demand.	Adelaide Brighton's strategy of cost reduction and operational improvement includes the focus on improved efficiency in the manufacturing process for clinker and lime. The program has delivered savings over a long time period, with further improvements anticipated which will reduce the emissions intensity of production. The focus on improvement has delivered a reduction in total scope 1 and scope 2 emissions of 30% since 2010. The Group is able to leverage its access to products from emissions efficient suppliers as a result of the Company's import strategy. In addition, the use of alternate products with cementitious properties, such as fly nd ground granulated slag, has increased. Adelaide Brighton is also working with partners in the development of alternate products to replace Portland cement. The Group is progressing an assessment of the implications of climate change in line with the recommendations released by the Task Force on Climate-related Financial Disclosures, and will be incorporated in Adelaide Brighton's 2019 Sustainability Report.
Energy pricing	Production of cement and lime are energy intensive and consequently access to reliable, cost effective energy is required. Price and reliability are factors in the selection of suitable energy sources for production.	The Group employs a portfolio approach to energy procurement, looking to diversify the sourcing risk at competitive prices. This portfolio approach has resulted in a mix of contracted arrangements for the supply of energy and spot purchases on trading markets.
Foreign currency	The Group imports a range of materials to supplement capacity of local production facilities, with approximately 2.7 million tonnes of product imported in 2018. As a result of these purchases primarily being denominated in United States Dollars and Japanese Yen, the Group is exposed to fluctuations in the strength in the Australian Dollar against these currencies.	The Group manages exposure to foreign exchange risk through a formalised hedging policy. Committed purchases that expose the Group to foreign currency risk are hedged through agreed hedging products up to a period of nine months. In addition, where practical, contractual arrangements with suppliers include provisions to limit the risk of foreign currency to Adelaide Brighton.

Risk	Details	Mitigation
Competitive landscape	Australia, with its relatively open access to global participants, is a competitive market. Heightened competition combined with fluctuations in the macro economic environment can impact upon the performance of the Group.	Through a focus on cost control and improvement, the Group's production facilities are efficient and competitive. These facilities are supported by a distribution network throughout Australia, ensuring that Adelaide Brighton can provide a competitive value offering to customers.
Key equipment failure	The production of cement and lime involves large scale manufacturing sites in order to obtain economies of scale. The failure of key equipment in the process can disrupt production.	Business continuity planning identifies risks with key equipment and alternate strategies are developed to mitigate risks including holding "insurance spares" of key equipment and contractual arrangements to supplement production where required.
Production quality	The Groups key products of cement, lime, concrete, aggregates and concrete products are sold in accordance with relevant quality standards. Materials used in production are natural products and therefore normal variability of the characteristics could result in fluctuations in quality of the end product. Products that do not meet the relevant quality standard could result in end use customers being financial disadvantaged.	The Group has quality assurance processes across all products, including the monitoring of inputs into the production process and testing of final product to ensure compliance with relevant standards. The skills of internal quality personnel are continually updated and supplemented by the use of external experts where required.
Trade credit	Contractual arrangements with customers include the provision of short term trade credit for product supplied. The Group is therefore exposed to the credit risk for a portion of its sales. Changes in macro economic conditions and customer specific issues impacting cash flows available to settle purchases factor into the level of risk associated with trade credit outstanding.	Trade credit risk is managed through assessment of individual customer credit limits in accordance with delegated authority levels approved by the Board, which is monitored along with ageing of balances outstanding.
Fraud, bribery and corruption	The Group operates in an environment that exposes it to the risk of loss from fraud, bribery and corruption. Operating in a commercial environment with the movement of funds into and out of the Company give rise to the risk that economic benefits can be obtained through inappropriate acts by employees, suppliers, customers or third parties.	The Group's Code of Conduct outlines the key principles that governs the Company's behaviour and actions which make clear there is zero tolerance for practises considered as bribery, fraud or corruption. Employees and contractors are required to adhere to this code as part of their ongoing employment. Process controls are periodically reviewed to incorporate enhanced fraud, bribery and corruption prevention measures, which are tested through the internal audit program.

Dividends paid or declared by the Company

During the 2018 financial year, the following dividends were paid:

- A final dividend in respect of the year ended 31 December 2017 of 16 cents per share (fully franked) was paid on 13 April 2018. This dividend totalled $104,043,599; and
- An interim dividend in respect of the year ended 31 December 2018 of 13 cents per share (fully franked) was paid on 11 October 2018. This dividend totalled $84,579,379.

Since the end of the financial year the Directors have approved the payment of a final dividend of 15.0 cents per share (fully franked), comprising an ordinary dividend of 11.0 cents per share and a special dividend of 4.0 cents per share. The final dividend is to be paid on 15 April 2019.

State of affairs

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

Events subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2018 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

Adelaide Brighton continues to implement its successful and relevant long term strategy for the growth of shareholder value through cost reduction and operational improvement; growth of the lime business; and focussed and relevant vertical integration, to support growth in shareholder returns.

In 2019 Adelaide Brighton expects overall demand for construction materials to be stable. Residential demand is anticipated to decline, largely offset by growth in non-residential, engineering and infrastructure.

Sales volumes of cement are anticipated to be stable. Demand in Western Australia and the Northern Territory is expected to be in line with 2018. Higher demand from projects and mining will support volumes in South Australia. While variation in sector demand is likely, overall, Adelaide Brighton's east coast markets are anticipated to remain at healthy levels in 2019.

Lime sales volume is expected to be flat in 2019, while prices are anticipated to increase under contractual provisions in supply contracts. Import pressures are expected to continue at similar levels.

Adelaide Brighton announced price increases for all products across its product range effective 1 April 2019. The demand environment is anticipated to be supportive of these increases.

The joint venture operations in Australia should continue to enjoy healthy demand and rising prices, although the competitive landscape in Queensland could impact Sunstate Cement.

Import material costs are anticipated to increase circa $10 million, as a result of contractual price increases and a forecast lower value of the Australian Dollar against other major trading currencies.

Capital expenditure is anticipated to be between $100 million and $120 million in 2019.

The Company will continue to pursue value accretive acquisitions in line with our strategy.

Proceeds from the sale of land in the next 10 years are expected to realise in excess of $100 million, however no significant land sales are anticipated in 2019.

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

Environmental performance

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

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

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

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

During 2018, Group entities were issued with regulatory notices issued by government authorities responsible for planning and environment matters. Group companies responded to regulatory notices as required and addressed issues raised by regulatory authorities.

Adelaide Brighton Cement Ltd (ABCL) notified the NSW Environment Protection Authority (NSW EPA) in August 2018 of non-friable asbestos fragments which had been identified in what was certified to ABCL as Virgin Excavated Natural Material delivered to the Morgan Ash Vales Point site. The NSW EPA is investigating.

Hy-Tec Industries (Queensland) Pty Ltd (Hy-Tec) self-reported to the Queensland Department of Natural Resources and Mines (DR&M) that Hy-Tec's concrete business in Mundubbera had been extracting sand from the Burnett River without a Quarry Material Allocation Notice. DR&M has foreshadowed it will investigate the matter, and Hy-Tec will co-operate with the investigation.

Adelaide Brighton Cement Limited (ABCL) received from the South Australian Department for Environment and Water a penalty of $136,059.66 for taking 32,637 kL of water in excess of its 102,200 kL allocation of water at ABCL's Penrice quarry for the year ended 30 June 2018. ABCL has paid the penalty.

Further details of the Group's environmental performance will be published in the 2018 Sustainability Report.

Director profiles

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

Director	Experience	Special responsibilities
Zlatko Todorcevski MBA, BCom, FCPA, FGIA Age 50	Independent non-executive Director since March 2017 Experienced global executive with more than 30 years' experience in the oil and gas, logistics and manufacturing sectors gained in Australia and overseas with a background in finance, strategy and planning. Former Chief Financial Officer of Brambles, Oil search Limited and BHP Billiton's Energy business. Director, The Star Entertainment Group (appointed in May 2018) and Coles Limited (appointed November 2018).	Appointed Chairman 17 May 2018 Member, Audit, Risk and Compliance Committee Member, People and Culture Committee (appointed 16 November 2017 – ceased 4 July 2018)
Raymond Barro BBus, CPA, FGIA, FCIS Age 57	Non-executive Director since August 2008. Over 28 years' experience in the premixed concrete and construction materials industry. Managing Director of Barro Group Pty Ltd.	Member, Safety, Health, Environment and Community Committee
Ken Scott-Mackenzie BE(Mining), Dip Law Age 69	Independent non-executive Director since July 2010. Mining Engineer with over 40 years' experience in infrastructure, construction and mining services gained in Australia and Africa, as well as extensive experience in financial, legal and commercial aspects of projects. Former Chief Executive Officer of Abigroup and then Bilfinger Berger Australia, the holding company of Abigroup, Baulderstone and Bilfinger Berger Services.	Chairman, Safety, Health, Environment and Community Committee Member, People and Culture Committee
Arlene Tansey FAICD, MBA, JD, BBA Age 62	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, Healius Limited (formerly Primary Health Care Limited - appointed August 2012) and Aristocrat Leisure Limited (appointed July 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).	Chairman, Audit, Risk and Compliance Committee (appointed 16 May 2018) Member, People and Culture Committee
Vanessa Guthrie Hon DSc, PhD, BSc (Hons) Age 58	Independent non-executive Director from February 2018. Extensive experience in the mining and resources industry. Previous CEO and Managing Director of Toro Energy Limited (ceased Dec 2016) and Vice President Sustainable Development at Woodside Energy. Director of Santos Limited (appointed July 2017) and Vimy Resources Limited (appointed October 2017, resigned 30 November 2018).	Chairman, People and Culture Committee (appointed 16 May 2018) Member, Safety, Health, Environment and Community Committee (appointed 4 July 2018)
Geoff Tarrant BBus Age 50	Non-executive Director from February 2018. Finance executive with over 25 years' experience gained in Australia, the United Kingdom and Asia. Currently engaged in a corporate finance consultancy role with Deutsche Bank.	Member, Audit, Risk and Compliance Committee (appointed 4 July 2018)

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 & Compliance Committee		People and Culture Committee[1]		Safety, Health, Environment and Community Committee[2]	
	A	H	A	H	A	H	A	H
Z Todorcevski[3]	13	13	4	4	2	2	-	-
RD Barro[4]	12	13	-	-	-	-	2	2
VA Guthrie[5]	12	13			2	2	1	1
KB Scott-Mackenzie[6]	12	13	-	-	4	4	2	2
AM Tansey[7]	12	13	4	4	4	4	-	-
GR Tarrant[8]	12	13	2	2				
LV Hosking[9]	4	6	-	-	-	-	-	-
GF Pettigrew[10]	7	7	2	2	2	2	1	1
M Brydon	13	13	-	-	-	-	-	-

A Number of meetings attended.
H Number of meetings held during period of office.

1 People and Culture Committee was formerly named the Nomination, Remuneration and Governance Committee. Change of name effective 20 November 2018.
2 Safety, Health, Environment and Community Committee formerly named Safety, Health and Environment Committee. Change of name effective 26 February 2019.
3 With effect from 4 July 2018, Mr Todorcevski ceased to be a member of the People and Culture Committee.
4 At the request of the Board, Mr Barro excused himself from a meeting when the Board discussed matters on which he may have had a conflict.
5 Dr Guthrie was appointed a Director on 8 February 2018; Chairman of the People and Culture Committee on 16 May 2018 and member of the Audit, Risk and Compliance Committee on 4 July 2018. Due to a pre-appointment commitment, Dr Guthrie was unable to attend one meeting.
6 Mr Scott-Mackenzie was out of telecommunications range at the time an unplanned Board meeting was convened at short notice.
7 Ms Tansey had previously informed the Chairman and Directors that she was unable to attend a meeting due to a prior commitment overseas.
8 Mr Tarrant was appointed a Director on 8 February 2018 and a member of the Audit, Risk and Compliance Committee on 4 July 2018. At the request of the Board, Mr Tarrant excused himself from a meeting when the Board discussed matters on which he may have had a conflict.
9 Mr Hosking retired as a Director on 16 May 2018. At the request of other Directors, Mr Hosking did not attend two meetings, excusing himself from the Board's discussion on Chairman transition matters.
10 Mr Pettigrew retired as a Director on 17 May 2018.

Directors' interests

	Ordinary shares
Z Todorcevski	20,000
RD Barro	279,178,329
VA Guthrie	-
KB Scott-Mackenzie	5,000
AM Tansey	10,000
GR Tarrant	-
M Brydon	53,887

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 18 to 45 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 18 to 45 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 in 1987.

Two other employees of the Company also held the office of Company Secretary to assist with secretarial duties should the principal Company Secretary be absent: the Company's former Chief Financial Officer, Michael Kelly, a Certified Practising Accountant who had been a Company Secretary since 23 November 2010 (resigned on 24 September 2018) 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 2018 under such indemnities.

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

During the year the Company paid the premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Company and its subsidiaries, and the General Managers of each of the divisions of the Group, for the period 1 May 2018 to 30 April 2019. 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 30 to the Financial Statements on page 97 of this report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set in Note 30, 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 99.

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 2015	30 September 2019	577,383
1 January 2016	30 September 2020	518,972
1 January 2017	30 September 2021	440,054
1 January 2018	30 September 2022	142,357
Total		1,678,766

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

Registered office

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

Corporate governance statement

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

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

Signed in accordance with a resolution of the Directors

Zlatko Todorcevski
Chairman

Dated 19 March 2019

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Remuneration Report

Dear Shareholders

On behalf of the Board and as Chair of the People and Culture Committee, I am pleased to present the Adelaide Brighton 2018 Remuneration Report. I would like to take this opportunity to thank the previous Chair, Arlene Tansey, for her leadership of the People and Culture Committee for the preceding five years and congratulate her on her appointment as the Chair of the Audit Risk and Compliance Committee.

This year has been a year of change and renewal in both the Board and the executive team.

Board changes

As foreshadowed, former Chairman, Mr Leslie Hosking, retired as a Director of the Company and Mr Zlatko Todorcevski stepped up from Chairman Elect to Chairman to take leadership of the Board at the Company's Annual General Meeting on 16 May 2018. Mr Hosking served as a Director for 15 years and as Chairman for the last seven years.

Consistent with the letter to shareholders in April 2018, longstanding Director Mr Graeme Pettigrew retired at the conclusion of the Company's Annual General Meeting on 17 May 2018 after nearly 14 years' service as a Director. The Board thank both Mr Hosking and Mr Pettigrew for their commitment and years of service to the Company.

Continuing the Board's renewal program and taking into consideration the Board skills matrix and matching those skills to our strategic plans, the Board was pleased to announce the appointment of two new Directors in 2018.

In February 2018, Mr Geoff Tarrant and I were appointed non-executive Directors. Mr Tarrant is a finance executive with over 25 years' experience primarily in mergers and acquisitions and capital markets. Mr Tarrant was nominated by the Company's major shareholder, Barro Properties Pty Ltd, and is not considered independent. I bring more than 30 years' experience in mining and resources to Board and I am considered an independent Director. Consistent with the ASX Corporate Governance Council's Principles and Recommendations, a majority of the Board remains independent.

Key Management Personnel changes in 2018

CEO succession

On 17 May 2018 the Company announced that Martin Brydon, CEO and Managing Director, advised the Board of his intention to retire. To allow for timely succession and handover to the incoming CEO, Mr Brydon will retire no later than 31 March 2019 after more than 30 years of service to the Company. He is leaving the Company in excellent condition with total shareholder returns over the period from 2014 to 2018 of 48.2% and the share price of the Company having increased by 17.1%. The Board commends him, and is grateful for, his dedication and service to the Company.

Details of Mr Brydon's arrangements in relation to his retirement are set out in Section 5 of this Remuneration Report.

Following the announcement of Mr Brydon's retirement, the Board undertook an extensive search process to find a high calibre executive to lead Adelaide Brighton through its next phase of growth. On 18 October 2018 the Board announced the appointment of Nick Miller as incoming CEO effective from 30 January 2019. Mr Miller is a high calibre and experienced Managing Director and CEO, including Managing Director and Chief Executive Officer Fulton Hogan from 2010 to 2017, and more recently at Broadspectrum (a subsidiary of Ferrovial Group) who operate within the civil construction, major project and asset management industries. Consistent with the Company's past practice, Mr Miller has not been appointed to the Board in the first instance, in order to enable him to focus on the business operations. The Board will give consideration to his appointment as Managing Director in due course.

