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Adelaide Brighton Ltd
ACN 007 596 018

28 August 2019

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

Dear Sir/Madam

Results for announcement to the market – half year ended 30 June 2019

We attach Appendix 4D Half Year Report in accordance with Listing Rule 4.2A and management discussion covering the half year ended 30 June 2019 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:

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Group Corporate Affairs Adviser
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Adelaide Brighton Limited

Appendix 4D

Half year report ended 30 June 2019

Results for announcement to the market

Company name:	Adelaide Brighton Limited
ABN:	15 007 596 018
Reporting period:	Half year ended 30 June 2019
Previous corresponding period:	Half year ended 30 June 2018
Release date:	Wednesday 28 August 2019

		%		A$m
Revenue from continuing operations	down	6.3	to	755.7
Earnings/(loss) before interest and tax (EBIT)	down	112.7	to	(15.6)
Net profit/(loss) for the period attributable to members	down	121.2	to	(17.9)

Dividend	Amount per security (cents)	
	Current period	Previous corresponding period
Interim ordinary dividend	0.0 [1]	9.0
Interim special dividend	0.0 [1]	4.0

1 As disclosed to the ASX on 31 July 2019, no interim dividend has been declared.

	30 June 2019	30 June 2018
Net tangible asset backing per ordinary share	$1.30	$1.43

Dividend Reinvestment Plan
The Adelaide Brighton Limited Board advises that the Company's Dividend Reinvestment Plan remains suspended until further notice.

Summary of Results

Revenue

- First half revenue of $755.7 million, down 6.3% compared to 1H18 due to further softening of conditions in the residential and civil construction market and continued competitive pressure in Queensland and South Australia.

Earnings before interest and tax

- Reported loss before interest and tax of $15.6 million.
- Underlying earnings before interest and tax (EBIT), which excludes pre-tax impairment ($96.1 million) and other restructuring and transaction costs, decreased 31.0% on 1H18 to $85.2 million.

Net profit after tax

- Reported net loss after tax of $17.9 million due to an after tax non-cash impairment charge of $69.9 million.
- Underlying net profit after tax (NPAT) of $55.3 million.
- Underlying profit performance impacted by:
  - decline in volumes as construction activity weakened over the period;
  - sustained increase in raw material costs; and
  - increased competitive pressures in Queensland and South Australia.

Cash flow and debt

- Operating cash flow of $44.8 million, was driven by lower sales and higher working capital. Almost $40 million in uncollected debtors were received in the first week of July 2019, as the 30 June due date fell on a weekend.
- Net debt increased to $519.2 million due to the lower operating cash flow and payment of $97.8 million in dividends.
- Net debt to equity (excluding leasing) was 45.9%, an increase from 34.1% at 31 December 2018. The leverage ratio of net debt (excluding leasing) to underlying EBITDA was 1.6 times at period end on a 12 month rolling basis and interest cover[1] is 9.3 times. The Company's key credit metrics remain investment grade.

Shareholder returns

- Basic earnings per share (EPS) decreased to a loss of (2.7) cents per share as a result of the impairment charge and underlying EPS of 8.5 cents.
- As advised in Adelaide Brighton's earnings guidance update on 31 July 2019, an interim dividend has not been declared.
- The Company continues to operate within a flexible dividend policy to deliver surplus capital back to shareholders over the long term.

Outlook

- 2019 full year underlying NPAT, excluding property, is anticipated to be in the range of $120 - $130 million.
- Adelaide Brighton's priorities are to:
  - Maintain market share;
  - Prudently manage capital spend;
  - Contain costs and right size the business to improve performance; and
  - Maintain balance sheet flexibility for reinvestment and growth.

[1] Underlying EBIT / net interest

Financial Summary

Statistory basis	**6 months ended 30 June**		
($million)	**2019**	**2018**	**% change pcp**
Revenue	**755.7**	806.3	(6.3)
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)	**128.3**	166.2	(22.8)
Depreciation, amortisation and impairment	**(143.9)**	(43.7)	229.3
Earnings / (loss) before interest and tax (“EBIT”)	**(15.6)**	122.5	(112.7)
Net finance cost[1]	**(9.2)**	(6.7)	37.3
Profit / (loss) before tax	**(24.8)**	115.8	(121.4)
Tax (expense) / credit	**6.9**	(31.3)	(122.0)
Net profit / (loss) after tax	**(17.9)**	84.5	(121.2)
Non-controlling interests	**–**	–	–
Net profit / (loss) attributable to members (“NPAT”)	**(17.9)**	84.5	(121.2)
Basic earnings / (loss) per share (EPS) (cents)	**(2.7)**	13.0	(120.8)
Ordinary dividends per share – fully franked (cents)	**-**	9.0	
Special dividends per share – fully franked (cents)	**-**	4.0	
Net debt[2]	**519.2**	414.5	

