



Adelaide Brighton Ltd

INVESTING IN THE FUTURE

ANNUAL REPORT 2019





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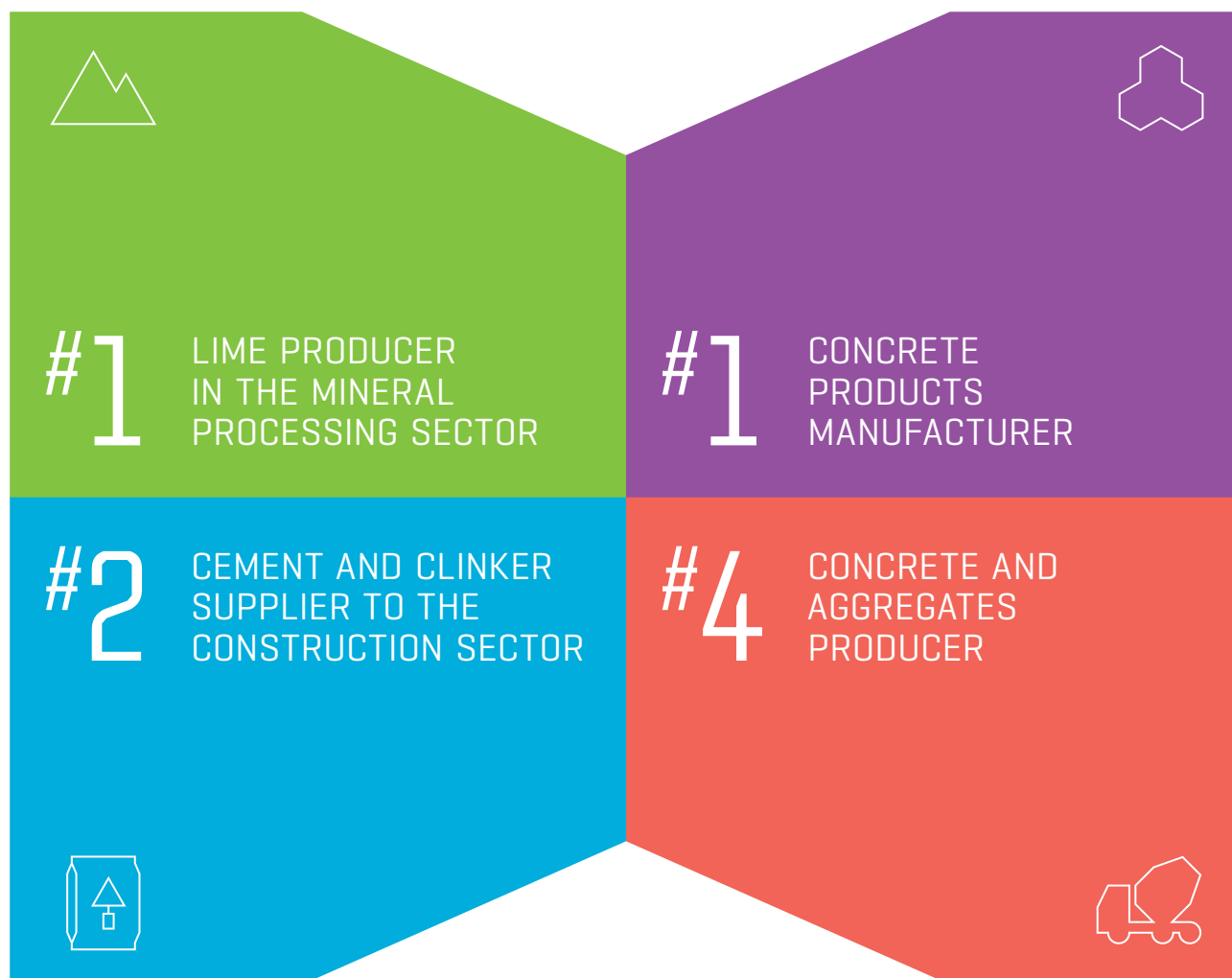
ALWAYS READY

We are a construction materials and industrial minerals manufacturing and distribution business. We're dedicated to delivering high performance products on time, every time. We provide the cement, lime, aggregates, concrete and concrete products that have been used to help build a better Australia since 1882.