Details of Mr Miller's remuneration package are set out in Section 5 of this Remuneration Report.

Other executive changes

Adelaide Brighton announced the appointment of Theresa Mlikota as its new Chief Financial Officer (CFO) on 15 January 2019 with a commencement date no later than 15 April 2019. Ms Mlikota is a finance executive with 30 years' experience in the resources and construction sectors. Ms Mlikota was previously CFO of Ausdrill Limited and prior to that held the role of CFO with Fulton Hogan, Thiess, Macmahon Holdings and Barminco Ltd.

In September 2018, following the departure of George Agriogiannis, the Company promoted Mr Brett Brown to the position of Executive General Manager, Concrete and Aggregates. Mr Brown joined Adelaide Brighton through our acquisition of Direct Mix Concrete and

Southern Quarries in 2014. He has over 20 years' experience in the construction materials industry having held a range of management roles with Hanson and as General Manager of Direct Mix and Southern Quarries before its acquisition by Adelaide Brighton.

2018 performance

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

In 2018, Adelaide Brighton delivered record revenue of $1.63 billion driven by strong east coast demand, improved pricing and the contribution of acquisitions from the concrete and aggregates businesses completed in the prior year.

Underlying profit excluding property was stable at $190.1 million as a result of improved pricing and the contribution from acquisitions offset by higher import costs and a number of one-offs. Reported profit increased 1.4% to $185.3 million.

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

Adelaide Brighton continues to generate strong cash flows which allows the Company to invest in growth projects and pay dividends, while retaining a strong balance sheet with leverage toward the bottom end of the Board's target range.

We were pleased our performance has enabled us to pay shareholders a fully franked ordinary dividends for the 2018 year of 20.0 cents per share and special dividends of 8.0 cents per share, bringing total dividends for 2018 to 28.0 cents per share fully franked – an increase of 14% on 2017.

Remuneration in 2018

Our remuneration framework incorporates robust performance measures linked to our strategic plan and delivers remuneration outcomes that reflect our business performance over both 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. Nevertheless, we are always reviewing our remuneration framework in light of stakeholder consultations.

Fixed annual remuneration

The 2018 remuneration increases across the Executive KMP team averaged 2.8 percent. This is in line with the Company's policy of setting remuneration levels based on the size and nature of an executive's role (and impact of the role on the business) and individual performance in roles. Fixed remuneration levels continue to remain conservative relative to peer companies of a similar market capitalisation.

Fees for the Chairman and non-executive Directors are reviewed annually and considered against peer companies. Following re-alignment of non-executive director fees during 2017, as foreshadowed, there was no increase in the Chairman and non-executive Director fees in 2018.

Short Term Incentive

As Mr Brydon had announced his intention to retire in May 2018, the Board adjusted Mr Brydon's short term incentive targets to focus on a smooth transition to a new Chief Executive. This included assisting with investor and employee engagement around the change of leadership. Mr Brydon successfully achieved the agreed transition objectives and was awarded his full (100%) 2018 STI.

For other KMP, short term incentive awards ranged from 13.6% to 24.1% of their potential maximum taking into account the Board's assessment of non-financial objectives and achievement of divisional financial targets. While Adelaide Brighton delivered a stable underlying performance on 2017, the Group financial component did not meet target, which resulted in no payment for the Group financial components of the short term incentive.

Long Term Incentive

Consistent with strong Company performance over the past four years, the Board is pleased to advise that the Company's 2014 long term incentive Award was tested during 2018 and vested at 50%. The relative total shareholder return (TSR) performance condition exceeded the 79th percentile and vested at 100%. The compound annual earnings per share (EPS) growth rate over the measurement period was 1.3% which was less than the minimum EPS target of 5.0% and consequently the EPS component did not vest.

These LTI outcomes are consistent with delivery of long term value to shareholders with the Company achieving a TSR of 106.9% over the measurement period.

Director share ownership

To enhance Board alignment with shareholder interests, the Board introduced a non-executive Director Minimum Shareholding Policy during 2018. The Minimum Shareholding Policy was adopted in order to encourage non-executive Directors to accumulate and maintain a meaningful level of ownership in Adelaide Brighton.

During their tenure on the Board, non-executive Directors are expected to acquire (within five years of their appointment) a shareholding equivalent in value to one year's base fees (Minimum Shareholding) and thereafter to maintain at least that level of shareholding throughout their tenure. Non-executive Directors who are in office when this policy was adopted will have five years from July 2018 to achieve the Minimum Shareholding. Further details of non-executive Director shareholdings are set out in section 8.3.

Conclusion

Remuneration outcomes reflect the level of performance achieved against our applicable targets during 2018.

We have prepared the 2018 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 2019 Annual General Meeting.

Vanessa Guthrie
Chairman of People and Culture Committee

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 2018. 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 comprise all Directors and those Executives who have authority and responsibility for the planning, directing and controlling of the activities of the Group. In this Report, 'Executives' refers to members of the Group executive team identified as KMP.

The KMP detailed in this Report for the 2018 financial year are:

Table 1

Name	Role
Current Executives	
M Brydon[1]	CEO and Managing Director (CEO & MD)
BW Brown[2]	Executive General Manager, Concrete and Aggregates
AL Dell	Executive General Manager, Concrete Products
BD Lemmon	Executive General Manager, Cement and Lime
Former Executives	
M Kelly[3]	Chief Financial Officer (CFO)
G Agriogiannis[4]	Executive General Manager, Concrete and Aggregates
Current Directors	
Z Todorcevski[5]	Chairman
RD Barro	Non-executive Director
VA Guthrie[6]	Non-executive Director
KB Scott-Mackenzie	Non-executive Director
AM Tansey	Non-executive Director
GR Tarrant[6]	Non-executive Director
Former Directors	
LV Hosking[7]	Former Chairman
GF Pettigrew[8]	Former non-executive Director

1 Mr Brydon has announced his retirement effective no later than 31 March 2019. Mr Brydon ceased to be a Director on 30 January 2019.
2 Appointed 17 September 2018.
3 Resigned effective 3 November 2018.
4 Resigned effective 11 December 2018.
5 Appointed Chairman on 16 May 2018.
6 Appointed on 8 February 2018.
7 Retired on 16 May 2018.
8 Retired on 17 May 2018.

1 Executive remuneration policy and framework

1.1 Remuneration policy

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

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

The governance of remuneration outcomes is a key focus of the Board and the People and Culture (PC) Committee. Remuneration policies are regularly reviewed to ensure that remuneration for Executives continue to remain aligned with Company performance.

1.2 Remuneration framework

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

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

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

<table>
<tr><th colspan="4">CEO</th></tr>
<tr><td>Fixed annual remuneration</td><td colspan="2">Short term incentive</td><td>Long term incentive</td></tr>
<tr><td>33⅓%</td><td>16⅔%</td><td>16⅔%</td><td>33⅓%</td></tr>
<tr><td colspan="2">Cash 50%</td><td colspan="2">Equity 50%</td></tr>
</table>

<table>
<tr><th colspan="4">Other Key Management Personnel (average)</th></tr>
<tr><td>Fixed annual remuneration</td><td colspan="2">Short term incentive</td><td>Long term incentive</td></tr>
<tr><td>46%</td><td>16%</td><td>16%</td><td>22%</td></tr>
<tr><td colspan="2">Cash 62%</td><td colspan="2">Equity 38%</td></tr>
</table>

The table below provides a summary of our remuneration framework for the 2018 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 – 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	**Maximum:** → **CEO:** 100% of FAR **Other Executives:** 40%-70% of FAR	• Ensure strong link with the creation of long term shareholder value to encourage the achievement of growth of the Company's business • EPS was chosen as a performance hurdle as it: - Links executive reward to a fundamental indicator of financial performance; and - Links directly to the Group's long term objectives of maintaining and improving earnings • TSR was chosen because it: - Ensures alignment between comparative shareholder return and reward for the executive; and - Provides a relative, external market performance measure having regard to a peer group of companies (Comparator Group) with which the Group competes for capital, customers and talent
=			
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		

1.3 Remuneration governance - responsibility for setting remuneration

Our governance framework for determining executive remuneration is outlined below:

BOARD

The Board approves:

- The overall remuneration policy
- Non-executive Director remuneration and senior executive remuneration; and
- The remuneration of the CEO, including his participation in the short term and long term incentive schemes

CONSULTATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

PEOPLE AND CULTURE (PC) COMMITTEE

The PC Committee is delegated responsibility by the Board to review and make recommendations on:

- The remuneration policies and framework for the Group
- Non-executive Director remuneration
- Remuneration for senior Executives and
- Executive incentive arrangements

REMUNERATION CONSULTANTS AND OTHER EXTERNAL ADVISERS

- Provide independent advice, information and recommendations relevant to remuneration decisions
- In performing its duties and making recommendations to the Board, the Chairman of the PC Committee seeks independent advice from external advisers on various remuneration related matters
- Any advice or recommendations provided by external advisers are used to assist the Board – they do not substitute for the Board and PC Committee process

MANAGEMENT

Provides information relevant to remuneration decisions and makes recommendations to the PC Committee

Obtains remuneration information from external advisors to assist the PC Committee (i.e. factual information, legal advice, accounting advice, tax advice)

The PC Committee seeks advice from external remuneration consultants on an as required basis. The PC Committee did not obtain remuneration recommendations during 2018. Notwithstanding this, the Board has considered information on the relativity of KMP remuneration in the context of benchmarking reports and market data across comparable Companies.

2. Overview of Company performance

2.1 Financial performance in 2018

The Directors are pleased to present Adelaide Brighton Limited's financial performance for 2018.

Adelaide Brighton achieved record revenue of $1,630.6 million in 2018, an increase of 4.6% on the prior year. The growth was the result of realising the benefits from the Group's vertical integration strategy, with contribution from acquisitions of concrete and aggregate businesses in 2017, in addition to growth in the heritage business due to strong demand in east coast markets supporting price and volumes.

Reported NPAT of $185.3 million was up 1.4%, although both years have been impacted by a number of significant items and changes in earnings from property. Excluding property, reported NPAT of $184.4 million was 5.7% higher than 2017.

Underlying NPAT (excluding property) of $190.1 million was in line with the prior year as a result of:

- Cement pricing and volumes improved across most markets, however the average price declined as a result of sales mix, with margins under pressure from higher shipping and material costs, in addition to the cost of the temporary failure of a mill bearing at the Birkenhead plant.
- Lime volumes were stable, although pricing was subdued and costs increased following the renewal of a contract for coal resulting in higher energy costs.
- Earnings from concrete and aggregates benefitted from higher volumes and price, in addition to the benefit of a full year of earnings from acquisitions made in 2017.
- Joint venture earnings improved as a result of the strong markets on the east coast.

Adelaide Brighton's business model has delivered robust earnings over a number of years despite challenging market conditions at times.

Table 2

	2018 $m	Restated[1] 2017 $m	Variance %	2018 $m	Restated[1] 2017 $m	Variance %
	Reported (excluding property)			Underlying (excluding property)		
Revenue	1,630.6	1,559.6	4.6	1,630.6	1,559.6	4.6
EBITDA	351.5	339.0	3.7	359.6	361.3	(0.5)
EBIT	264.1	256.5	3.0	272.2	278.8	(2.4)
NPAT	184.4	174.4	5.7	190.1	190.0	0.1

[1] Restated numbers are due to a change in accounting policy on adoption of *AASB15 Revenue from Contracts with Customers* applied from 1 January 2018. As a result of the changes, prior year financial statements have been restated.

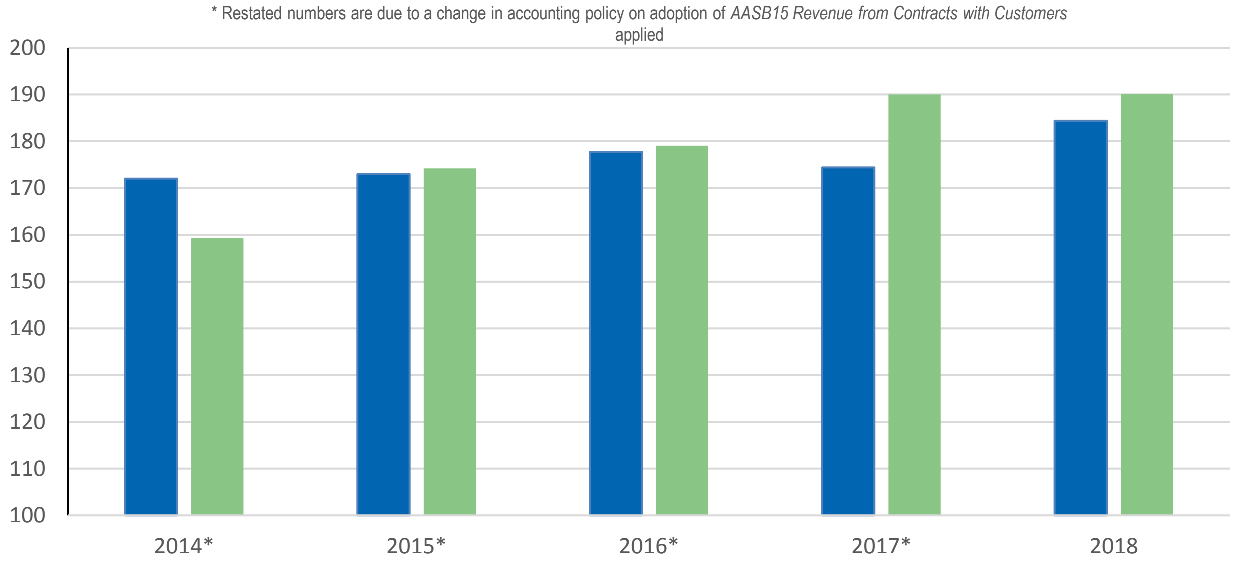
2.2 Long term financial highlights

As can be seen in the graph below the NPAT (underlying excluding property) has increased from $159.6 million to $190.1 million over the last five years representing compound annual growth rate (CAGR) of 4.5%.

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

Adelaide Brighton Ltd

Net profit after tax (reported excluding property) vs net profit after tax (underlying excluding property)



Source: Adelaide Brighton

The TSR achieved over the last five years of 48.2% has outperformed the S&P/ASX200 Accumulation Index, including our Comparator Group[1]. This is due to a sustained year on year improvement in share price and increased dividends. TSR over the last 12 months was (30.2%), reflecting a decline in share price partially offset by increased ordinary dividends and the payment of special dividends.

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

The table below provides an overall view of the Company's financial performance and operating cash flow over the past five financial years to 31 December 2018.