Underlying basis[3]	**6 months ended 30 June**		
($million)	**2019**	**2018**	**% change pcp**
Revenue	**755.7**	806.3	(6.3)
EBITDA	**133.0**	167.2	(20.5)
Depreciation and amortisation	**(47.8)**	(43.7)	9.4
EBIT	**85.2**	123.5	(31.0)
Net finance cost[1]	**(9.2)**	(6.7)	37.3
Profit before tax	**76.0**	116.8	(34.9)
Tax expense	**(20.7)**	(31.6)	(34.5)
Net profit after tax	**55.3**	85.2	(35.1)
Non-controlling interests	**–**	–	–
NPAT	**55.3**	85.2	(35.1)
Basic earnings per share (cents)	**8.5**	13.1	(35.1)
Leverage ratio (times) [2,3]	**1.6**	1.1	
Gearing [2] (%)	**45.9**	33.7	
ROFE[4] (%)	**14.0**	18.0	

1 Net finance cost is the net of finance costs shown gross in the Income Statement and interest income included in other income.
2 Net debt is calculated as total borrowings less cash and cash equivalents. Lease liabilities are excluded from net debt.
3 Underlying measures adjusted for significant items. Explanation and reconciliation to statutory results provided on page 10.
4 Underlying 12 month EBIT divided by average monthly funds employed.

Review of Operations

Demand Overview

Demand for construction materials slowed during the period, particularly across the eastern states of Australia. Western Australia, South Australia and the Northern Territory remained subdued during the period.

Australian residential construction approvals declined 25.6% on seasonally adjusted terms for the six months to June 2019 compared to pcp. Capital cities in the major markets of Queensland, New South Wales and Victoria all declined in excess of 24%. Only Tasmania exhibited growth over this period, a market where Adelaide Brighton does not have a major presence.

Based on the latest available data from the Australian Bureau of Statistics, construction work completed, which includes residential construction, declined 6.0% for the March 2019 quarter compared to March 2018. This included a decline in engineering work of 12.4% over this period, despite the large number of projects that are in the pipeline.

Earnings Overview

The 31.0% decline in underlying EBIT was driven by lower volumes across all products in the majority of markets and selling price reductions to combat cement import competition. This, combined with pricing pressure in other markets, limited the effectiveness of the 1 April price increases, particularly in markets where Adelaide Brighton does not have an integrated aggregates position. Import costs increased due to higher shipping and material costs, compounded by the weaker Australian Dollar, further reducing margins.

Volumes were impacted by the slowing in construction activity, the loss of demand over the extended Easter / ANZAC day holiday period and adverse weather in the months of May and June.

The contribution from Joint Ventures declined, also reflecting the lower demand environment and competitive pressures.

Cement and Clinker

Sales – Declining demand

Cement sales volumes decreased 8.6% compared to 1H18. Volumes declined across New South Wales, Victoria and South Australia following the reduction in construction activity, resulting in elevated pricing pressure to maintain volumes in a softening market.

Demand from mining projects supported volumes in Western Australia, which were generally in line with the prior year, and the Northern Territory which experienced an increase in sales on the back of a major infrastructure project.

Average prices decreased compared to 1H18, with the majority of markets experiencing a decline. The softer market conditions and an increase in competitive pressures in the South Australian market, due to the entry of an importer in 2018, led to the decline.

Operations – Lower margins

Lower cement volumes and prices, combined with higher costs led to lower margins.

Import costs increased during the first half reflecting higher shipping and material procurement costs and adverse movements of the Australian Dollar against the major trading currencies of the United States Dollar and Japanese Yen.

Energy costs remained stable during the half as a result of contracts for major components of energy use, which remain in place for the balance of 2019.

Lime

Sales – Volumes stable

Lime sales volumes were stable compared to 1H18. A decline in non-alumina volumes in Western Australia was offset by stronger alumina volumes and higher non-alumina volumes in other states.

Lime selling prices increased marginally due to contractual pricing arrangements that move with a lag to energy costs.

Operations – Competitive position

The key Munster production facility remains cost competitive with imported lime, providing local customers with security of quality and safer supply over imported materials.

Concrete and Aggregates

Sales – Slower demand

Concrete volumes decreased by 7.8% compared to 1H18, with demand across all markets except the Northern Territory slowing. The key markets of New South Wales and Victoria experienced the largest reductions, reflecting the decline in residential construction in these states.

Average concrete prices improved, with increases across the majority of markets. However, these increases were insufficient to offset the impact of higher raw material and input costs. Price increases for aggregates and sand in markets where Adelaide Brighton does not have an integrated market position offset the benefit of higher concrete selling prices.

Aggregate sales volumes decreased in line with concrete volumes, partially offset by stronger project volumes. In addition to the lower demand from the concrete market, dry weather at certain sites limited production due to a lack of water to process materials, while other sites experienced flooding that reduced site access.

Final operational approval for the Scotchy Pocket quarry, which services the Sunshine Coast region in Queensland, was received in July 2019. Sales to internal customers commenced immediately and marketing to external customers has been initiated. The second half of 2019 will benefit from this additional volume.

Average selling prices for aggregates increased ahead of CPI, aided by improved product mix.

Concrete Products

Sales – Impacted by lower volumes

Concrete Products revenue was modestly down on the prior year with weaker demand and decreased volumes across the Queensland and New South Wales markets. However, Victoria, South Australia and Tasmania improved marginally where several one off commercial projects bolstered the result. Disciplined pricing has delivered price improvement across all product segments, with key segments up on average by 2.4% on the pcp.

Continued focus on operational efficiency, investment in lower cost and sustainable curing and energy systems, and cost reduction initiatives have partially offset the impact of the lower volumes and revenue.

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.