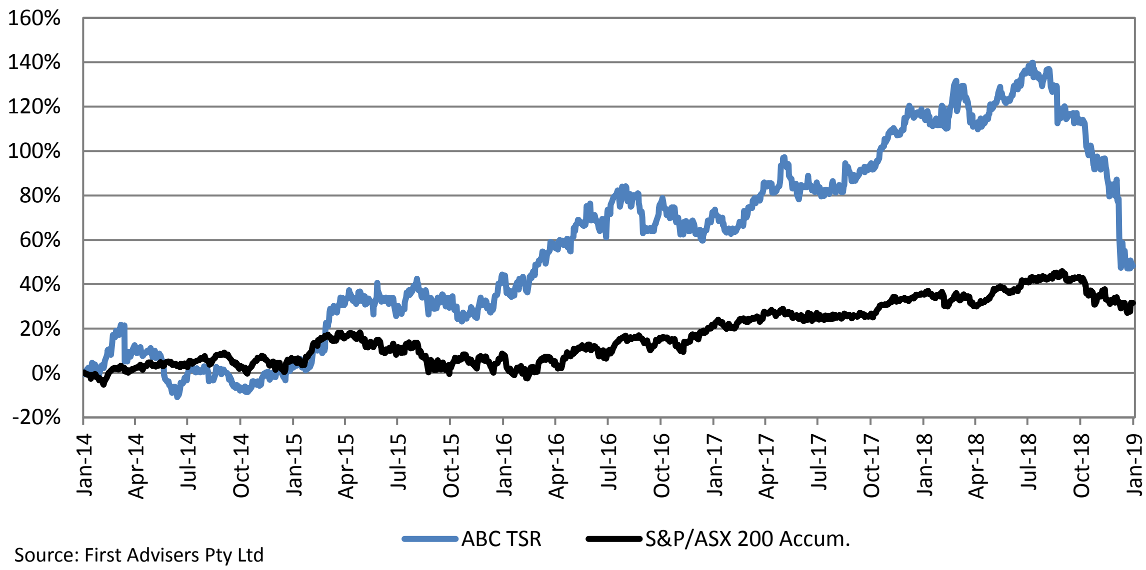
Table 3 – Financial performance and shareholders' wealth improvement from 2014 to 2018

Financial year ended 31 December		Restated[1] 2014	Restated[1] 2015	Restated[1] 2016	Restated[1] 2017	2018	CAGR[2]%
Sales	$m	1,335.5	1,411.4	1,393.8	1,559.6	1,630.6	5.1
NPAT Reported	Excluding property $m	172.0	173.0	177.8	174.4	184.4	1.8
	% change	14.5	0.6	2.8	(1.9)	5.7	
NPAT Underlying	Excluding property $m	159.6	174.2	179.1	190.0	190.1	4.5
	% change	3.1	9.1	2.8	6.1	0.1	
Share price[3]	$/share	3.52	4.75	5.43	6.52	4.27	4.9
Dividends	Cents/share	17.0	27.0[4]	28.0[4]	24.5[5]	28.0[4]	13.3
Franking	%	100	100	100	100	100	
Operating cash flow	$m	194.0	229.9	248.4	224.2	244.7	
Earnings per share	Cents	26.9	32.0	28.7	28.0	28.5	
TSR – 1 year	%	0.5	42.6	20.2	24.6	(30.2)	
Total Shareholder Return %						48.2	

1 Restated numbers are due to a change in accounting policy on adoption of *AASB15 Revenue from Contracts with Customers* applied from 1 January 2018. As a result of the changes, prior year financial statements have been restated.
2 Compound Annual Growth Rate.
3 At 31 December, or last trading day of the year if not 31 December.
4 Includes 8.0 cents total special dividend.
5 Includes 4.0 cents special dividend.

Notwithstanding the broader decline in the construction materials sector from mid 2018, as shown in the graph below, Adelaide Brighton's TSR growth over the last five years has outperformed the S&P/ASX200 Accumulation Index.

ABC Total Shareholder Returns (share price + dividends reinvested) and S&P/ASX200 Accumulation Index returns



Source: First Advisers Pty Ltd

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 2018. Company performance across key indicators is reflected in the remuneration outcomes during the year.

Mr Brydon's remuneration arrangements were subject to his Retirement Deed and are outlined in Section 5.1 of this Remuneration Report.

3.1 Short Term Incentive

3.1.1 Short Term Incentive - performance measures

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT		RESULT
	Financial performance				
Financial	The "financial metrics" for the Group are NPAT and EBIT for Divisions. Actual financial metrics are compared to budget. 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 and creating 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.	**Target included a financial stretch** The 2018 budget was set at 5.3% above 2017 actual. This was a challenging target given the subdued market conditions in Western Australia and the Northern Territory and higher import costs. For KMP to achieve the maximum outcome under the Group financial performance measure, 2018 NPAT must have exceeded 2017 NPAT by 16%, highlighting the significant stretch component of the incentive.	**Strong underlying performance** The Board's view is that the underlying performance of the Group continues to be strong with contribution from recent acquisitions in the concrete and aggregate division highlighting the benefits of the Company's vertical integration strategy.	**Group result** In its assessment of financial performance, the Board excluded property profits and other significant items (restructuring and transaction costs). Group financial performance was assessed at less than 95% of budget resulting in the Group financial component not being met. **Divisional results** Concrete and Aggregates Division financial performance was greater than 95% of budget resulting in 52.3% achievement of the concrete and aggregates financial component. Cement and Lime and Concrete Products Divisions financial performance was less than 95% of budget, resulting in the financial component for these Divisions not being achieved.

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT
	Non-financial performance			
Strategic	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 delivery against our strategic objectives. Fundamental to this assessment is the setting of business initiatives to set the Company up for future development and growth beyond the 12 month financial assessment of the STI.	Proactively responding to market developments and implementing strategies to drive sustainable growth are critical to delivering the strategy and the creation of shareholder value.	**Acquisitions** Position the Company to take advantage of potential "bolt-on" and transformational acquisitions to ensure readiness when the opportunity becomes available. The management team progressed acquisition opportunities which culminated in the acquisition of the ResourceCo concrete business in South Australia. **Disruptive strategies and technologies** A program of work was undertaken to increase awareness of disruptive strategies and technologies initiating actions to mitigate the potential impacts. **Community engagement** Establishment of a framework to guide community engagement initiatives across the business, including a diagnostic assessment of current practice, risks and emerging trends and challenges.	60-70% achievement of strategic non-financial objectives.

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT		RESULT
	Non-financial performance (continued)				
People	A range of metrics focused on safety, engagement, building capability, retaining Company knowledge and diversity with specific metrics for: • Proactive safety behaviours • Enhancement of environmental performance • 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.	**Enhanced safety performance** Adelaide Brighton Total Recordable Injury Frequency Rate (TRIFR) at 31 December 2018 was 26.0, a reduction of 33%. **Proactive safety behaviours** Improvement in proactive safety behaviours evidenced by the increase in reporting in 2018 – near miss and hazard reporting increased by 78% compared to 2017. The CEO and Managing Director and management demonstrated their visible and active leadership through participation in site safety committee meetings throughout the Company's Australia wide operations.	**Development of capability** Mentoring program embedded across the business to develop, inspire and support Adelaide Brighton's future leaders. Investment in frontline management has enabled more than 50% of frontline leaders to complete FastLead training building confidence, capability and an openness to learning. **Deepening succession pools and identification of future executive talent** The CEO and Managing Director and management exceeded targets set in respect of internal succession plans for Executive General Manager, General Manager and leadership roles. **Diverse candidate pools** Initiatives to increase the number of female applicants applying for typically male dominated roles resulted in 83.9% of roles advertised in 2018 attracting female applicants, more than a 17% increase compared to 2017.	60-85% achievement of People non-financial objectives

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT		RESULT
Non-financial performance (continued)					
Operational Excellence	Specific operational targets focused on productivity gains, cost reduction, operational improvement and improved asset management towards achieving improved return on investment.	Specific measures and initiatives were identified to ensure the delivery of sustainable operations and shareholder return.	**Organisation restructure** Concrete Products Division restructure resulted in an improvement in the alignment of sales, logistics and customer service workflows delivering annual savings. **Import strategy** Successful completion of a comprehensive search for the supply of cementitious materials.	**Utilisation of alternative fuel** Increased utilisation of refuse derived fuel at the Birkenhead plant to replace natural gas.	40-80% achievement of Operational Excellence non-financial objectives

3.1.2 Short Term Incentive – financial outcomes

Although Adelaide Brighton delivered a stable underlying financial performance in 2018, the Group financial component did not meet target resulting in no payment for the Group financial component of the short term incentive.

The overall result was short term incentives for all KMP (other than Mr Brydon) vesting in the range of 13.6% to 24.1% of their potential maximum taking into account the Board's assessment of non-financial objectives and achievement of divisional financial targets.

The Concrete and Aggregates Division financial performance was greater than 95% of target, resulting in 52.3% achievement of the financial component for this Division.

As financial performance was less than 95% of target, the financial component was not achieved for the Group, Cement and Lime Division and Concrete Products Division.

Table 4

	Underlying (excluding property)		
	2018 $m	Restated[1] 2017 $m	Variance %
Revenue	1,630.6	1,559.6	5.2
EBITDA	359.6	361.3	(0.5)
EBIT	272.2	278.8	(2.4)
NPAT	190.1	190.0	0.1

1 Restated numbers are due to a change in accounting policy on adoption of *AASB15 Revenue from Contracts with Customers* applied from 1 January 2018. As a result of the changes, prior year financial statements have been restated.

The short term incentive payments shown in the table below reflect the performance achieved and amounts payable to Executives for the 2018 financial year.

Table 5

For the year ended 31 Dec 2018	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)
Current Executives	$	%	$	$	$	$	$
BW Brown[3]	105,000	24.1	25,260	12,630	6,315	6,315	12,630
AL Dell	262,230	16.4	43,006	21,503	10,752	10,751	21,503
BD Lemmon	436,080	13.6	59,307	29,654	14,827	14,826	29,653
Former Executives[4]							
M Kelly	525,378	-	-	-	-	-	-
G Agriogiannis	420,707	-	-	-	-	-	-

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 2018 STI was determined in conjunction with the finalisation of 2018 financial results.
3 Mr Brown was appointed a KMP on 17 September 2018 and was eligible for prorata KMP STI in 2018 from the date of his appointment.
4 The previous Chief Financial Officer Michael Kelly and Executive General Manager Concrete and Aggregates George Agriogiannis resigned effective 3 November 2018 and 11 December 2018 respectively. On resignation their entitlement to the 2018 STI was forfeited with the Board deciding not to exercise discretion in relation to payment of STI and no amounts were payable.

Mr Brydon's 2018 STI was treated in accordance with the terms set out in his Retirement Deed, with further detail set out in section 5.1 of this Remuneration Report.

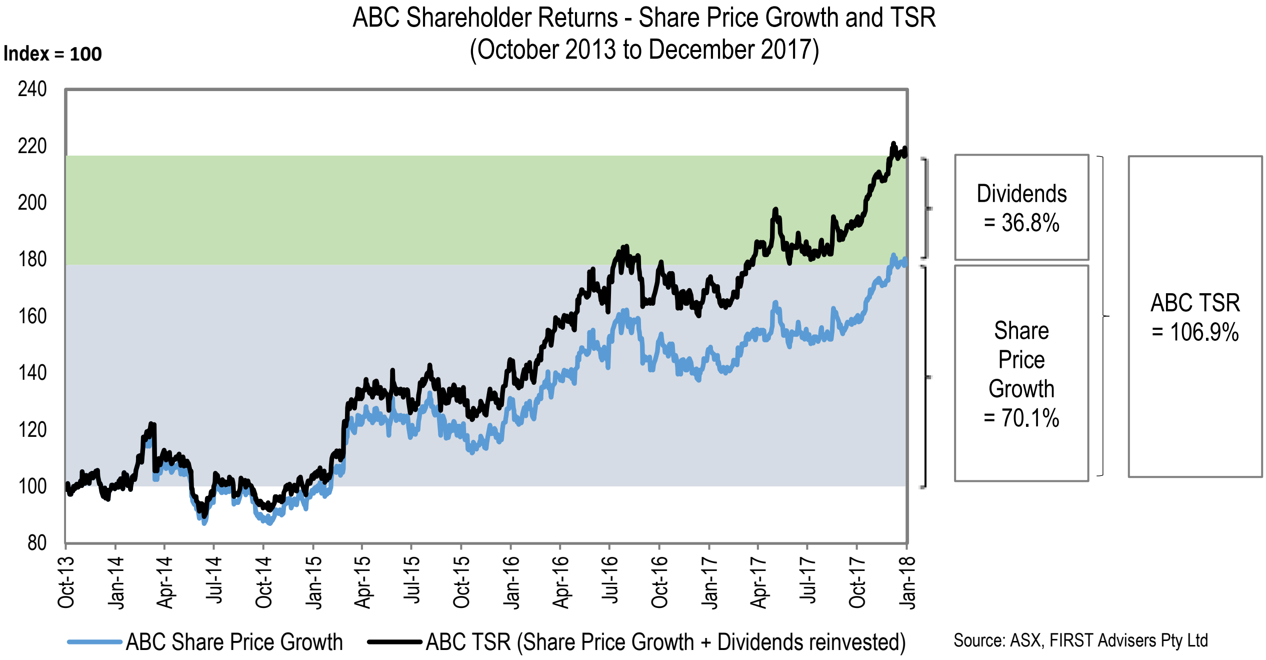
3.2 Long Term Incentive

3.2.1 Long Term Incentive – outcomes

During 2018, the 2014 Award was tested for earliest exercise in May 2018 and vested at 50.0%:

- The total shareholder return component vested at 100.0% with the Company achieving a Total Shareholder Return of 106.9% being the 79th percentile of the Comparator Group.
- The compound annual EPS growth rate over the 2014 to 2017 financial period was 1.3% which was less than the minimum EPS target of 5.0%. Therefore, the EPS component did not vest.

The chart below illustrates Adelaide Brighton's total shareholder return over the measurement period for the 2014 Award. The Total Shareholder Return of 106.9% resulted from share price growth and payment of ordinary and special dividends totalling 109.0 cents fully franked over the period.



Source: ASX, FIRST Advisers Pty Ltd

Details of the movement in Awards held by Executives during the 2018 financial year are set out below.

Table 6

For the financial year ended 31 Dec 2018	Number held at 1 Jan 2018	Number granted during the year[1]	Number exercised / vested during the year[2]	Number lapsed / forfeited during the year[3]	Number held at 31 Dec 2018[4]	Value of Awards at grant date [5]	Value per share at the date of exercise[6]
						$	$
Current Executives							
M Brydon	1,334,040	-	177,112	177,111	989,817	-	6.61
BW Brown[7]	-	-	-	-	-	-	-
AL Dell	117,995	27,761	-	-	145,756	99,384	-
BD Lemmon	199,662	41,708	23,161	23,161	195,048	151,609	6.42
Former Executives							
M Kelly[8]	500,411	86,769	65,945	521,235	-	314,104	6.42
G Agriogiannis[8]	252,176	44,210	32,937	263,449	-	157,830	6.42

1 This represents the maximum number of Awards granted in 2018 that may vest to each Executive. As the Awards granted in 2018 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 2018 were exercised, being the 2014 Award. The number of Awards that vested during the period and exercisable at 31 December 2018 is NIL. The number of Awards that vested but not yet exercisable at 31 December 2018 is NIL.

3 This includes the portion of 2014 Award that reached the end of its performance period on 31 December 2017 that did not meet the performance conditions and was forfeited.

4 Awards subject to performance conditions which remain unvested (2015, 2016, 2017 and 2018 Awards), and which will be tested for vesting during the period 2019 to 2022.

5 Fair value of Awards granted during 2018 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 $1,955,285 based on the Volume Weighted Closing Price.

7 Mr Brown was appointed a KMP on 17 September 2018 and did not receive shares under the 2018 Award.

8 Mr Kelly and Mr Agriogiannis resigned effective 3 November 2018 and 11 December 2018 respectively. On resignation, all outstanding Awards previously held by Messrs Kelly and Agriogiannis were forfeited.

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, their 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.

The 2018 remuneration increases across the Executive KMP team average 2.8 percent. This is in line with the Company's policy of setting remuneration levels based on the size and nature of an executive's role (and impact of the role on the business) and individual performance in roles. Fixed remuneration levels continue to remain conservative relative to peer companies of a similar market capitalisation.

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 2018 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. 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 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 consistently generated positive return for longer term shareholders even under difficult market conditions. Accordingly, the Board strongly believes that our STI targets are set 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.

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.

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

Governance	
How is performance against the performance conditions assessed?	All performance conditions under the STI are clearly defined and measurable. NPAT is used for setting and measuring Group financial performance for the purposes of the STI as this more closely reflects the shareholder experience. Divisional financial performance will continue to be based on EBIT performance. In respect of the financial targets, the Board compares the actual NPAT earned against the budgeted NPAT for the year, and assesses the degree to which the Group met these targets. The Board may adjust for exceptional, abnormal or extraordinary factors which may have affected the Group's performance during the year. The Board also considers the PC 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 PC Committee and the Board, in conjunction with finalisation of the Group's full year results. The cash award is paid following the release of the Company's full year results in February. The remainder of the award (the Deferred Rights) is made available as reasonably practical after the announcement of the Company's full year result.
What disposal restrictions apply to the Deferred Rights (and to dividends and voting rights attach?)	The 2018 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 2020 (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 2021 (3 year disposal restriction). No dividends (or voting rights) are received on the Deferred Rights during the disposal restrictions. On exercise, the Deferred Rights are converted to shares. The shares issued may not be sold or otherwise disposed of until the restriction period ends. During the restriction period shares are eligible to receive dividends and be voted.
Does the Board have an overriding discretion?	The Board has absolute discretion in relation to assessing performance and determining the amount, if any, of STI awards.
Is there an ability to 'claw back' in appropriate circumstances?	Yes. The STI Plan Rules provide the Board with a broad ability to claw back awards if considered appropriate. In addition to the STI Plan Rules, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.

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.

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 2018 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 2018 Awards will be tested and become exercisable to the extent of any vesting from 1 May 2022.
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 2018 Awards will expire on 30 September 2022.
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 2017 to 31 December 2021. The 2018 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. The Board retains overall discretion to make adjustments in favour of, or against, management to ensure that they do not enjoy a windfall gain nor suffer an unfair penalty for matters that were not in their control or reasonable foresight. Awards under the 2018 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 2018 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.
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.

5 CEO succession arrangements

5.1 Outgoing CEO

On 17 May 2018, Adelaide Brighton's CEO and Managing Director, Martin Brydon, announced his intention to retire after 30 years of service to the Company. Mr Brydon has delivered exceptional results over his tenure with the Company, both as CEO and Managing Director and as a member of the senior executive team. Notably, over the period of his tenure as CEO, there has been revenue growth of 32.8% and net profit after tax increased 22.6%. In addition total shareholder returns over the period January 2014 to December 2018, which largely aligns with Mr Brydon's tenure as CEO, were 48.2% and the Company's share price increased by 17.1%.

In addition, Mr Brydon has been very flexible and accommodating to the Board's request for him to continue in his role while the Board undertook a rigorous executive search for a new CEO. Following the departure of long serving Chief Financial Officer, Michael Kelly, the Board asked Martin to extend his time with the Company until after the 2018 results had been delivered to the market. This also provided time for the Board to complete the new CEO search, allow for smooth transition between the outgoing and incoming CEO, and provide important continuity to the Company and investors and shareholders during the 2018 results release. The Board is grateful to Martin for his willingness to delay his retirement and to continue to provide leadership to the Company. In return for his commitment and continued support of the Company, the Board responded by exercising discretion on his transitional remuneration arrangements for 2018.

Having regard to these factors, and particularly the Board's request of Martin to delay his retirement (thereby precluding Martin the opportunity to give proper notice under his contract) the Board has resolved to provide payment in lieu of notice at the end of his employment in addition to his other contractual entitlements.

As part of these arrangements and noting that, as Mr Brydon had announced his intention to retire in May 2018 no long term incentive award was made to him for 2018, the Board adjusted Mr Brydon's short term incentive targets to focus on a smooth transition to a new Chief Executive. This included assisting with investor and employee engagement around the change of leadership.

As disclosed in section 3.1.2 above, while the Company did not satisfy its profit after tax targets for the purposes of the 2018 short term incentive plan, the Board has determined that Mr Brydon successfully delivered against the expectations set by the Board during the CEO transition period, and was awarded his full (100%) 2018 STI. As Mr Brydon ceased as Managing Director on 30 January 2019 and is not continuing as an executive beyond 31 March 2019, the Board agreed that his 2018 STI would be paid in cash following finalisation of the 2018 financial results.

Mr Brydon's 2015 long term incentive, granted under the Company's Executive Performance Share Plan were tested in line with the Plan rules.

In addition, and in recognition of his outstanding service, leadership of the Company during this period of transition, performance outcomes and his willingness to delay his retirement, the Board has resolved it will vest Mr Brydon's 2016 and 2017 LTI Awards in full on his retirement. Further details of these arrangements and his remuneration for the period from 1 January to 31 March 2019 will be set out in the 2019 Remuneration Report.

The Board is grateful to Martin for his service and dedication for the majority of his professional life to the Company and believes this discretion reflects the contribution and performance outcomes he has delivered to Adelaide Brighton and its shareholders.

5.2 Incoming CEO

The ASX announcement disclosed on 18 October 2018 sets out the material terms of Mr Nick Miller's service agreement and remuneration arrangements for 2019.

A summary of these, in respect of remuneration, are set out below.

Total Base Remuneration Package (including superannuation)	$1,500,000 per annum, reviewed annually.
STI	The maximum opportunity will be 100% of Total Base Remuneration Package. Any short term incentive awarded to the CEO for 2019 will comprise 50% cash and 50% deferred equity. Deferred equity will be deferred in two equal tranches for a period of 2 and 3 years respectively.
LTI	The maximum opportunity will be 100% of Total Base Remuneration Package.
Compensation for incentives foregone	In recognition of Mr Miller foregoing entitlements from his previous employer in order to accept this position at Adelaide Brighton, as part of his contractual arrangements, he will be eligible to receive a cash payment of $450,000, with 50% payable on commencement and 50% payable after completing 6 months' service.

Mr Miller is a high calibre and experienced CEO and Managing Director with extensive industry experience having held leadership positions at major regional infrastructure and construction services providers with a track record of delivering strong business performance over a 25 year career. He has strong leadership qualities, commercial expertise and strategic insight.

Mr Miller's total base remuneration package of $1.5 million is commensurate with industry benchmarks and is 7.1% under that of the fixed annual remuneration package (including allowances) paid to Mr Brydon in 2018. Mr Miller's base remuneration package recognises his extensive experience and tenure of eight years as a CEO in construction related industries and the Board believes the above remuneration arrangements are appropriate in this context.

5.3 Other Executive arrangements

Due to the executive changes that occurred during the year, to ensure business continuity and to guard-against loss of corporate knowledge, the Board wanted to retain other key Executives with the Company during this period of change. As a result, the Board offered retention arrangements by way of bringing forward vesting of future incentives for Andrew Dell and Brad Lemmon. These retention payments fall due for payment in mid-2019.

Importantly, these payments are not 'additional' lump sum payments, but have been structured such that they bring forward the vesting of part of each executive's future STI and LTI. Accordingly, following payment of these amounts, existing or future STI or LTI Awards will be adjusted downwards to reflect the prepayment of these incentives in the interests of retaining these Executives.

The retention payments (future incentives brought forward) are in cash and are due for payment in 2019 are:

- B Lemmon – $900,000
- A Dell – $500,000

The Board sought independent advice in constructing the retention payments, and subsequently considered in detail the purpose of the retention payments, the importance of maintaining stability during a year of change, and above all, the interests of shareholders to have experienced Executives continuing to lead the key business units of the Company.

A proportion of the retention payments has been recognised as the pro-rata incremental expense in the current year as a "bring forward" of incentives as detailed in table 9. The unrecognised balance and interactions with existing incentive arrangements, will be included in the 2019 Remuneration Report.

6 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.

During 2018, all Executive Service Agreements were reviewed to ensure consistency in employment arrangements for existing KMP. Independent advice was sought in preparing revised Service Agreements, and the key terms are outlined below.

Table 7

Notice periods	Separation payments[1]
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).

As described in section 5.1 above, Mr Brydon did not provide formal notice under his agreement in order to accommodate the Board's request for flexibility. The Board has resolved to provide payment in lieu of notice at the end of his employment in addition to his other contractual entitlements.

On termination of employment for any reason, 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. Mr Kelly resigned as Chief Financial Officer during the year and ceased employment on 3 November 2018. The Board exercised its right under his executive service agreement, to enforce a paid post employment non-compete undertaking. The non-compete period is a maximum of 6 months following the end of employment.

7 Non-executive Directors' fees

7.1 Non-Executive Directors' minimum shareholding requirement

In 2018, to enhance Board alignment with shareholder interests, the Board introduced a non-executive Director Minimum Shareholding Policy. The Minimum Shareholding Policy was adopted in order to encourage non-executive Directors to accumulate and maintain a meaningful level of ownership in Adelaide Brighton.

During their tenure on the Board, non-executive Directors are expected to acquire (within 5 years of their appointment) a shareholding equivalent in value to one year's base fees (Minimum Shareholding) and thereafter to maintain at least that level of shareholding throughout their tenure. Non-executive Directors who are in office when this policy was adopted will have 5 years from July 2018 to achieve the Minimum Shareholding.

Details of the current shareholdings for non-executive Directors as at 31 December 2018 are provided in section 8.3.

7.2 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 PC 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 PC Committee takes into account:

- Independent professional advice;
- Fees paid by comparable companies;
- The general time commitment and responsibilities involved; and
- The level of remuneration necessary to attract and retain Directors of a suitable calibre.

Aggregate fees approved by shareholders

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

Base fees for 2018

Fees for the Chairman and non-executive Directors are reviewed annually and considered against peer companies. Following re-alignment of non-executive Director fees during 2017, as foreshadowed, no further changes were made to Chairman and Non-Executive Directors fees in 2018.

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

Base fees (Board)	$	$
Non-executive Chairman[1]	370,000	
Non-executive Director	130,000	
Committee fees	**Committee chair**	**Committee member**
Audit, Risk and Compliance Committee	30,000	15,000
People and Culture Committee	30,000	15,000
Safety, Health, Environment and Community Committee	30,000	15,000

[1] The Chairman of the Board receives no additional fee for Committee work.

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

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

8 Key Management Personnel disclosure tables

8.1 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]**
Current Directors		**$**	**$**	**$**	**$**
Z Todorcevski[2]	**2018**	**280,435**	**11,195**	**291,630**	**25,628**
(Chairman)	2017	101,268	3,750	105,018	9,111
RD Barro	**2018**	**130,000**	**15,000**	**145,000**	**12,580**
	2017	130,000	15,000	145,000	12,580
KB Scott-Mackenzie	**2018**	**130,000**	**45,000**	**175,000**	**15,183**
	2017	130,000	45,000	175,000	15,183
AM Tansey[3]	**2018**	**130,000**	**45,000**	**175,000**	**15,183**
	2017	130,000	45,000	175,000	15,183
VA Guthrie[4]	**2018**	**116,458**	**26,191**	**142,649**	**12,376**
GR Tarrant[5]	**2018**	**116,458**	**7,387**	**123,845**	**10,745**
Former Directors					
LV Hosking[6]	**2018**	**145,471**	**-**	**145,471**	**9,329**
	2017	370,000	-	370,000	23,449
GF Pettigrew[7]	**2018**	**49,457**	**22,826**	**72,283**	**6,571**
	2017	130,000	60,000	190,000	17,273
Total non-executive	**2018**	**1,098,279**	**172,599**	**1,270,878**	**107,595**
Directors' remuneration	2017	991,268	168,750	1,160,018	92,779

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

2 Mr Todorcevski was appointed a non-executive Director on 22 March 2017 and Chairman on 17 May 2018. He was appointed a member of the Board's Audit, Risk and Compliance Committee and People and Culture Committee effective 16 November 2017. Mr Todorcevski ceased to be a member of the People and Culture Committee on 4 July 2018, but remains a member of the Audit, Risk and Compliance Committee. As Chairman (from 16 May 2018), Mr Todorcevski does not receive Committee fees.

3 Ms Tansey was appointed Chairman of the Audit, Risk and Compliance Committee on 16 May 2018. She ceased to be Chairman of the People and Culture Committee on 16 May 2018, but remains a member of the Committee.

4 Dr Guthrie was appointed a non-executive Director on 8 February 2018. She was appointed Chairman of the People and Culture Committee on 26 May 2018 and a member of the Safety, Health, Environment and Community Committee on 4 July 2018.

5 Mr Tarrant was appointed a non-executive Director on 8 February 2018. He was appointed a member of the Audit, Risk and Compliance Committee on 4 July 2018.

6 Mr Hosking retired on 16 May 2018.

7 Mr Pettigrew retired on 17 May 2018.

8.2 Executive statutory remuneration

Table 9

		Short term benefits			Post employment benefit	Equity based benefits			
		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]
Current Executives	**Year**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
M Brydon	**2018**	**1,442,688**	**1,467,688**	**1,614,857[5]**	**25,091**	**-**	**1,264,708**	**5,815,032**	**22**
	2017	1,408,910	-	152,941[5]	30,000	-	283,725	1,875,576	15
BW Brown	**2018**	**125,417**	**12,630**	**100,000[6]**	**6,271**	**12,630**	**-**	**256,948**	
AL Dell	**2018**	**413,050**	**21,503**	**105,464[7]**	**24,000**	**21,503**	**33,283**	**618,803**	**5**
	2017	404,480	16,454		24,000	16,454	26,024	487,412	5
BD Lemmon	**2018**	**517,600**	**29,654**	**208,728[7]**	**27,500**	**29,654**	**46,867**	**860,003**	**5**
	2017	485,000	27,192	-	30,000	27,192	52,918	622,302	9
Former Executives									
M Kelly	**2018**	**631,183**	**-**	**475,436[8]**	**25,540**	**-**	**(124,464)**	**1,007,695**	
	2017	735,290	-	-	30,000	-	113,457	878,747	13
G Agriogiannis	**2018**	**506,995**	**-**	**167,976[9]**	**18,889**	**-**	**(63,457)**	**630,403**	
	2017	525,900	68,503	-	20,000	68,502	58,079	740,984	8
Total executive remuneration	**2018**	**3,636,933**	**1,531,475**	**2,672,461**	**127,291**	**63,787**	**1,156,937**	**9,188,884**	
	2017	3,559,580	112,149	152,941	134,000	112,148	534,203	4,605,021	

1 STI payment includes payments relating to 2018 performance accrued but not paid as at 31 December 2018.

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 Pursuant to Mr Brydon's separation arrangements, an amount of $1,467,688 is payable in relation to payment in lieu of notice and severance payment. A payment of $147,169 being a Living Away From Home Allowance was made pursuant to Mr Brydon's Service Agreement to assist him in discharging his duties from the Company's Sydney office.

6 Mr Brown was appointed Executive General Manager, Concrete and Aggregates on 17 September 2018. Mr Brown was paid a one time settling allowance for relocation from South Australia to New South Wales following his appointment to the position of Executive General Manager, Concrete and Aggregates.

7 Prorata retention payment as detailed in section 5.3.

8 Mr Kelly ceased employment on 3 November 2018. On cessation of employment Mr Kelly was paid $280,287 in annual leave and long service leave entitlements. Following Mr Kelly's resignation, and pursuant to his service agreement in relation to a period of restraint, he has been paid a total of $195,149.

9 Mr Agriogiannis ceased employment on 11 December 2018. On cessation of employment Mr Agriogiannis was paid $167,976 in annual leave and long service entitlements.

8.3 Equity holdings of Key Management Personnel

A summary of Executives' and non-executive Directors' current shareholdings in the Company as at 31 December 2018 is set out below.

While the Board has introduced minimum shareholding guidelines for non-executive Directors the Board continues to consider 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
		LTI	Deferred STI		
Current Executives					
M Brydon	78,906	177,112	-	(202,131)	53,887
BW Brown[2]	-	-	-	-	-
AL Dell[3]	5,588	-	2,430	-	8,018
BD Lemmon	8,197	23,161	4,015	(23,161)	12,212
Former Executives					
M Kelly[4]	16,854	65,945	-	(82,799)	-
G Agriogiannis[5]	13,502	32,937	10,115	(56,554)	-
Current non-executive Directors					
Z Todorcevski	20,000	-	-	-	20,000
RD Barro[6]	246,484,345	-	-	32,693,984	279,178,329
VA Guthrie[7]	-	-	-	-	-
KB Scott-Mackenzie	5,000	-	-	-	5,000
AM Tansey	10,000	-	-	-	10,000
GR Tarrant[7]	-	-	-	-	-
Former non-executive Directors					
LV Hosking[8]	9,851	-	-	(9,851)	-
GF Pettigrew[9]	16,739	-	-	(16,739)	-

1 The balances reported in this Table 10 include shares held directly, indirectly or beneficially by each KMP or close members of their family or an entity over which the person or the family member has either direct or indirect control, joint control or significant influence as at 31 December 2018.

2 Mr Brown commenced in the position of Executive General Manager, Concrete and Aggregates effective from 17 September 2018. He was not eligible for shares granted under the LTI 2014 Award.

3 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 2014 Award.

4 Mr Kelly resigned effective 3 November 2018, therefore his equity holding has been reduced to nil at 31 December 2018 through 'Net movement due to other changes". Awards in the 2015, 2016, 2017 and 2018 LTI Plan held by Mr Kelly were forfeited on resignation.

5 Mr Agriogiannis resigned effective 11 December 2018, therefore his equity holding has been reduced to nil at 31 December 2018 through 'Net movement due to other changes'. Awards in the 2015, 2016, 2017 and 2018 LTI Plan held by Mr Agriogiannis were forfeited on resignation.

6 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.

7 Dr Guthrie and Mr Tarrant were appointed non-executive Directors on 8 February 2018.

8 Mr Hosking retired on 16 May 2018, therefore his equity holding has been reduced to nil at 31 December 2018 through 'Net movement due to other changes'.