In addition to the decline in demand across Victoria and New South Wales markets, the loss of a small number of customers as a result of their businesses being acquired, resulted in lower volumes. An improvement in average selling prices was not sufficient to offset the impact of lower volumes and higher material costs, resulting in a 4.5% decline in contribution to $7.7 million.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate is a joint venture with a cement milling, storage and distribution facility at Fisherman Islands, Port Brisbane.

Competitive pressures in Queensland, in advance of a new cement importer entering the market, resulted in lower volumes and prices to third party customers, which were partially offset by higher offtake from shareholder customers. In addition, operating costs have increased as a result of higher material costs, however Sunstate's contribution to Adelaide Brighton earnings were stable versus the pcp.

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 the number one and number two positions in the markets it serves.

Volumes declined compared to the pcp as a result of softening market conditions and the finalisation of large projects. Selling prices for concrete and aggregates improved, only partially offsetting the impact of lower volumes. Mawsons contribution to Adelaide Brighton's earnings declined 15% to $3.0 million.

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 other markets throughout south east Asia.

Efficiencies within the plant have resulted in higher production volumes, leading to higher sales, supported by increased prices. Increased distribution costs and adverse movements in regional exchange rates have partially offset the benefit of the higher revenue, with Aalborg's contribution to Adelaide Brighton's earnings increasing to $0.5 million.

Strategic Initiatives

Adelaide Brighton's strategy to create shareholder value over the long term continues through the following key strategic initiatives:

1. Cost reduction and operational improvement;
2. Growth of the lime business through supply to the resources sector;
3. Targeted downstream integration and diversification;
4. Increased exposure to the infrastructure sector; and
5. Maximising value creation opportunities across its land holdings.

Specifically, in response to the softening market conditions, Adelaide Brighton will: focus on right sizing its overhead and fleet, rationalise its operational footprint and pursue procurement strategies to deliver cost savings in the near to medium term. Surplus land sales and working capital management will be utilised to recycle capital for investment in growth and protection of earnings, whilst managing interest costs.

1. Cost reduction and operational improvement

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

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 approximately 2.7 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, underpinning its cost competitive position.

The import strategy is supported by long term agreements with two Japanese suppliers for grey clinker, Aalborg for white clinker, cement supply sourced from Indonesia 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, as well as providing a cost benefit.

Adelaide Brighton has a proactive strategy designed to manage energy costs and operating risks, taking a portfolio approach to energy supply and procurement. We continue to improve operational energy efficiency, increasing the use of alternative fuels to reduce reliance on traditional sources with a target of more than 30% substitution of 6PJ of fuel supply in South Australia in the medium term and increased use of alternative cementitious materials.

2. Lime growth

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

The Western Australian alumina sector represents about 70% of Western Australian lime demand and remains among the lowest cost alumina producers in the world.

The lime business is well positioned for growth in the Western Australian market. Gold production is expected to increase in the short to medium term, on the back of a strong Australian dollar gold price over a sustained period and the opening or expansion of mining projects such as Gruyere, Sunrise Dam and Carosue Dam. Gold exploration expenditure in Western Australia remains exponentially higher than the rest of Australia, which positions the lime business well for growth over the longer term. The potential capacity expansion of alumina as well as the expected reopening of Ravensthorpe nickel mine, will also provide further positive drivers for lime demand.

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

3. Downstream integration and diversification

Adelaide Brighton's diversification program has been underway since 2002. The Group has made significant investments in downstream concrete and aggregate businesses which have yielded synergy savings from back office, transport and materials pull-through.

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

In addition to acquisition activity, the investment in downstream assets also includes organic projects. In the past year, the Group has commenced operations at the newly built Swanbank and Larapinta concrete plants, located in the south east Queensland growth corridor. The Pinkenba plant, located on the eastern fringe of the Brisbane central business district, is expected to complete in the last quarter of 2019 and will provide the Company with access to Brisbane city projects.

In July 2019, the Group's Scotchy Pocket quarry commenced the sale of product to internal customers and marketing to external customers in the Sunshine Coast market. It is well positioned to supply materials to projects in the area, including the upgrade of the Bruce Highway.

Vertically integrated build-out opportunities are also being considered to provide raw material certainty in the south east Queensland market and a concrete footprint in the Greater Western Sydney market. These will complement existing operations, providing important pull-through opportunities for the Group's existing businesses as well as an earnings buffer against price increases on raw material inputs.

Adelaide Brighton's Austen Quarry at Hartley, west of Sydney is a high quality hard rock quarry supplying the Sydney market with construction materials. An increase in the annual sales volume approval limit to 1.6 million tonnes in 2018 positions the quarry to meet customer demand for construction materials in the growing Sydney market, including attractive opportunities in the greater western Sydney growth corridor.

4. Increased exposure to infrastructure

Projections for infrastructure spending remain very strong. The Company has expanded its executive capability to grow its footprint in this sector and will invest to expand its vertically integrated footprint in growth markets.

The Group's ability to deliver into large scale infrastructure projects is strongest where it has a fully integrated offering. Consequently, Adelaide Brighton will pursue business development opportunities with key constructors in markets where it can deliver a competitive offering.

5. Land

The Company's land portfolio provides a significant earnings and value creation opportunity over the medium to long term, but has not previously been an area of major focus. Adelaide Brighton has been engaged in selling and preparing for sale properties released by its operational rationalisation and improvement program.

The sale of surplus land holdings will be brought forward to recycle capital where possible in the near term. Opportunities such as the Hilltop and Batesford Quarry land, which already form part of the City of Greater Geelong growth strategy, will be developed more fully over the coming years.

The portfolio of properties targeted for sale could realise proceeds in excess of $100 million over the next 10 years.

Financial Review

Cash flow and working capital

Cash flow from operations decreased by $62.8 million on 1H18 to $44.8 million as a result of lower earnings and an increase in working capital. Debtor days increased from 47.9 at June 2018 to 49.4 at June 2019. The increase in debtor days was primarily the result of several large customers paying within a few days subsequent to the end of the June period, which fell on a weekend, with more than $40 million collected within the first week of July 2019.

Capital expenditure of $44.4 million was $6.2 million lower compared to 1H18. Capital expenditure in 1H19 included stay in business capital expenditure of $23.4 million and development projects of $21.0 million, including Scotchy Pocket quarry, Pinkenba concrete plant and an upgrade to the Birkenhead drymix plant.

Dividend payments of $97.8 million decreased by $6.2 million over 1H18 due to the lower final dividend for 2018.

Net debt and gearing

Adelaide Brighton adopts 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 investment grade metrics to optimise funding cost
- Retain balance sheet flexibility to fund capital projects and acquisitions
- Distribute surplus capital to shareholders in an efficient manner

Excluding lease liabilities, net debt at the end of the period was $519.2 million.

When assessing capital requirements and balance sheet risk, Adelaide Brighton considers its leverage and gearing ratios. The leverage ratio 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 1.6 times 12-month trailing Underlying EBITDA at 30 June 2019. The Board considers a leverage ratio of between 1.0 to 2.0 times 12-month trailing Underlying EBITDA is an appropriate target range.

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

The net debt to book equity gearing ratio increased to 45.9% at 30 June 2019, and is outside the upper end of the target range of 25% to 45% following payment of the 2018 final dividend.

In order to conserve capital and maintain balance sheet flexibility to pursue near term growth opportunities, the Board has determined not to declare an interim dividend for the period ending 30 June 2019.

Funding facilities – financial flexibility

On 27 August 2019, the Group secured an additional $125 million in debt funding facilities to bring total funding facilities to $715 million. These facilities have the following maturity:

Maturity	Limit
January 2021	$330 million
January 2022	$385 million

Finance cost and tax – higher financing costs

Net finance costs of $9.2 million were $2.5 million higher than 1H18 primarily due to the application of the new leasing standard, AASB16 Leases, and higher average borrowings.

The effective tax rate on reported earnings of 27.8% is flat on the pcp. 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 the benefit of capital tax losses are recognised as a reduction to income tax expense.

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, to highlight the underlying financial performance across reporting periods. Profits from the Group'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.

Half year ended 30 June $million	**2019**			2018		
	Profit / (loss) before tax	**Income tax**	**Profit/ (loss) after tax**	Profit before tax	Income tax	Profit after tax
Statutory profit / (loss)	**(24.8)**	**6.9**	**(17.9)**	115.8	(31.3)	84.5
Impairment	**96.1**	**(26.2)**	**69.9**	-	-	-
Doubtful debts	**0.7**	**(0.2)**	**0.5**	1.0	(0.3)	0.7
Corporate restructuring costs	**3.9**	**(1.2)**	**2.7**	–	–	–
Acquisition expenses	**0.1**	**–**	**0.1**	–	–	–
Underlying profit	**76.0**	**(20.7)**	**55.3**	116.8	(31.6)	85.2

Impairment

The Group has recognised a pre-tax non-cash impairment charge of $96.1 million in the period (nil pcp). The charge reflects impairment testing incorporating the updated outlook for the Group and the re-assessment of carrying values following the initial review of business plans and strategies by the Group's Chief Executive Officer.

Doubtful debts

In late 2017 Adelaide Brighton became aware of certain financial discrepancies which related to transactions whereby it had been underpaid for products supplied. The Group 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 $0.7 million ($1.0 million pcp). The Group expects, in time, that amounts recovered will exceed the costs incurred in the recovery process.

Corporate restructuring costs

Redundancies and one-off employment costs of $3.9 million were recognised in the period (nil in pcp). These costs result from staff restructuring within the Group. Underlying administration costs have declined compared to the pcp.

Acquisition expenses

Costs of $0.1 million associated with prior period acquisitions, including stamp duty, legal and other consulting costs, were incurred during the period.

Adoption of AASB 16 – *Leases*

The Group has adopted the new leasing standard AASB 16 *Leases* from 1 January 2019.

The Group leases, amongst other things, various offices, warehouses and plant and equipment. Rental contracts are typically made for fixed periods with most having a tenure of up to 10 years. Two leases extend beyond the 10 year period and out to almost 50 years. Many also have extension options.

Until the 2018 financial year, these leases were classified as operating leases based on the terms and conditions of the agreements. Payments made under operating leases were charged to the profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In accordance with the transitional provisions in AASB 16, the Group has used the simplified approach and recognised the cumulative effect of applying the standard as an adjustment to the opening balance of retained earnings at the date of initial recognition. The standard specifically excludes mineral interests and non-regenerative resources, therefore any interests in quarry assets continue to be accounted for consistently with prior periods.