9 Mr Pettigrew retired on 17 May 2018, therefore his equity holding has been reduced to nil at 31 December 2018 through 'Net movement due to other changes'.

Diversity Report

Adelaide Brighton is committed to being an inclusive workplace that values and promotes diversity of skills, experience and cultural background. We recognise that an inclusive culture adds significant value through diversity and enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business. Our Diversity and Inclusion Policy outlines seven core objectives which form the foundations of our approach to diversity and upon which we measure our performance in this area. In addition to the progress against these specific objectives, the Nomination, Remuneration and Governance Committee was renamed in 2018 to the People and Culture Committee to focus on delivery against its diversity objectives, and included a review and update of the Committee's charter.

An overview of these objectives, and our progress towards achieving these objectives during the 2018 financial year are set out below:

Objectives	Diversity measures to facilitate achievement of objectives	Progress
To promote a culture of diversity and inclusion	• Continue to embed our diversity policy and deployment of the plan to deliver progress towards achieving the objectives, approved by the Board and People and Culture Committee of Adelaide Brighton's as being relevant to the industry structure in which the Company operates.	• The Board and the People and Culture Committee discussed the Company's diversity measures and reviewed progress towards achieving the objectives, to continue to develop an inclusive workplace culture that enables diversity to thrive.
	• Proactively engage with industry to enhance inclusion and increase diversity.	• As a member of the Cement Concrete & Aggregates Australia (CCAA) and their Diversity Working Group, the Company contributed to the development of the CCAA Diversity Statement: Diversity and Inclusion in the Construction Materials Industry and the Diversity and Inclusion Action Plan to attract a diverse group of people to work in our industry.
	• Company-wide training in workplace policies (including diversity, anti-bullying and harassment, Equal Employment Opportunity).	• Online learning platform embedded across the business to provide an effective and accessible way for employees and contractors to complete inductions and training, complimenting face to face sessions. In addition, specific offerings launched to support Company policies such as bullying and harassment.
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 to deliver diverse candidate pools with employment decisions made without regard to factors that are not applicable to the inherent requirements of a position and unconscious gender bias does not influence outcomes. • Promote Adelaide Brighton as a diverse employer with an inclusive culture.	• Recruitment coaching continues across the business to support and enable diverse candidate pools and increase awareness of unconscious bias. 19.5% of all new hires in 2018 were female with 16.8% of staff roles filled by successful female candidates. • Initiatives to increase the number of female applicants applying for typically male dominated roles included; online videos show casing our female employees on the job, advertising our flexibility options and the availability of training for candidates without prior experience. 83.9% of roles advertised in 2018 attracted female applicants, more than a 17% increase compared to 2017.

Objectives	Diversity measures to facilitate achievement of objectives	Progress
Develop inclusive leaders who value diversity of opinions and challenge the status quo	• ABL mentoring program for high potential employees facilitated across the divisions to continue to develop inclusive leadership.	• Mentoring program embedded across the business to develop, inspire and support the next generation. Mentors and mentees attend workshop training, webinars and 1:1 coaching sessions for a shared positive mentoring experience. • Leadership talent priorities include building understanding and accountability to demonstrate inclusiveness and adapting leadership style to obtain maximum contribution from all employees.
Build talent pipelines through investment in skills and capabilities	• Ensure performance, development and succession management processes support the career progression of individuals regardless of gender or cultural background.	• Development programs are provided for individuals as part of 'Our Business My Potential' program. • Talent and succession management process proactively challenges and promotes gender representation. • Investment in frontline management has enabled more than 50% of frontline leaders to complete FastLead training building confidence, capability and an openness to learning.
	• Sponsor or encourage professional networking, coaching programs and cross divisional projects to give employees the opportunity to connect with other professionals.	• When needs are identified, coaching programs are supported across the business. • Pilot program successfully delivered in the Concrete Products Division where identified high performers where provided with a program to inspire curiosity, innovation and networking with site visits across the entire business. An ABL program with CEO sponsorship will be launched in 2019.
	• 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 entering tertiary education to consider engineering as a career option; – offer opportunities for high school students to become aware of diverse career opportunities within our industry.	• Electrical Engineering scholarship in place at University of Wollongong in 2018 that provides a female student both a financial benefit and a work placement opportunity. • Engineering scholarships across multiple year groups are in place at University of Adelaide for female students. • Sponsorship of 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 Kwinana Industries Council iWomen and iScience projects.

Objectives	Diversity measures to facilitate achievement of objectives	Progress
Build talent pipelines through investment in skills and capabilities (continued)		• Sponsorship of the SA Law Society Indigenous Law Student Mentoring Program and established of a Scholarship for an indigenous high school student at St Peter's College in Adelaide. • Support of the Aurora Foundation Aspiration Initiative designed to enhance academic achievement for Aboriginal and Torres Strait Islander secondary school students.
To reward and remunerate fairly	• Adelaide Brighton has a policy to provide equal pay for equal work. • As part of the annual salary review process, Adelaide Brighton undertakes a review of pay parity. Pay parity is also considered at the time of hiring new employees, to eliminate potential gaps in pay arising from hiring decisions.	• The gender pay parity review was completed in 2018 as part of Adelaide Brighton's annual remuneration review processes, indicating that within groupings, the Group achieved pay parity. • Methodology and training supporting the staff remuneration framework, the Mercer International Position Evaluation , is embedded in the hiring process.
To provide flexible work practices	• Adelaide Brighton seeks to provide suitable working arrangements for employees returning from maternity leave. • Flexible working arrangements are available to all employees under our flexible work policy, to recognise that employees may have different domestic responsibilities throughout their career. • Adelaide Brighton offers 12 weeks' paid parental leave for the primary carer. • Formal review of all part time work arrangements to ensure roles are appropriate to maintain career development.	• Flexibility is offered to women returning from maternity leave including reduced hours to assist the transition back to the workplace. Flexibility is also offered to employees who may have temporary domestic responsibilities and require a change in working arrangements. • 7.3% of the workforce have a part time or casual work arrangement. • 16 employees have taken 'Paternity Leave' in 2018.
Understand the diversity of our workforce	• Measure age, gender, and cultural identity of our workforce.	• Analysis of results from 2018 employee survey of cultural identity, plus diversity data is collected from candidates during the recruitment process. • Member of Cement Concrete & Aggregates Australia (CCAA) Diversity Working Group

Adelaide Brighton is committed to the regular review of its objectives to ensure that these continue to be appropriate and relevant. This commitment includes the completion of the workplace profile report as required by the Workplace Gender Equality Act 2012.
A copy of the workplace profile report is available in the investor relations section of our website at http://www.adbri.com.au/ourresponsibilities#reporting. The Board is committed to build upon the achievements to date and reinforce the continued efforts in promoting and cultivating a culture of diversity and inclusiveness.

The proportion of women across Adelaide Brighton's workforce is reflective of the generally low level of female representation in the building, manufacturing and construction materials industries in which we operate. We recognise that the available pool of female candidates in manufacturing and engineering roles relevant to our business operations is limited, and this impacts our ability to increase the number of female new hires. In an effort to make our Company (and industry) more attractive to women, we have focused on measures designed to increase the proportion of female candidates, 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 female employees at various levels within the Adelaide Brighton Group (as at 31 December 2018):

	%	Male	Female
Board	29.0%	5	2
Senior executives	12.5%	7	1
Senior managers (direct reports to senior executives)	26.8%	30	11
Total workforce	13.5%	1,357	211

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

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

FINANCIAL REPORT
FOR THE 12 MONTH PERIOD
1 JANUARY 2018 TO 31 DECEMBER 2018

Income statement

For the year ended 31 December 2018

$ million	Notes	Consolidated 2018	Consolidated Restated 2017
Continuing operations			
Revenue from contracts with customers	5	**1,630.6**	1,559.6
Cost of sales		**(1,052.2)**	(1,009.9)
Freight and distribution costs		**(274.3)**	(243.8)
Gross profit		**304.1**	305.9
Other income	5	**17.2**	21.1
Marketing costs		**(22.9)**	(20.7)
Administration costs		**(68.5)**	(72.3)
Finance costs	6	**(16.3)**	(13.6)
Share of net profits of joint ventures and associate accounted for using the equity method	21(a)	**37.4**	35.1
Profit before income tax		**251.0**	255.5
Income tax expense	7(a)	**(65.8)**	(72.7)
Profit for the year		**185.2**	182.8
Profit attributable to:			
Owners of the Company		**185.3**	182.7
Non-controlling interests		**(0.1)**	0.1
		185.2	182.8
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	4	**28.5**	28.1
Diluted earnings per share	4	**28.4**	28.0

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

Statement of comprehensive income

For the year ended 31 December 2018

$ million	Notes	Consolidated 2018	Restated 2017
Profit for the year		**185.2**	182.8
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19(a)	**2.0**	0.4
Changes in the fair value of cash flow hedges	19(a)	**1.7**	-
Income tax relating to these items	7(c)	**(0.5)**	-
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain on retirement benefit obligation	25(b)	**(0.6)**	1.9
Income tax relating to these items	7(c)	**0.2**	(0.6)
Other comprehensive income for the year, net of tax		**2.8**	1.7
Total comprehensive income for the year		**188.0**	184.5
Total comprehensive income for the year attributable to:			
Owners of the Company		**188.1**	184.4
Non-controlling interests		**(0.1)**	0.1
Total comprehensive income for the year		**188.0**	184.5

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

Balance sheet

As at 31 December 2018

$ million	Notes	Consolidated 2018	Restated 2017
Current assets			
Cash and cash equivalents	8(i)	**93.9**	57.6
Trade and other receivables	9	**224.8**	241.0
Inventories	10	**176.4**	174.3
Current tax assets		**5.5**	-
Assets classified as held for sale	12	**-**	1.9
Total current assets		**500.6**	474.8
Non-current assets			
Receivables	9	**39.9**	37.3
Retirement benefit asset	25(b)	**2.5**	3.5
Joint arrangements and associate	21	**173.9**	160.3
Property, plant and equipment	11	**1,061.7**	1,037.2
Intangible assets	13	**299.5**	299.9
Total non-current assets		**1,577.5**	1,538.2
Total assets		**2,078.1**	2,013.0
Current liabilities			
Trade and other payables		**133.0**	145.8
Contract liabilities		**11.7**	13.4
Borrowings	16	**-**	0.3
Current tax liabilities		**-**	9.8
Provisions	15	**30.4**	33.8
Other liabilities		**4.2**	5.1
Total current liabilities		**179.3**	208.2
Non-current liabilities			
Borrowings	16	**518.7**	428.9
Deferred tax liabilities	7(f)	**89.2**	85.0
Provisions	15	**45.2**	45.0
Other non-current liabilities		**0.1**	0.1
Total non-current liabilities		**653.2**	559.0
Total liabilities		**832.5**	767.2
Net assets		**1,245.6**	1,245.8
Equity			
Share capital	17	**734.4**	733.1
Reserves	19(a)	**4.2**	1.9
Retained earnings	19(b)	**504.5**	508.2
Capital and reserves attributable to owners of the Company		**1,243.1**	1,243.2
Non-controlling interests		**2.5**	2.6
Total equity		**1,245.6**	1,245.8

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

Statement of changes in equity

For the year ended 31 December 2018

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 2018		**733.1**	**1.9**	**510.6**	**1,245.6**	**2.6**	**1,248.2**
Change in accounting policy		-	-	(2.4)	(2.4)	-	(2.4)
Restated total equity at 1 January 2018		**733.1**	**1.9**	**508.2**	**1,243.2**	**2.6**	**1,245.8**
Profit for the year		-	-	185.3	185.3	(0.1)	185.2
Other comprehensive income		-	3.2	(0.4)	2.8	-	2.8
Total comprehensive income for the year		**-**	**3.2**	**184.9**	**188.1**	**(0.1)**	**188.0**
Deferred hedging gains and losses and cost of hedging transferred to the carrying value of inventory purchased in the period		-	(0.1)	-	(0.1)	-	(0.1)
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	18	-	-	(188.6)	(188.6)	-	(188.6)
Executive Performance Share Plan	17(b)/19(a)	1.3	(0.8)	-	0.5	-	0.5
		1.3	**(0.8)**	**(188.6)**	**(188.1)**	**-**	**(188.1)**
Balance at 31 December 2018		**734.4**	**4.2**	**504.5**	**1,243.1**	**2.5**	**1,245.6**
Balance at 1 January 2017		**731.4**	**2.9**	**483.3**	**1,217.6**	**2.5**	**1,220.1**
Change in accounting policy		-	-	(3.1)	(3.1)	-	(3.1)
Restated total equity at 1 January 2017		**731.4**	**2.9**	**480.2**	**1,214.5**	**2.5**	**1,217.0**
Profit for the year (restated)		-	-	182.7	182.7	0.1	182.8
Other comprehensive income		-	0.4	1.3	1.7	-	1.7
Total comprehensive income for the year		**-**	**0.4**	**184.0**	**184.4**	**0.1**	**184.5**
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	18	-	-	(156.0)	(156.0)	-	(156.0)
Executive Performance Share Plan	17(b)/19(a)	1.7	(0.5)	-	1.2	-	1.2
		1.7	**(0.5)**	**(156.0)**	**(154.8)**	**-**	**(154.8)**
Balance at 31 December 2017		**733.1**	**1.9**	**508.2**	**1,243.2**	**2.6**	**1,245.8**

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

Statement of cash flows

For the year ended 31 December 2018

		Consolidated	
$ million	Notes	2018	Restated 2017
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,812.5**	1,661.3
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,509.6)**	(1,379.4)
Joint venture distributions received		**25.6**	26.4
Interest received		**0.9**	1.6
Interest paid		**(17.1)**	(13.0)
Other income		**10.5**	8.6
Income taxes paid		**(78.1)**	(81.3)
Net cash inflow from operating activities	8(ii)	**244.7**	224.2
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(112.7)**	(89.1)
Payments for acquisition of businesses, net of cash acquired		**(2.1)**	(80.2)
Proceeds from sale of property, plant and equipment		**5.3**	17.7
Loans to joint venture entities		**(2.0)**	(3.1)
Repayment of loans from other parties		**0.6**	0.6
Net cash outflow from investing activities		**(110.9)**	(154.1)
Cash flows from financing activities			
Proceeds from issue of shares	17	**2.2**	3.5
Draw down of borrowings	8(iv)	**89.0**	118.5
Dividends paid to Company's shareholders	18	**(188.6)**	(156.0)
Net cash outflow from financing activities		**(97.4)**	(34.0)
Net increase/(decrease) in cash and cash equivalents		**36.4**	36.1
Cash and cash equivalents at the beginning of the year		**57.6**	21.5
Effects of exchange rate changes on cash and cash equivalents		**(0.1)**	-
Cash and cash equivalents at the end of the year	8(i)	**93.9**	57.6

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

Notes to the Financial Report

1 Summary of significant accounting policies

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

The financial report was authorised for issue by the Directors on 19 March 2019. 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. Unless otherwise stated 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 and amended standards adopted by the Group

The Group has applied the following standard for the first time for the financial reporting period commencing 1 January 2018.

AASB 15 *Revenue From Contracts With Customers* (AASB 15)

In accordance with the transitional provisions in AASB 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year.

The change in accounting policy primarily relates to contracts with stepped pricing applying to a contract year, where the contract year is different to Adelaide Brighton's financial reporting period. Where step pricing is applicable, revenue is recognised based on pricing on estimated purchases during the contract period.

Revenue from the sale of goods is recognised when control of the product has transferred, being where goods are shipped to the customer, risks of loss have been transferred to the customer and there is objective evidence that all criteria for acceptance has been satisfied.

A contract liability is recognised for expected discount based on the stepped pricing on future purchases until the end of the remaining contract period.

The Group has elected to apply certain practical expedients in the application of AASB15 by not restating contracts that begin and end within the same annual reporting period and/or were completed at the beginning of the earliest period presented and for completed contracts that have variable consideration, the Group has used hindsight and used the transition price at the date the contract was completed

A receivable is recognised when the goods and services are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Trade receivables are typically due for settlement no more than 30 to 45 days from the end of the month of invoice.

AASB 15 *Revenue From Contracts With Customers* replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* 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.

Further information on revenue from contracts with customers and other income is detailed in Note 5.