2019 Outlook

For the balance of 2019, Adelaide Brighton expects demand for construction materials to:

- Weaken in east coast markets and South Australia, until the commencement of further planned substantial infrastructure projects
- Remain stable in the Northern Territory and Western Australia
- Improve in the lime business as a result of increased gold and nickel production in Western Australia
- Increase in concrete and aggregates business due to available work days being higher in the second half, seasonality of the construction materials market and the opening of the new Scotchy Pocket quarry and Pinkenba plant

Other than incremental shipping costs on imports, due to contractual volume commitments, operating costs in the second half are anticipated to be consistent with the first half. Foreign exchange on United States Dollar denominated imports have been substantially hedged through to the end of the year. However, costs could increase if the Australian Dollar continues to weaken against the Japanese Yen.

Operational improvement and cost and capital reduction initiatives are being actioned across a range of areas including:

- Procurement
- Shared services
- Fleet rationalisation
- Concrete plant rationalisation
- Capital recycling to reduce interest costs

The full benefit from these initiatives will not be achieved until the 2020 year.

Adelaide Brighton will continue to maintain an efficient balance sheet, while retaining the flexibility to fund long term growth opportunities to create shareholder value. Prudent capital management will remain an important part of this approach.

Full year underlying NPAT excluding property is anticipated to be in the range of $120 - $130 million.

28 August 2019

The Directors present their report on the consolidated entity ("the Group") consisting of Adelaide Brighton Ltd ("the Company") and the entities it controlled at the end of, or during, the half year ended 30 June 2019.

Directors

The Directors of the Company at any time during or since the end of the half year and up to the date of this report are:

RD Barro (Chairman)
Z Todorcevski (Deputy Chairman and Lead Independent Chair)
KB Scott-Mackenzie
AM Tansey
VA Guthrie
GR Tarrant
RR Barro (appointed 10 May 2019)
M Brydon (resigned 30 January 2019)

Review of operations

A review of the operations of the Group during the half year ended 30 June 2019 is set out on pages 2 to 11 of this report.

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 27.

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 and financial report. In accordance with that instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest hundred thousand dollars unless otherwise stated.

Dated 28 August 2019.

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

Raymond Barro
Chairman

Consolidated income statement

For the half year ended 30 June 2019

$million	Notes	2019	2018
Revenue from continuing operations	3	**755.7**	806.3
Cost of sales		**(501.9)**	(527.5)
Freight and distribution costs		**(138.4)**	(131.9)
Gross profit		**115.4**	146.9
Other income	3	**2.8**	7.8
Marketing costs		**(11.9)**	(11.6)
Administration costs		**(41.9)**	(37.6)
Finance costs		**(10.2)**	(7.6)
Impairment	8	**(96.1)**	-
Share of net profits of joint venture and associate entities	6	**17.1**	17.9
Profit / (Loss) before income tax		**(24.8)**	115.8
Income tax (expense) / credit		**6.9**	(31.3)
Profit / (Loss) for the half year		**(17.9)**	84.5
Profit / (Loss) attributable to:			
Equity holders of the Company		**(17.9)**	84.5
Non-controlling interests		**–**	–
		(17.9)	84.5

		Cents	Cents
Earnings (loss) per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share		**(2.7)**	13.0
Diluted earnings / (loss) per share		**(2.7)**	13.0

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

Consolidated statement of comprehensive income

For the half year ended 30 June 2019

$million	**2019**	2018
Net profit / (loss) for the half year	**(17.9)**	84.5
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**0.2**	1.4
Changes in the fair value of cash flow hedges	**1.1**	1.3
Income tax expense associated with these items	**(0.3)**	(0.4)
Items that will not be reclassified to profit or loss		
Actuarial gain / (losses) on retirement benefit obligation	**1.2**	1.2
Income tax expense associated with these items	**(0.4)**	(0.3)
Other comprehensive income for the half year, net of tax	**1.8**	3.2
Total comprehensive income / (loss) for the half year	**(16.1)**	87.7
Total comprehensive income / (loss) for the half year attributable to:		
Equity holders of the Company	**(16.1)**	87.7
Non-controlling interests	**–**	–
Total comprehensive income / (loss) for the half year	**(16.1)**	87.7

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

Consolidated balance sheet
As at 30 June 2019

$million	Notes	30 June 2019	31 December 2018
Current assets			
Cash and cash equivalents		**59.8**	93.9
Trade and other receivables		**240.7**	224.8
Inventories		**159.7**	176.4
Current tax assets		**17.0**	5.5
Total current assets		**477.2**	500.6
Non-current assets			
Receivables		**39.7**	39.9
Retirement benefit asset		**3.5**	2.5
Joint arrangements and associates		**181.6**	173.9
Property, plant and equipment		**1,013.0**	1,061.7
Right-of-use assets		**87.9**	-
Intangible assets		**284.9**	299.5
Total non-current assets		**1,610.6**	1,577.5
Total assets		**2,087.8**	2,078.1
Current liabilities			
Trade and other payables		**136.0**	144.7
Lease liabilities		**5.9**	-
Provisions		**34.9**	30.4
Other liabilities		**3.9**	4.2
Total current liabilities		**180.7**	179.3
Non-current liabilities			
Borrowings		**579.0**	518.7
Lease liabilities		**83.5**	-
Deferred tax liabilities		**62.0**	89.2
Provisions		**50.3**	45.2
Other liabilities		**0.1**	0.1
Total non-current liabilities		**774.9**	653.2
Total liabilities		**955.6**	832.5
Net assets		**1,132.2**	1,245.6
Equity			
Contributed equity	5	**737.7**	734.4
Reserves		**2.3**	4.2
Retained profits		**389.7**	504.5
Total equity attributable to equity holders of the Company		**1,129.7**	1,243.1
Non-controlling interests		**2.5**	2.5
Total equity		**1,132.2**	1,245.6

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

Consolidated statement of changes in equity

For the half year ended 30 June 2019

$million	Attributable to owners of Adelaide Brighton Ltd: Contributed Equity	Reserves	Retained Earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2019	**734.4**	**4.2**	**504.5**	**1,243.1**	**2.5**	**1,245.6**
Profit / (loss) for the half year	–	–	(17.9)	(17.9)	–	(17.9)
Other comprehensive income for the half year	–	1.0	0.8	1.8	–	1.8
Total comprehensive income / (loss) for the half year	**–**	**1.0**	**(17.1)**	**(16.1)**	**–**	**(16.1)**
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the period	–	(1.2)	0.1	(1.1)	–	(1.1)
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	–	–	(97.8)	(97.8)	–	(97.8)
Executive Performance Share Plan	3.3	(1.7)	–	1.6	–	1.6
	3.3	(1.7)	(97.8)	(96.2)	–	(96.2)
Balance at 30 June 2019	**737.7**	**2.3**	**389.7**	**1,129.7**	**2.5**	**1,132.2**
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 the beginning of the financial year	**733.1**	**1.9**	**508.2**	**1,243.2**	**2.6**	**1,245.8**
Profit / (loss) for the half year	–	–	84.5	84.5	–	84.5
Other comprehensive income for the half year	–	2.3	0.9	3.2	–	3.2
Total comprehensive income / (loss) for the half year	**–**	**2.3**	**85.4**	**87.7**	**–**	**87.7**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	–	–	(104.0)	(104.0)	–	(104.0)
Executive Performance Share Plan	0.4	(0.1)	–	0.3	–	0.3
	0.4	(0.1)	(104.0)	(103.7)	–	(103.7)
Balance at 30 June 2018	**733.5**	**4.1**	**489.6**	**1,227.2**	**2.6**	**1,229.8**

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

Consolidated statement of cash flows

For the half year ended 30 June 2019

$million	Notes	**2019**	2018
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**815.7**	**885.7**
Payments to suppliers and employees (inclusive of goods and services tax)		**(742.5)**	**(745.0)**
Joint venture distributions received		**10.6**	**9.3**
Interest received		**0.9**	**0.2**
Interest paid		**(10.0)**	**(7.8)**
Other income and receipts		**2.0**	**7.5**
Income taxes paid		**(31.9)**	**(42.3)**
Net cash inflow from operating activities		**44.8**	**107.6**
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(44.4)**	**(50.6)**
Proceeds from sale of property, plant and equipment		**0.6**	**1.2**
Loans to joint ventures		**-**	**0.6**
Repayment of loans from other parties		**0.3**	**0.3**
Net cash (outflow) from investing activities		**(43.5)**	**(48.5)**
Cash flows from financing activities			
Proceeds from issue of shares		**4.3**	**2.2**
Proceeds from borrowings		**60.0**	**79.7**
Repayment of lease principal		**(1.9)**	**-**
Dividends paid to Company's shareholders	4	**(97.8)**	**(104.0)**
Net cash (outflow)/inflow from financing activities		**(35.4)**	**(22.1)**
Net increase / (decrease) in cash and cash equivalents held		**(34.1)**	**37.0**
Cash and cash equivalents at the beginning of the half year		**93.9**	**57.6**
Net impact of foreign exchange on cash		**-**	**0.1**
		59.8	**94.7**

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

Notes to the financial statements

For the half year ended 30 June 2019

1 Basis of preparation of half year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Adelaide Brighton Ltd during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The comparative information relating to revenue and other income has been reclassified to reflect a consistent disclosure of interest income as a component of other income, rather than a component of revenue.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new and amended standards as set out below.

The Group has adopted AASB 16 from 1 January 2019.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– the use of a single discount rate across a portfolio of leases with reasonably similar characteristics in relation to lease term;

– the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases which are recognised on a straight line basis as expense; and

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact of the adoption of AASB 16 is set out below:

$million	**2019**
Operating lease commitments disclosed as at 31 December 2018	141.3
Discounted using the lessee's incremental borrowing rate at the date of initial application	63.0
(Less) Short term leases recognised on a straight line basis as expense	(0.2)
(Less) Non-regenerative resource leases	(7.1)
Add Embedded leases previously expensed on a straight line basis	35.7
Lease liability recognised as at 1 January 2019	91.4
Of which are:	
Current lease liabilities	9.0
Non-current lease liabilities	82.4

Income Statement – For the half year ended 30 June 2019

$million	**AASB 16 Impact**
Interest charge	(1.5)
Depreciation charge	(3.5)
Net profit / (loss) before tax	(5.5)
Application of prior period policy to current period would result in lease costs recognised as an expense	(4.0)
Net incremental expense recognised in the current period through application of AASB16 on profit / (loss) before tax	(1.5)

2 Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the CEO. These reports are evaluated regularly in deciding 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 Group's circumstances.