(a) Basis of preparation (continued)

AASB 15 *Revenue From Contracts With Customers (continued)*

The impact of the adoption of AASB 15 is set out below:

Balance Sheet			
$ million	**Carrying amount 31 December 2017**	**Re-measurement**	**Carrying amount 1 January 2018**
Other liabilities	15.1	3.4	18.5
Deferred tax liability	86.0	(1.0)	85.0
Income Statement – For the year ended 31 December 2017			
$ million	**As originally presented**	**AASB15 Restatement**	**Restated**
Revenue	1,560.0	(0.4)	1,559.6
Income tax expense	(72.3)	(0.3)	(72.7)
Net profit after tax	182.1	0.7	182.8

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 *Leases* (AASB 16)

AASB 16 *Leases* will replace the current standard on lease accounting, AASB 117 *Leases*. 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.

The Group has assessed all of the existing leasing arrangements and service agreements in light of the new standard. The standard will primarily affect the accounting for operating leases, together with a limited number of contracts that are classified as containing embedded leases under the new definition.

The Group will apply AASB 16 from its mandatory adoption date of 1 January 2019 and intends to apply the standard using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. The estimated impact of AASB 16 at 1 January 2019 is to recognise a right-of-use asset of approximately $104 million, and a corresponding increase to lease liabilities of approximately $104 million. The group expects that net profit after tax will decrease by approximately $2 million in 2019. The Group does not anticipate there will be a significant impact on the classification of cashflows as a result of adopting AASB 16 and there will be no impact on the group cash position.

(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 2018 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).

1 Summary of significant accounting policies (continued)

(i) Subsidiaries (continued)

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.

(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.

1 Summary of significant accounting policies (continued)

(d) Business combinations (continued)

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

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

(e) Rounding of amounts

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

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Financial Performance Overview

2 Segment Reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the former 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.

A disaggregation of revenue using existing segments and the timing of the transfer of goods and services (at a point in time versus over time) is considered by management to be adequate for the Groups circumstances.

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 *Operating Segments* 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 former CEO and Managing Director

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

31 December 2018 $ million	Cement, Lime, Concrete and Aggregates	Concrete Products	Unallocated	Total
Total segment operating revenue	**1,462.9**	**147.5**	**-**	**1,610.4**
Inter-Company revenue	**(98.8)**	**-**	**-**	**(98.8)**
Revenue from external customers	**1,364.1**	**147.5**	**-**	**1,511.6**
Timing of revenue recognition				
At a point in time	**1,367.6**	**147.5**	**-**	**1,515.1**
Over time	**(3.5)**	**-**	**-**	**(3.5)**
	1,364.1	**147.5**	**-**	**1,511.6**
Depreciation and amortisation	**(76.5)**	**(6.9)**	**(4.0)**	**(87.4)**
EBIT	**290.2**	**10.7**	**(35.5)**	**265.4**
Share of net profits of joint venture and associate entities accounted for using the equity method	**37.4**	**-**	**-**	**37.4**

2 Segment Reporting (continued)

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

31 December 2017 (Restated) **$ million**	**Cement, Lime, Concrete and Aggregates**	**Concrete Products**	**Unallocated**	**Total**
Total segment operating revenue	1,402.5	147.6	-	1,550.1
Inter-Company revenue	(95.5)	-	-	(95.5)
Revenue from external customers	1,307.0	147.6	-	1,454.6
Timing of revenue recognition				
At a point in time	1,310.4	147.6	-	1,458.0
Over time	(3.4)	-	-	(3.4)
	1,307.0	147.6	-	1,454.6
Depreciation and amortisation	(69.4)	(7.8)	(5.3)	(82.5)
EBIT	287.7	10.2	(30.3)	267.6
Share of net profits of joint venture and associate entities accounted for using the equity method	35.1	-	-	35.1

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

The operating revenue assessed by the former CEO and Managing Director and includes revenue from external customers and a share of revenue from the joint ventures and associates in proportion to the Group's ownership interest, excluding freight, interest and royalty revenue. A reconciliation of segment operating revenue to revenue from continuing operations is provided as follows:

$ million	Consolidated **2018**	Restated 2017
Total segment operating revenue	**1,610.4**	1,550.1
Inter-Company revenue elimination	**(98.8)**	(95.5)
Freight revenue	**102.3**	89.5
Other production revenue	**16.3**	15.1
Royalties	**0.4**	0.4
Revenue from continuing operations	**1,630.6**	1,559.6

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

$ million	Consolidated **2018**	Restated 2017
EBIT	**265.4**	267.6
Net interest	**(14.4)**	(12.1)
Profit before income tax	**251.0**	255.5

(c) Other segment information

Revenues of $292.0 million (2017: $268.5 million) are derived from a single customer. These revenues are attributable to the Cement, Lime, Concrete and Aggregates segment.

3 Critical accounting estimates and assumptions

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

- Impairment of assets – Note 14
- Provisions for close down and restoration costs – Note 15(iv)
- Defined benefit superannuation plan – Note 25

Detailed information about each of these estimates and assumptions is included in Notes 14, 15(iv) and 25 together with information about the basis of calculation for each affected line item in the financial statements.

4 Earnings Per Share

Accounting policy - earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

	Consolidated	
Cents	**2018**	**Restated 2017**
Basic earnings per share	**28.5**	28.1
Diluted earnings per share	**28.4**	28.0

	Consolidated	
Number	**2018**	2017
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	**650,498,520**	650,067,492
Adjustment for calculation of diluted earnings per share:		
Awards	**1,678,766**	2,767,452
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**652,177,286**	652,834,944

	Consolidated	
$ million	**2018**	**Restated 2017**
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit after tax	**185.2**	182.8
(Profit)/loss attributable to non-controlling interests	**0.1**	(0.1)
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**185.3**	182.7

5 Revenue from contracts with customers and other income

Accounting policy - revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Revenue from contracts with customers

Revenue from the sale of goods is recognised when control of the product has transferred, being where goods are shipped to the customer, risks of loss have been transferred to the customer and there is objective evidence that all criteria for acceptance has been satisfied.

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5 Revenue from contracts with customers and other income (continued)

(ii) Interest income

Finance income comprises interest income recognised on financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

$ million	Notes	Consolidated 2018	Consolidated Restated 2017
Revenue from contracts with customers			
Revenue from contracts with customers		**1,630.2**	1,559.2
Royalties		**0.4**	0.4
		1,630.6	1,559.6
Other income			
Interest from joint ventures		**0.7**	0.7
Interest from other parties		**1.2**	0.8
Net gain on disposal of property, plant and equipment		**0.4**	10.4
Fair value accounting gain on business acquisition		**-**	4.5
Rental income		**1.5**	1.2
Other income		**13.4**	3.5
		17.2	21.1
Total revenue from contracts with customers and other income		**1,647.8**	1,580.7

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 $1.3 million (2017: $11.1 million) which is recognised in other income.

6 Expenses

Profit before income tax includes the following specific expenses:

$ million	Notes	Consolidated 2018	Consolidated 2017
Depreciation			
Buildings		**4.5**	4.3
Plant and equipment		**76.0**	71.4
Mineral reserves		**4.7**	4.9
Total depreciation		**85.2**	80.6
Amortisation of intangibles		**2.2**	1.9
Other charges			
Employee benefits expense		**185.0**	169.0
Defined contribution superannuation expense		**13.4**	11.7
Operating lease rental charge		**10.0**	9.2
Impairment expense recognised on trade debtors	20(b)	**1.0**	18.3
Provision for inventory		**-**	-

Accounting policy - borrowing costs

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

$ million	Consolidated 2018	Consolidated 2017
Finance costs		
Interest and finance charges paid / payable	**16.3**	13.5
Unwinding of the discount on restoration provisions and retirement benefit obligation	**1.1**	1.1
Fair value loss/(gain) on forward foreign currency contracts at fair value through profit or loss	**-**	-
Total finance costs	**17.4**	14.6
Amount capitalised[1]	**(1.1)**	(1.0)
Finance costs expensed	**16.3**	13.6

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, being 3.1% p.a. (2017: 2.8% p.a.).

7 Income tax

Accounting policy – income tax

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

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

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

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

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

Tax consolidation

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

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.

7 Income tax (continued)

$ million		Consolidated 2018	Restated 2017
(a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit before income tax expense	**251.0**	255.5
	Tax at the Australian tax rate of 30% (2017: 30%)	**75.3**	76.7
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Non allowable expenses	**0.5**	2.6
	Non assessable income	**(2.2)**	(3.4)
	Rebateable dividends	**(5.3)**	(4.6)
	Non assessable non exempt dividends	**(0.4)**	-
	Other deductions	**(0.8)**	(0.7)
	Previously unrecognised capital tax losses offset against capital gains	**(0.1)**	(0.3)
	Under provided in prior years	**1.2**	2.4
	Aggregate income tax expense	**65.8**	72.7
	Aggregate income tax expense comprises:		
	Current taxation expense	**64.5**	71.8
	Net deferred tax expense/(benefit)	**4.0**	(3.1)
	(Over)/Under provided in prior year	**(2.7)**	4.0
		65.8	72.7
(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	**(0.9)**	(0.8)
	Net deferred tax expense/(benefit)	**0.1**	(0.3)
		(0.8)	(1.1)
(c)	**Tax expense relating to items of other comprehensive income**		
	Actuarial (loss)/gain on retirement benefit obligation	**(0.2)**	0.6
	Changes in the fair value of cash flow hedges	**0.5**	-
		0.3	0.6
(d)	**Tax losses**		
	Unused tax losses for which no deferred tax asset has been recognised:		
	Revenue losses	**0.6**	0.5
	Capital losses	**11.2**	11.3

This benefit for tax losses will only be obtained if:

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

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

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

7 Income tax (continued)

(e) Non-current deferred tax assets

$ million	Consolidated 2018	Restated 2017
The balance comprises temporary differences attributable to:		
Share based payment reserve	**1.1**	1.4
Provisions	**30.8**	33.1
Other assets	**1.8**	3.0
Deferred tax assets – before offset	**33.7**	37.5
Offset deferred tax liability (Note 7(f))	**(33.7)**	(37.5)
Net deferred tax assets – after offset	**-**	-
Movements:		
Opening balance at 1 January – before offset	**37.8**	28.9
Recognised in the income statement	**(3.9)**	7.4
Recognised in other comprehensive income	**0.5**	(1.1)
Under/(over) provision in prior year	**(0.7)**	-
Acquired in business combinations	**-**	2.3
Closing balance at 31 December – before offset	**33.7**	37.5

(f) Non-current deferred tax liabilities

$ million	2018	Restated 2017
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**97.4**	100.5
Inventories	**12.9**	10.4
Other	**12.6**	11.6
Deferred tax liabilities – before offset	**122.9**	122.5
Offset deferred tax assets (Note 7(e))	**(33.7)**	(37.5)
Net deferred tax liabilities – after offset	**89.2**	85.0
Movements:		
Opening balance at 1 January – before offset	**122.5**	118.8
Recognised in the income statement	**0.4**	3.4
Recognised in equity	**0.1**	(0.3)
(Over)/under provision in prior year	**(0.1)**	(1.6)
Acquired in business combinations	**-**	2.2
Closing balance at 31 December – before offset	**122.9**	122.5

8 Note to Statement of Cashflows

(i) Cash and cash equivalents

Accounting policy – cash and cash equivalents

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

	Consolidated	
$ million	**2018**	2017
Current		
Cash at bank and in hand	**91.0**	56.0
Term deposits	**2.9**	1.6
Cash and cash equivalents	**93.9**	57.6

(a) Offsetting

The Group has an offsetting agreement with its bank for cash facilities. This agreement allows the Group to manage cash balances on a total basis, offsetting individual cash balances against overdrafts. The value of overdraft at 31 December 2018 was $nil (2017:$nil).

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 20. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

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

	Consolidated	
		Restated
$ million	**2018**	2017
Profit for the year	**185.2**	182.8
Doubtful debts	**1.0**	18.3
Depreciation, amortisation and impairment	**87.4**	82.5
Share based payments	**(1.1)**	(2.9)
Finance charges on remediation provision	**1.1**	1.1
(Gain) / loss on sale of non-current assets	**0.2**	(6.4)
Share of profits of joint ventures, net of dividends received	**(11.7)**	(8.6)
Non-cash retirement benefits expense	**0.5**	0.7
Non-cash remediation obligation	**1.2**	(4.3)
Fair value accounting gain on acquisition of business	**-**	(4.5)
Capitalised interest	**(1.1)**	(1.0)
Other	**(0.9)**	(0.8)
Net cash provided by operating activities before changes in assets and liabilities	**261.8**	256.9
Changes in operating assets and liabilities, net of effects from purchase of business combinations:		
(Increase) / decrease in inventories	**(2.1)**	(9.0)
(Increase) / decrease in prepayments	**(0.8)**	(1.8)
(Increase) / decrease in receivables	**16.9**	(53.0)
Increase / (decrease) in trade creditors	**(12.7)**	27.6
Increase / (decrease) increase in provisions	**(3.3)**	2.3
(Decrease) / increase in taxes payable	**(15.4)**	(5.5)
(Decrease) / increase in deferred taxes payable	**3.8**	(3.9)
Increase / (decrease) in other operating assets and liabilities	**(3.5)**	10.6
Net cash inflow from operating activities	**244.7**	224.2

8 Notes to Statement of Cashflows (continued)

(iii) Net debt reconciliation

	Consolidated	
$ million	**2018**	2017
Cash and cash equivalents	**93.9**	57.6
Borrowings – repayable within one year (including overdraft):	**-**	(0.3)
Borrowings – repayable after one year	**(518.7)**	(428.9)
Net debt	**(424.8)**	(371.6)

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

	Other assets		Liabilities from financing activities				
$ million	**Cash/ Bank Overdraft**	**Liquid Investments**	**Finance Leases due within 1 year**	**Finance Leases due After 1 year**	**Borrowings Due within 1 year**	**Borrowings Due after 1 year**	**Total**
Net debt as at 1 January 2017	21.5	-	(0.4)	(0.3)	-	(309.3)	(288.5)
Cash flows	36.1	-	0.1	0.3	-	(118.9)	(82.4)
Other non-cash movements	-	-	-	-	-	(0.7)	(0.7)
Net debt as at 31 December 2017	**57.6**		**(0.3)**	-		**(428.9)**	**(371.6)**
Cash flows	36.3	-	0.3	-	-	(91.1)	(54.5)
Other non-cash movements	-	-	-	-	-	1.3	1.3
Net debt as at 31 December 2018	**93.9**	**-**	**-**	**-**	**-**	**(518.7)**	**(424.8)**

Balance Sheet Items

9 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 20(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	**Notes**	**2018**	2017
Current			
Trade receivables		**189.0**	200.1
Loss allowance provision		**(19.1)**	(19.5)
		169.9	180.6
Amounts receivable from joint ventures		**34.8**	50.3
Prepayments		**7.3**	6.5
Other receivables		**12.8**	3.6
Total current		**224.8**	241.0
Non-current			
Loans to joint ventures		**38.4**	35.4
Other non-current receivables		**1.5**	1.9
Total non-current		**39.9**	37.3
Movement in loss allowance provision			
Opening balance at 1 January		**19.5**	1.2
Amounts written off during the year		**(1.4)**	-
Loss allowance provision recognised during the year	20(b)	**1.0**	18.3
Closing balance at 31 December		**19.1**	19.5

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 20.

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

10 Inventories

Accounting policy - inventories

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

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

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

	Consolidated	
$ million	**2018**	2017
Current		
Finished goods	**69.7**	73.6
Raw materials and work in progress	**63.4**	56.9
Engineering spare parts stores	**43.3**	43.8
	176.4	174.3

Inventory expense

Inventories recognised as expense during the year ended 31 December 2018 and included in cost of sales amounted to $981.7 million (2017: $948.5 million)

11 Property, plant and equipment

Accounting policy – property plant and equipment

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

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

(i) Mineral reserves

Mineral reserves are amortised based on annual extraction rates over the estimated life of the reserves from 2 – 50 years. The remaining useful life of each asset is reassessed at regular intervals. Where there is a change during the period to the useful life of the mineral reserve, amortisation rates are adjusted prospectively from the beginning of the reporting period.

(ii) Complex assets

The costs of replacing major components of complex assets are depreciated over the estimated useful life, generally being the period until next scheduled replacement 5 – 10 years.

(iii) Leasehold property

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

(iv) Other fixed assets

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

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

11 Property, plant and equipment (continued)

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

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

Consolidated at 31 December 2018

$ million	Freehold land	Buildings	Leasehold property	Plant & equipment	Mineral reserves	Asset retirement cost	In course of construction	Total
At cost	193.0	152.8	9.6	1,453.1	226.1	34.3	45.7	2,114.6
Accumulated depreciation	-	(69.1)	(4.4)	(921.4)	(47.7)	(10.3)	-	(1,052.9)
Net book amount	**193.0**	**83.7**	**5.2**	**531.7**	**178.4**	**24.0**	**45.7**	**1,061.7**
Reconciliations								
Carrying amount at 1 January 2018	178.5	89.0	5.8	517.9	174.3	25.2	46.5	1,037.2
Additions	17.0	1.3	-	54.6	5.9	0.1	34.4	113.3
Disposals	(0.2)	(0.8)	-	(2.2)	-	-	-	(3.2)
Business combinations	-	-	-	1.1	-	-	-	1.1
Reclassification	(2.3)	(1.3)	(0.1)	34.5	2.9	-	(35.2)	(1.5)
Depreciation/amortisation	-	(4.5)	(0.5)	(74.2)	(4.7)	(1.3)	-	(85.2)
Carrying amount at 31 December 2018	**193.0**	**83.7**	**5.2**	**531.7**	**178.4**	**24.0**	**45.7**	**1,061.7**

Consolidated at 31 December 2017

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

11 Property, plant and equipment (continued)

Leased assets

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

	Consolidated	
$ million	**2018**	2017
Cost	**-**	1.2
Accumulated depreciation	**-**	(0.5)
Net book amount	**-**	0.7

12 Assets classified as held for sale

Accounting policy – assets held for sale

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

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

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

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

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

	Consolidated	
$ million	**2018**	2017
Current		
Land and buildings	**-**	1.6
Plant and equipment	**-**	0.3
	-	1.9

13 Intangible Assets

Accounting policy – intangible assets

(i) Goodwill

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

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

(ii) Lease rights

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

(iii) Software

Costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 5 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

13 Intangible Assets (continued)

$ million	Consolidated			
31 December 2018	Goodwill	Software	Other intangibles	Total
Cost	**281.3**	**20.1**	**12.1**	**313.5**
Accumulated amortisation	**-**	**(12.4)**	**(1.6)**	**(14.0)**
Carrying amount at 31 December 2018	**281.3**	**7.7**	**10.5**	**299.5**
Opening balance at 1 January 2018	**280.1**	**8.5**	**11.3**	**299.9**
Reclassification	**-**	**1.2**	**(0.6)**	**0.6**
Additions in current year	**1.2**	**-**	**-**	**1.2**
Amortisation charge	**-**	**(2.0)**	**(0.2)**	**(2.2)**
Closing balance at 31 December 2018	**281.3**	**7.7**	**10.5**	**299.5**

$ million	Consolidated			
31 December 2017	Goodwill	Software	Other intangibles	Total
Cost	280.1	18.9	12.7	311.7
Accumulated amortisation	-	(10.4)	(1.4)	(11.8)
Carrying amount at 31 December 2017	280.1	8.5	11.3	299.9
Opening balance at 1 January 2017	248.7	9.4	12.2	270.3
Reclassification	-	0.9	(0.8)	0.1
Additions in current year	31.4	-	-	31.4
Amortisation charge	-	(1.8)	(0.1)	(1.9)
Closing balance at 31 December 2017	280.1	8.5	11.3	299.9

14 Impairment tests

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

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

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

	Consolidated	
$ million	**2018**	2017
Cement and Lime	**134.0**	134.0
Concrete and Aggregates	**138.5**	137.3
Cement, Lime, Concrete and Aggregates segment	**272.5**	271.3
Concrete Products segment	**8.8**	8.8
	281.3	280.1

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2019 financial budgets approved by the Board, external forecasts of market growth rates and expected operating margins and capital expenditure. 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.

14 Impairment tests (continued)

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

	Growth rate[1]		Discount rate[2]	
	2018	2017	**2018**	2017
	%	%	**%**	%
Cement, Lime, Concrete and Aggregates	**1.4**	1.3	**10.8**	11.3
Concrete Products	**1.2**	1.2	**11.6**	12.1

1 Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period of up to 11 years.
2 Pre-tax discount rate applied to cash flow projections.

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

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

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

The assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin and other operating costs 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.

15 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.

15 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 $40.0 million (2017: $43.1 million).

	Consolidated	
$ million	**2018**	2017
Current		
Employee benefits	**26.8**	27.3
Restoration provisions	**1.5**	5.1
Workers' compensation	**1.1**	0.8
Other provisions	**1.0**	0.6
	30.4	33.8
Non-current		
Employee benefits	**6.7**	7.0
Restoration provisions	**38.5**	38.0
	45.2	45.0

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

	Consolidated	
$ million	**2018**	2017
Current leave obligations expected to be settled after 12 months	**4.2**	4.0

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 2018	**0.8**	**43.1**	**0.6**
Additional provision recognised – charged to income statement	0.8	-	1.0
Additional provision recognised – charged to asset retirement cost	-	0.1	-
Charged to income statement – unwind of discount	-	1.1	-
Payments	(0.5)	(4.3)	(0.6)
Closing balance at 31 December 2018	**1.1**	**40.0**	**1.0**

Capital Structure and Risk Management

16 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	**2018**	2017
Current		
Finance lease	**-**	0.3
Non-current		
Bank loans – unsecured	**518.7**	428.9
	518.7	428.9

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 20. Due to the short term fixed interest rates of the borrowings, the carrying value is the fair value.

Lease commitments – finance leases

Commitments in relation to finance leases for various plant and equipment are payable as follows:		
Within one year	**-**	0.3
Minimum lease payments	**-**	0.3
Future finance charges	**-**	-
Total lease liabilities	**-**	0.3
The present value of finance lease liabilities is as follows:		
Within one year	**-**	0.3
Minimum lease payments	**-**	0.3

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	**4.4**	4.9
Later than one year but not later than five years	**12.5**	14.9
Later than five years	**124.4**	128.9
	141.3	148.7

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.

17 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	**2018**	2017
(a)	**Share capital**		
	Issued and paid up capital		
	650,610,606 (2017: 650,272,495) ordinary shares, fully paid	**734.4**	733.1
(b)	**Movements in ordinary share capital**		
	Opening balance at 1 January	**733.1**	731.4
	338,111 shares issued under Executive Performance Share Plan (2017: 618,396) [1]	**1.3**	1.7
	Closing balance at 31 December	**734.4**	733.1

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

(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 2018 and 31 December 2017 was as follows:

	Consolidated	
		Restated
$ million	**2018**	2017
Total borrowings	**518.7**	429.2
Less: cash and cash equivalents	**(93.9)**	(57.6)
Net debt	**424.8**	371.6
Total equity	**1,245.6**	1,245.8
Gearing ratio	**34.1%**	29.8%

(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.

18 Dividends

	The Company	
$ million	**2018**	2017
Dividends paid during the year		
2017 final dividend of 16 cents (2016 – 15.5 cents) per fully paid ordinary share, franked at 100% (2016 – 100%) paid on 13 April 2018	**104.0**	100.7
2018 interim dividend of 13 cents (2017 – 8.5 cents) per fully paid ordinary share, franked at 100% (2017 – 100%) paid on 11 October 2018	**84.6**	55.3
Total dividends – paid in cash	**188.6**	156.0
Dividend not recognised at year end		
Since the end of the year the Directors have recommended the payment of a final dividend of 15 cents (2017 16 cents) per fully paid share, franked at 100% (2017: 100%).The aggregate amount of the proposed final dividend to be paid on 15 April 2019, not recognised as a liability at the end of the reporting period, is	**97.6**	104.0

Franked dividend

The franked portion of the dividend proposed as at 31 December 2018 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 2019.

	Consolidated	
$ million	**2018**	2017
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	**123.4**	136.4

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 $41.8 million (2017: $46.0 million).

19 Reserves and retained earnings

(a) Reserves

Foreign currency translation reserve	**1.7**	(0.3)
Share-based payment reserve	**1.4**	2.2
Cash flow hedge reserve	**1.1**	-
	4.2	1.9
Foreign currency translation reserve		
Opening balance at 1 January	**(0.3)**	(0.7)
Currency translation differences arising during the year	**2.0**	0.4
Closing balance at 31 December	**1.7**	(0.3)
Share-based payment reserve		
Opening balance at 1 January	**2.2**	2.7
Awards expense	**1.2**	0.6
Deferred tax	**(1.4)**	(0.2)
Reallocation to liabilities[1]	**(0.2)**	-
Issue of shares to employees	**(0.4)**	(0.9)
Closing balance at 31 December	**1.4**	2.2

[1] Certain long term equity incentives have changed and will result in a cash settled entitlement.

19 Reserves and retained earnings (continued)

(a) Reserves (continued)

	Consolidated	
$ million	**2018**	2017
Cash flow hedge reserve		
Opening balance at 1 January	**-**	0.9
Revaluation – gross	**1.7**	-
Reclassified to the carrying amount of inventory	**(0.1)**	(1.3)
Deferred tax on movement in reserve	**(0.5)**	0.4
Closing balance at 31 December	**1.1**	-

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.

	Consolidated	
		Restated
$ million	**2018**	2017
(b) Retained earnings		
Opening balance at 1 January	**508.2**	480.2
Net profit for the year	**185.3**	182.7
Actuarial (loss) / gain on defined benefit obligation net of tax	**(0.4)**	1.3
Dividends	**(188.6)**	(156.0)
Closing balance at 31 December	**504.5**	508.2

20 Financial Risk Management

Financial risk management

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

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

20 Financial Risk Management (continued)

(i) Foreign exchange risk (continued)

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	**2018**	2017
Forward foreign exchange contracts:		
Buy foreign currency	**55.0**	24.2
Sell Australian dollar (cash flow hedges)	**(56.7)**	(24.2)
Net exposure	**(1.7)**	-

(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 2018 and 2017, the Group's borrowings at variable rates were denominated in Australian Dollars.

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

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

	Consolidated			
	2018		2017	
	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%**	**93.9**	2.0%	57.6
Bank facilities	**3.1%**	**518.7**	2.83%	428.9
Fixed rate instruments:				
Finance leases	**-**	**-**	5.51%	0.3

20 Financial Risk Management (continued)

(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			
	2018		2017	
$ million	**Impact on post tax profit**	**Impact on equity**	Impact on post tax profit	Impact on equity
Interest rates – increase by 1%	**(3.6)**	**(3.6)**	(3.0)	(3.0)
Interest rates – decrease by 1%	**3.6**	**3.6**	3.0	3.0

(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. The Group uses credit insurance for selected accounts with a credit limit exceeding $0.25 million. The maximum liability insured is capped at $14 million.

The Company applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 31 December 2018 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.

	Consolidated					
	2018			2017		
	Expected loss rate	**Gross Carrying Amount**	**Provision**	Expected loss rate	Gross Carrying Amount	Provision
	%	**$million**	**$million**	%	$million	$million
Current	**0.11**	**115.6**	**0.1**	0.11	125.7	0.1
More than 30 days past due	**0.21**	**73.6**	**0.2**	0.22	85.8	0.2
More than 60 days past due	**2.03**	**10.1**	**0.2**	2.09	13.1	0.3
More than 90 days past due	**75.92**	**24.5**	**18.6**	73.26	25.8	18.9
Total		**223.8**	**19.1**		250.4	19.5

The gross carrying amount includes external receivables of $189.0 million (2017: $200.1 million) and joint venture receivables of $34.8 million (2017: $50.3 million).

20 Financial Risk Management (continued)

In late 2017 the Group became aware of certain financial discrepancies which related to transactions whereby it was underpaid for products supplied to customers. The Group has as a result recognised an additional provision of $17.1 million in 2017 for the impairment of trade receivables in the balance sheet in the prior period.

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

(c) Liquidity risk

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

Financing arrangements	Consolidated	
$ million	**2018**	2017
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	**590.0**	540.0
	594.0	544.0
Used at balance date		
Bank overdrafts	**-**	-
Bank facilities	**520.0**	430.0
	520.0	430.0
Unused at balance date		
Bank overdrafts	**4.0**	4.0
Bank facilities	**70.0**	110.0
	74.0	114.0
Maturity profile of bank facilities. Maturing on:		
4 January 2019	**-**	210.0
6 January 2021	**330.0**	330.0
7 January 2022	**260.0**	-
	590.0	540.0

20 Financial Risk Management (continued)

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

Contractual maturities of financial liabilities Consolidated $million	< 6 months	6-12 months	1-2 years	> 2 years	Total	Carrying Amount (Assets)/Liabilities
31 December 2018						
Non-derivatives						
Trade payables	**133.0**	**-**	**-**	**-**	**133.0**	**133.0**
Bank facilities	**8.5**	**8.5**	**316.6**	**130.1**	**463.7**	**463.7**
Finance leases	**-**	**-**	**-**	**-**	**-**	**-**
Bank guarantees	**6.2**	**6.5**	**4.2**	**23.7**	**40.6**	**-**
	147.7	**15.0**	**320.8**	**153.8**	**637.3**	**596.7**
Derivatives						
Gross settled forward foreign exchange contracts (cash flow hedges):						
- (inflow)	**(47.5)**	**(7.5)**	**-**	**-**	**(55.0)**	**-**
- outflow	**48.9**	**7.8**	**-**	**-**	**56.7**	**-**
	1.4	**0.3**	**-**	**-**	**1.7**	**-**
31 December 2017						
Non-derivatives						
Trade payables	145.9	-	-	-	145.9	145.8
Bank facilities	6.4	6.4	195.1	250.1	458.0	428.9
Finance leases	0.3	-	-	-	0.3	0.3
Bank guarantees	6.0	6.3	-	23.2	35.5	-
	158.6	12.7	195.1	273.3	639.7	575.0
Derivatives						
Gross settled forward foreign exchange contracts (cash flow hedges):						
- (inflow)	(23.8)	(0.4)	-	-	(24.2)	-
- outflow	23.8	0.4	-	-	24.2	-
	-	-	-	-	-	-

(d) Financial instruments, derivatives and hedging activity

The Company early adopted AASB 9 *Financial Instruments* and implemented hedge accounting during the prior period ended December 2015.

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 9 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.

20 Financial Risk Management (continued)

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

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

(iii) Hedging instruments

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

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

Refer to Note 20(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	
		2018	2017
Hedging instrument – forward foreign exchange contracts			
Carrying amount – $ million		**1.7**	-
Notional amount US Dollars – $ million		**53.4**	20.6
Notional amount Yen - $ million		**1.2**	1.7
Notional amount EURO - $ million		**0.4**	1.9
Maturity date		**Jan – Jul 2019**	Jan – Aug 2018
Hedge ratio		**1:1**	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		**-**	-
Weighted average hedge rate	- US Dollars	**A$1 : US$0.7281**	A$1 : US$0.7769
	- Yen	**A$1 : Yen 82.5**	A$1 : Yen 87.9
	- Euro	**A$1 : EURO$0.6438**	A$1 : EURO$0.6581

Fair value measurements

Fair value hierarchy

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

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

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

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

(i) Recognised fair value measurements

The Group measures and recognises derivatives used for hedging foreign currency risk and electricity price risk at fair value on a recurring basis. The Group held assets in relation to forward exchange contracts of $1.7 million (2017: assets of $0.2 million and liabilities of $0.2 million) at the end of the reporting period. There were no electricity price caps in place at 31 December 2018 or 31 December 2017. The fair values of the forward exchange contracts are measured with reference to forward interest rates and exchange rates at balance date and the present value of the estimated future cash flows (level 2).

(ii) Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the Notes.

The carrying value less impairment provision of current trade receivables and payables are assumed to approximate their fair values due to their short term nature. For non-current receivables, the fair values are also not significantly different to their carrying amounts as a commercial rate of interest is charged to the counterparty (level 3).

The interest rate for current and non-current borrowings is reset on a short term basis, generally 30 to 90 days, and therefore the carrying value of current and non-current borrowings equal their fair values (level 2).