The two reportable segments are based on the product groupings and have been identified as follows:

- Cement, Lime, Concrete and Aggregates
- Concrete Products

The operating segments, Cement, Lime, Concrete and Aggregates individually meet the quantitative thresholds required by AASB 8 as well as meeting the aggregation criteria allowing them to be reported as one segment. In considering aggregation of these segments, management assessed revenue growth and gross margin as the economic indicators to determine that the aggregated operating segments share similar economic characteristics.

Concrete Products meets the quantitative threshold and is therefore 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 of Adelaide Brighton's products includes residential and non-residential construction, engineering construction, alumina and steel production and mining sectors within Australia.

Notes to the financial statements

For the half year ended 30 June 2019

2 Segment reporting (continued)

(b) Segment information provided to the Chief Executive Officer (CEO)

The segment information provided to the CEO for the reportable segments is as follows:

2019 $million	**Cement, Lime, Concrete and Aggregates**	**Concrete Products**	**Unallocated**	**Total**
Total segment operating revenue	**670.0**	**71.0**	**–**	**741.0**
Less: Inter-segment revenue	**(46.8)**	**–**	**–**	**(46.8)**
Revenue from external customers	**623.2**	**71.0**	**–**	**694.2**
Timing of revenue recognition				
At a point in time	**619.8**	**71.0**	**–**	**690.8**
Over time	**3.4**	**–**	**–**	**3.4**
	623.2	**71.0**	**–**	**694.2**
Depreciation and amortisation	**(42.1)**	**(3.4)**	**(2.3)**	**(47.8)**
Impairment	**(61.7)**	**(30.6)**	**(3.8)**	**(96.1)**
Underlying EBIT (excluding property)	**101.4**	**1.9**	**(18.1)**	**85.2**
Share of net profits of joint venture and associate entities	**17.1**	**–**	**–**	**17.1**

2018 $million				
Total segment operating revenue	723.8	71.8	–	795.6
Less: Inter-segment revenue	(46.1)	–	–	(46.1)
Revenue from external customers	677.7	71.8	–	749.5
Timing of revenue recognition				
At a point in time	674.3	71.8	–	746.1
Over time	3.4	–	–	3.4
	677.7	71.8	–	749.5
Depreciation and amortisation	(38.2)	(3.5)	(2.1)	(43.7)
Underlying EBIT (excluding property)	138.5	2.7	(17.7)	123.5
Share of net profits of joint venture and associate entities	17.9	–	–	17.9

Sales between segments are carried out at arm's length and are eliminated on consolidation.

The operating revenue assessed by the CEO 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	**2019**	2018
Total segment operating revenue	**741.0**	795.6
Inter-segment revenue elimination	**(46.8)**	(46.1)
Freight revenue	**57.3**	48.8
Other product revenue	**3.8**	7.7
Royalties	**0.4**	0.3
Revenue from continuing operations	**755.7**	806.3

Notes to the financial statements

For the half year ended 30 June 2019

2 Segment reporting (continued)

(b) Segment information provided to the CEO (continued)

The CEO assesses the performance of the operating segments based on a measure of underlying Earnings Before Interest and Tax (EBIT), excluding property profits. 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	2019	2018
Underlying EBIT (excluding property)	**85.2**	123.5
Significant items	**(100.8)**	(1.0)
Net finance cost	**(9.2)**	(6.7)
Profit /(loss) before income tax	**(24.8)**	115.8

3 Operating profit / (loss)

$million	2019	2018
Revenue from continuing operations		
Revenue from contracts with customers	**755.3**	806.0
Royalties	**0.4**	0.3
	755.7	806.3
Other income		
Net (loss) related to sale of property, plant and equipment	**(0.2)**	(0.2)
Rental income	**0.7**	0.6
Insurance recovery	**-**	0.8
Claim settlement	**-**	3.8
Interest revenue	**1.0**	0.9
Miscellaneous income	**1.3**	1.9
Total other income	**2.8**	7.8
Revenue and other income	**758.5**	814.1
Impairment		
Receivables and other debtors	**0.4**	-
Inventory	**24.5**	-
Property, plant and equipment	**58.0**	-
Intangible assets	**13.2**	-
	96.1	-

Notes to the financial statements
For the half year ended 30 June 2019

3 Operating profit / (loss) (continued)

$million	2019	2018
Finance cost		
Interest and finance charges	**8.6**	7.7
Unwind of the discount on leases	**1.5**	-
Unwind of the discount on restoration provisions and retirement benefit obligation	**0.5**	0.5
Gross finance cost	**10.6**	8.2
Interest capitalised in respect of qualifying assets	**(0.4)**	(0.6)
Total finance cost recognised in the income statement	**10.2**	7.6
Less interest revenue	**(1.0)**	(0.9)
Net finance cost	**9.2**	6.7