Group Structure

21 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				Consolidated	
	Joint ventures		Associate			
$ million	**2018**	2017	**2018**	2017	**2018**	2017
Investment in joint ventures and associate	**133.9**	121.3	**40.0**	39.0	**173.9**	160.3
Profit from continuing operations	**36.6**	33.6	**0.8**	1.5	**37.4**	35.1
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**36.6**	33.6	**0.8**	1.5	**37.4**	35.1

21 Joint arrangements and associate (continued)

(b) Interests in joint arrangements and associate

Name	Principal place of business	Ownership interest 2018 %	Ownership interest 2017 %	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 $32.1 million (2017: $31.3 million).

22 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 2018 %	Ownership interest held by the Group 2017 %
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

23 Deed of cross guarantee

As at the date of this report, Adelaide Brighton Limited, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Northern Cement Ltd, Premier Resources Ltd, Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Morgan Cement International Pty Ltd, Adbri Masonry Group Pty Ltd, C&M Masonry Products Pty Ltd, Adbri Masonry Pty Ltd, Hurd Haulage Pty Ltd, Aus-10 Rhyolite Pty Ltd, Screenings Pty Ltd, Southern Quarries Holdings Pty Ltd, Direct Mix Holdings Pty Ltd, Southern Quarries Pty Ltd, Central Pre-Mix Concrete Pty Ltd and Hy-Tec (Northern Territory) Pty Ltd are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others. By entering into the Deed, wholly owned entities classified as a “Closed Group” are relieved from the requirement to prepare a financial report and Directors’ report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785 (formerly Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission).

Direct Mix Holdings Pty Ltd is ineligible for relief under the Instrument and is classified as a member of the “Extended Closed Group” for the purposes of the Instrument.

Hy-Tec (Northern Territory) Pty Ltd was added to the “Closed Group” during 2018.

Set out below is a consolidated balance sheet as at 31 December 2018 of the Closed Group.

$ million	2018	Restated 2017
Current assets		
Cash and cash equivalents	**86.6**	50.4
Trade and other receivables	**226.7**	242.6
Inventories	**175.8**	166.4
Current tax assets	**5.6**	-
Assets classified as held for sale	**-**	1.9
Total current assets	**494.7**	461.3
Non-current assets		
Receivables	**39.9**	37.3
Retirement benefit asset	**2.5**	3.5
Joint arrangements and associate	**98.6**	91.7
Other financial assets	**21.4**	21.4
Property, plant and equipment	**1,024.6**	997.4
Intangible assets	**293.2**	293.6
Total non-current assets	**1,480.2**	1,444.9
Total assets	**1,974.9**	1,906.2
Current liabilities		
Trade and other payables	**131.7**	140.9
Borrowings	**-**	0.1
Current tax liabilities	**-**	9.9
Provisions	**29.9**	33.0
Other liabilities	**15.8**	18.3
Total current liabilities	**177.4**	202.2
Non-current liabilities		
Borrowings	**518.7**	428.9
Deferred tax liabilities	**90.1**	84.0
Provisions	**45.1**	42.4
Other non-current liabilities	**0.1**	0.1
Total non-current liabilities	**654.0**	555.4
Total liabilities	**831.4**	757.6
Net assets	**1,143.5**	1,148.6
Equity		
Contributed equity	**734.4**	733.1
Reserves	**2.2**	1.4
Retained earnings	**406.9**	414.1
Total equity	**1,143.5**	1,148.6

23 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 2018 of the Closed Group.

$ million	2018	Restated 2017
Profit before income tax	**242.6**	237.5
Income tax expense	**(65.9)**	(70.0)
Profit for the year	**176.7**	167.5
Retained earnings 1 January	**414.1**	401.3
Retained earnings – newly added entities	**5.1**	-
Profit for the year	**176.7**	167.5
Other comprehensive income	**(0.4)**	1.3
Dividends paid	**(188.6)**	(156.0)
Retained earnings 31 December	**406.9**	414.1

24 Parent entity financial information

The financial information for the parent entity, Adelaide Brighton Limited ("the Company"), has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associate and joint arrangements

Investments in subsidiaries, associate and joint arrangements are accounted for at cost in the financial statements of the Company. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

The Company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The Company and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) Financial guarantees

Where the Company has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share based payments

The grant by the Company of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a receivable from that subsidiary undertaking.

24 Parent entity financial information (continued)

(a) Summary financial information

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

$ million	**2018**	2017
Balance sheet		
Current assets	**2,534.8**	2,277.1
Total assets	**2,932.3**	2,674.6
Current liabilities	**1,445.9**	1,298.8
Total liabilities	**1,999.5**	1,762.7
Net assets	**932.8**	911.9
Shareholders' equity		
Share capital	**727.3**	725.9
Reserves		
Share-based payments	**1.4**	2.2
Retained earnings	**204.1**	183.8
Total shareholders' equity	**932.8**	911.9
Profit for the year	**208.9**	169.1
Total comprehensive income	**208.9**	169.1

(b) Guarantees entered into by the parent entity

Bank guarantees	**5.4**	7.4

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2018 or 31 December 2017 other than the bank guarantees detailed above.

25 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

(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 2018, all new employees, who are members of this fund, have become members of the accumulation category of the Plan.

25 Retirement benefit obligations (continued)

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.

(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 2018	**44.8**	**(48.3)**	**(3.5)**
Current service cost	**1.4**	**-**	**1.4**
Interest expense/(income)	**1.3**	**(1.4)**	**(0.1)**
Transfers in	**0.1**	**(0.1)**	**-**
	2.8	**(1.5)**	**1.3**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	**-**	**0.8**	**0.8**
(Gain) from change in financial assumptions	**(0.1)**	**-**	**(0.1)**
Experience (gain)	**(0.1)**	**-**	**(0.1)**
	(0.2)	**0.8**	**0.6**
Contributions:			
Employers	**-**	**(0.9)**	**(0.9)**
Plan participants	**0.8**	**(0.8)**	**-**
Payments from Plan:			
Benefit payments	**(4.6)**	**4.6**	**-**
At 31 December 2018	**43.6**	**(46.1)**	**(2.5)**
At 1 January 2017	51.4	(53.7)	(2.3)
Current service cost	1.7	-	1.7
Interest expense/(income)	1.7	(1.8)	(0.1)
Transfers in	0.2	(0.2)	-
	3.6	(2.0)	1.6
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(2.5)	(2.5)
(Gain) from change in financial assumptions	(0.3)	-	(0.3)
Experience (gain)	0.9	-	0.9
	0.6	(2.5)	(1.9)
Contributions:			
Employers	-	(0.9)	(0.9)
Plan participants	0.9	(0.9)	-
Payments from Plan:			
Benefit payments	(11.7)	11.7	-
At 31 December 2017	44.8	(48.3)	(3.5)

25 Retirement benefit obligations (continued)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2018 Unquoted		31 December 2017 Unquoted	
	$ million	**in %**	$ million	in %
Australian equity	**12.9**	**28%**	12.6	26%
International equity	**16.1**	**35%**	15.4	32%
Fixed income	**6.5**	**14%**	10.1	21%
Property	**6.5**	**14%**	6.3	13%
Cash	**0.9**	**2%**	1.0	2%
Other	**3.2**	**7%**	2.9	6%
Total	**46.1**	**100%**	48.3	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.

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	2018	2017
Discount rate - % p.a.	**3.0**	3.3
Future salary increases - % p.a. – first year	**2.5**	2.0
Future salary increases - % p.a. – second year	**2.5**	3.5
Future salary increases - % p.a. – thereafter	**2.5**	3.0

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 2018			
Discount rate	0.50 ppts	Decrease by 1.5%	Increase by 1.6%
Future salary increases	0.50 ppts	Increase by 1.1%	Decrease by 1.0%
31 December 2017			
Discount rate	0.50 ppts	Decrease by 1.6%	Increase by 1.7%
Future salary increases	0.50 ppts	Increase by 1.2%	Decrease by 1.1%

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 2019 are $0.7 million (2018: $0.7 million).

The weighted average duration of the defined benefit obligation is 5 years (2017: 6 years).

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 (2017 – 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 18-45.

The exercise price for each Award is $nil.

Movement in number of Awards outstanding	Consolidated	
	2018	2017
Outstanding at beginning of the year	**2,767,452**	2,919,824
Granted	**142,357**	593,583
Forfeited	**(554,824)**	-
Exercised	**(338,111)**	(618,396)
Expired	**(338,108)**	(127,559)
Outstanding at the end of the year	**1,678,766**	2,767,452
Exercisable at the end of the year	**-**	-

The average value per share at the earliest exercise date during the year was $6.42 (2017: $5.76). 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.

26 Share-based payment plans (continued)

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

Awards granted in 2018 – weighted average pricing model inputs

	2018 Awards
Share price at grant date - per share	$6.84
Expected future dividends - per share	$0.96
Risk-free interest rate - % p.a.	2.30
Lack of marketability discount - % p.a.	3.00
TSR condition discount	50%
Earliest exercise date	1 May 22

Awards granted in 2017 – weighted average pricing model inputs

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

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 $1,399,867 during the year (2017: $619,965).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 1.4 years (2017: 1.8 years).

Other

27 Related parties

(a) Compensation of Key Management Personnel

$ million	Consolidated 2018	2017
Short-term employee benefits	**9.0**	5.3
Post employment benefits	**0.1**	0.1
Share-based payments	**1.2**	0.5
	10.3	5.9

(b) Other transactions with Key Management Personnel

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

(c) Controlled entities

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

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

$	Consolidated 2018	2017
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	**84,622,252**	80,951,994
Purchases from Director related parties	**34,204,918**	18,967,244

Details of interests in controlled entities are set out in Note 22. 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.

27 Related parties (continued)

(e) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
$'000	**2018**	2017
Sales of goods		
Joint venture entities	**328,134**	307,037
Purchases of materials and goods		
Joint venture entities	**116,080**	115,210
Associate entities	**10,362**	6,597
Interest revenue		
Joint venture entities	**742**	659
Dividend and distribution income		
Joint venture entities	**25,670**	26,413
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	**13,337**	12,628
Loans advanced to:		
Joint venture entities	**2,958**	3,125

(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)	**394**	313
Joint venture entities (trade)	**34,375**	49,977
Non-current receivables		
Joint venture entities (loans)	**38,032**	35,049
Current payables		
Joint venture entities (trade)	**8,847**	7,997

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 $742,491 (2017: $659,420).

28 Events occurring after the balance sheet date

No matter or circumstance has arisen since 31 December 2018 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.

29 Commitments for capital expenditure

	Consolidated	
$ million	**2018**	2017
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Within one year	**11.1**	15.0

30 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	
	$	**2018**	2017
(a)	**Audit services**		
	PricewaterhouseCoopers Australian firm		
	Audit and review of financial statements	**769,416**	855,313
(b)	**Non-audit services**		
	PricewaterhouseCoopers Australian firm		
	Other assurance services	**65,900**	20,550

31 Contingencies

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

		Consolidated	
	$ million	**2018**	2017
(a)	**Guarantees**		
	Bank guarantees	**40.6**	35.4

(b) Litigation

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

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

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 50 to 97 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 2018 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 23 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 23.

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

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

Zlatko Todorcevski
Chairman

Dated 19 March 2019

Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Brighton Limited for the year ended 31 December 2018, 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.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
19 March 2019

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Independent auditor's report

To the members of Adelaide Brighton Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $12 million, which represents approximately 5% of the Group's profit before tax.
- 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 Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the most significant components being Cement and Lime (primarily focusing on the South Australian and Western Australian businesses which comprise the bulk of these operations) which, in our view, were financially significant to the financial report.
- Additionally, we performed specific risk focused audit procedures in relation to the Group's Cement and Lime component in the Northern Territory and New South Wales, Concrete and Aggregates components in New South Wales, Victoria and Queensland and Concrete Products.
- Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd were the largest contributors to the Group's share of net profits from joint ventures and associates. Other auditors audited the financial reports for Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd for the year ended 30 June 2018. 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 2018 to (and as at) 31 December 2018, 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 2018 for our opinion.

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

Key audit matters

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 good will and property, plant and equipment *(Refer to notes 11, 13 & 14)*	
The financial report of the Group includes goodwill of $281.3 million and property, plant and equipment of $1,061.7 million as at 31 December 2018. In order to assess recoverability of these assets, the Group prepared financial models (hereafter, "the models") as at 31 December 2018 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 recoverability of these assets was a key audit matter given the significance of the Group's recorded goodwill and property, plant and equipment balances to the financial position of the Group, and the judgments and assumptions required in assessing the assets value in use (including budgeted cash flows, growth rates and discount rates).	We evaluated the Group's cash flow forecasts and the process by which they were developed. We compared the 2019 forecast to 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 note that for the assessment in the current year, management have allocated corporate costs against each operating segment which has increased the costs included in the discounted cash flow model. 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 have performed a sensitivity analysis on the growth rate and WACC used. No material risk of impairment was identified through this assessment. The Group engaged an expert to assist them in determining the discount rates applied in the impairment models. We assessed them as Group experts, and considered their methods, competency, and objectivity. Having done so, we were satisfied that we could rely on the work of the Group's expert for the purpose of our audit. We ensured that the WACC employed in the cashflow forecasts are consistent with those recommended by management's expert.

Key audit matter	How our audit addressed the key audit matter
Estimation of close down and restoration provision *(Refer to note 15)* The Group recognised restoration provisions of $40.0 million in relation to the rehabilitation of presently operating quarries and concrete plants. The estimation of rehabilitation provisions was a key audit matter because the estimation of rehabilitation provisions involves significant judgement to estimate future costs and to assess rehabilitation requirements. The rehabilitation provision for sites being actively remediated is based on future works tendered cost estimates as well as costs to complete the current stage of rehabilitation. For other quarries not currently being actively remediated, the provision is determined via the nominal cost estimate process completed annually by operational staff based on rehabilitation requirements, current costs, and forecast cost inflation factors. These are then discounted in order to estimate the net present value of the provision.	We assessed whether a provision was included for all sites that required rehabilitation based on our knowledge of the Group's operations, review of new lease contract agreements, review of meeting minutes, and discussions with management. We did not identify any omissions from our procedures. We focussed our attention on sites where there had been a significant change to the nominal cost of the provision from the previous period, or where we would have expected there to be a material change based on our knowledge of the business. For sites what a significant change, we have corroborated with site manager and engineering reports to validate the change. For sites where there was no material change in the nominal cost to rehabilitate, our procedures were limited to assessing whether the provisions had been updated to reflect any new knowledge gained from rehabilitation planned in other areas or changes in rehabilitation requirements. The provisions for these sites were tested on initial recognition, or since the last significant change to nominal cost. For sites being actively remediated, we compared the movement in the provision recognised, with the actual costs of the work performed during the period. To assess the Group's ability to estimate accurately for provision of areas still to be remediated, we also compared previous period's estimates of costs to the actual costs, based on the area of required remediation.

Key audit matter	*How our audit addressed the key audit matter*
Measurement of stockpiled inventory *(Refer to note 10)* Of the Group's $176.4 million of recorded inventory on hand at 31 December 2018, $63.4 million comprised raw materials and work in progress. Raw materials and work in progress inventory is typically stockpiled prior to consumption or sale. The measurement of these inventories is a key audit matter as the measurement of inventory quantities for stockpiled inventory is complex. The Group relies on independent surveyors to perform volumetric surveys to estimate the quantity stockpiled for these inventory types. Survey quantity results, which are reported in cubic metres, are converted to tonnages using density factors.	We assessed the independent surveyors as Group experts, and for each expert considered the surveyor's method, competency and objectivity. We were satisfied that we could use their work for the purpose of our audit. We obtained and inspected the survey results for material stockpiled inventory locations. We reperformed the Group's conversion of the quantities identified from the surveyors' reports to tonnages using the Group's density factors. We compared the density factors used to results of the Group's internal laboratory testing that occurred during the year and to prior year density factors for the same raw material, where available. Given the nature of the inventory, the density factors do not usually vary significantly year on year. We identified no significant changes in these factors in the current year or other factors which would require a change.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Company Profile and Map of Operations, Chairman's Report, Chief Executive Officer and Managing Director Review, Finance Report, Cement and Lime Report, Concrete and Aggregates Report, Concrete Products Report, Joint Ventures Report, Sustainability Report, Health and Safety Report, People and Diversity Report, Tax Transparency Report, Diversity Report, Corporate Governance Overview, Directors Summary and Information for Shareholders. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. 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 18 to 45 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Adelaide Brighton Limited for the year ended 31 December 2018 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

M. T. Lojszczyk
Partner

Adelaide
19 March 2019