4 Dividends

$million	2019	2018
Dividends provided or paid during the half year		
2018 final dividend of 15.0 cents (2017 – 16.0 cents) per fully paid ordinary share, franked at 100% (2017 – 100%) paid on 15 April 2019	**97.8**	104.0
Total dividends paid in cash	**97.8**	104.0
Dividends not recognised at the end of the half year		
No ordinary or special dividends have been declared for the half year to 30 June 2019 (June 2018 – 9.0 cents per share ordinary, 4.0 cents per share special) per fully paid ordinary share franked at 100% (June 2018 – 100%). The aggregate amount of the proposed dividend expected to be paid, not recognised as a liability at the end of the half year, is:	**-**	**84.6**

5 Equity

Securities issued – Issue of ordinary shares during the half year

	2019 Shares	2018 Shares	2019 $m	2018 $m
Shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan	**887,363**	338,111	**3.3**	0.4

Notes to the financial statements

For the half year ended 30 June 2019

6 Investments in joint arrangements and associate

Investments in joint arrangements are classified into Joint Ventures, which are accounted for in the consolidated financial statements using the equity method of accounting, and Joint Operations, which are accounted for using the proportional consolidation method. Associates are accounted for using the equity method.

		Ownership interest	
		2019	2018
Name of joint arrangement / associate	**Nature of relationship**	**%**	%
Aalborg Portland Malaysia Sdn. Bhd.	Associate	**30**	30
Batesford Quarry	Joint operation	**50**	50
Burrell Mining Services JV	Joint operation	**50**	50
EB Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd	Joint venture	**50**	50
Independent Cement & Lime Pty Ltd	Joint venture	**50**	50
Peninsula Concrete Pty Ltd	Joint venture	**50**	50
Sunstate Cement Ltd	Joint venture	**50**	50

Contribution to net profit before tax

$million	**2019**	2018
Sunstate Cement Ltd	**5.9**	6.1
Independent Cement & Lime Pty Ltd	**7.7**	8.1
Other joint ventures and associates	**3.5**	3.7
Share of net profits of joint venture and associate entities	**17.1**	17.9
Profit from joint operations	**1.4**	2.1
Total profit from joint arrangements and associates	**18.5**	20.0

7 Contingencies

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

Guarantees		
Bank guarantees - $ million	**34.5**	39.3

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

Notes to the financial statements

For the half year ended 30 June 2019

8 Impairment

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 'CGU's). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

(a) Goodwill

Goodwill is allocated to the Group's CGUs identified according to business segments. A segment level summary of the goodwill allocation is presented below.

	Consolidated	
$million	**30 June 2019**	31 Dec 2018
Cement and Lime	**134.0**	134.0
Concrete and Aggregates	**138.5**	138.5
Cement, Lime, Concrete and Aggregates segment	**272.5**	272.5
Concrete Products segment	**-**	8.8
	272.5	281.3

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on latest financial forecasts 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.

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

	Growth rate[1]		Discount rate[2]	
%	**30 June 2019**	31 Dec 2018	**30 June 2019**	31 Dec 2018
Cement, Lime, Concrete and Aggregates	**1.4**	1.4	**10.8**	10.8
Concrete Products	**1.2**	1.2	**11.2**	11.6

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, or when there are indicators of impairment, whether goodwill, other intangible assets with an indefinite life and other non-current assets have suffered any impairment. The recoverable amounts of CGUs 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.

(c) Impairment charge

An impairment charge arose in the Concrete Products CGU following revised forecasts being considered in value-in-use cash flow models. This was a result of further softening of conditions in the residential and civil construction markets, with weak demand across the Queensland and New South Wales regions.

Following a review, specific assets were also identified as no longer supporting strategy and were impaired.

The following table summarises the total impairment recorded as a result of value-in-use cash flow modelling and balance sheet review in the period by segment.

2019 $million	Cement, Lime, Concrete and Aggregates	Concrete Products	Unallocated	Total
Receivables and other debtors	**0.4**	**-**	**-**	**0.4**
Inventory	**10.8**	**13.7**	**-**	**24.5**
Property, plant and equipment	**47.9**	**8.1**	**2.0**	**58.0**
Intangible assets	**2.6**	**-**	**1.8**	**4.4**
Goodwill	**-**	**8.8**	**-**	**8.8**
	61.7	**30.6**	**3.8**	**96.1**

Following the impairment recognised in the current period, the carrying amount of the Concrete Products CGU has been written down to the recoverable amount. Any adverse movement in key assumptions in the future would lead to further reductions to the carrying amount.

9 Events occurring after reporting date

On 27 August 2019, the Group increased its debt funding facilities by $125 million. The increased facilities have a maturity of 7 January 2022.

Other than the increase to the debt funding facilities, no matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

(a) The Group's (consolidated entity) operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The Group's state of affairs in future financial years

In the Directors' opinion:

(a) The financial statements and notes set out on pages 13 to 25 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 Group's financial position as at 30 June 2019 and of its performance for the half 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

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

Raymond Barro
Chairman

Dated 28 August 2019

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Auditor's Independence Declaration

As lead auditor for the review of Adelaide Brighton Limited for the half-year ended 30 June 2019, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Adelaide Brighton Limited and the entities it controlled during the period.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
28 August 2019

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Independent auditor's review report to the members of Adelaide Brighton Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Adelaide Brighton Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Adelaide Brighton Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adelaide Brighton Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adelaide Brighton Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. T. Lojszczyk
Partner

Adelaide
28 August 2019