Our assets are strategically located close to raw material sources and in locations well-positioned to support our customers.

When our customers need us, we're **always ready**.

OUR BUSINESS AT A GLANCE



44 QUARRIES

95 CONCRETE PLANTS

16 CEMENT AND LIME
FACILITIES AND DEPOTS

10 CONCRETE PRODUCT
FACILITIES

CHAIRMAN'S REPORT

ON BEHALF OF THE BOARD, IT IS MY PLEASURE TO PRESENT YOU WITH THE 2019 ANNUAL REPORT FOR ADELAIDE BRIGHTON, MY FIRST AS CHAIRMAN OF YOUR COMPANY.

In May 2019, I took on the role as Chairman of the Board with Zlatko Todorovski taking the role as Lead Independent Director and Deputy Chair. As a long-standing Board member and shareholder, it is with great pride that I take on this position.

Adelaide Brighton is a great Company with a great future and I feel privileged to serve all shareholders in this role.

In 2019, your Company reported net profit after tax of \$47.3 million and basic earnings per share of 7.3 cents.

The decline in the construction materials market presented many challenges for the Company in 2019. The Group is responding to these challenges and remains in a strong financial position to deliver sustainable profits and returns to our shareholders over the long-term.

MARKET CHALLENGES

In 2019, demand for residential construction weakened in response to declining consumer confidence and low wages growth, exacerbated by an oversupply in multi-residential markets in a number of Australian states. Cuts to the official cash interest rate by the Reserve Bank of Australia (RBA) have not yet been effective in providing an impetus to increase consumer confidence and demand and indeed appear to have had the reverse effect on the Australian economy in general in the short-term. Access to capital for home buyers has slowed and reduced, as banks respond to the recommendations of the Haynes Banking Royal Commission and APRA's increased prudential oversight of residential mortgage lending.

Having said that, the medium to long-term outlook for Australian population growth and infrastructure spend are expected to support long-term demand for our products. This, combined with the Group's competitive cost position and high quality asset base, provide a strong foundation for the business to continue to deliver superior returns to shareholders over the longer term.

RESULT

Reflective of the external market conditions, the Group reported Net Profit After Tax attributable to members of the Company (NPAT) of \$47.3 million and Underlying NPAT of \$123.0 million – which was in line with our profit guidance. Increased competition and softer demand for construction materials on Australia's eastern seaboard also impacted revenue and earnings. Cost pressures across sea freight, transport and raw materials also drove down margins during the period.

In response to cost pressures, the Group is undertaking a major cost-out initiative which is expected to reduce costs by approximately \$30 million. However, cost headwinds in 2020, driven by sea freight, labour, energy and clinker costs, are expected to partially offset this saving.

The business remains robust and management remain focused on delivering on the things we can control. Operational efficiencies and improvements are critical to remaining cost competitive on a global scale and these remain key areas of management focus.

CAPITAL MANAGEMENT

The Board's approach to capital management ensures that the Group maintains an efficient balance sheet whilst also providing flexibility for growth. In 2019, a \$900 million refinancing program was delivered to increase and diversify the Group's available debt funding facilities.



RAYMOND BARRO

CHAIRMAN

CHAIRMAN'S REPORT

The Group continues to apply a sustainable dividend policy, which is predicated on returning surplus capital to shareholders, taking account of the market outlook and maintenance and growth capital needs of the business.

Consequently, your Board have recommended a fully franked dividend of 5.0 cents per share.

BOARD COMPOSITION AND RENEWAL

Your Board recognise the importance of effective independent oversight, in line with ASX Corporate Governance Council recommendations. Consequently, the Board maintains a majority of independent directors and is governed by a framework which includes protocols to handle potential conflicts of interests between the Barro Group and Adelaide Brighton.

In May 2019, Rhonda Barro was appointed to the Board as a Non-Independent Non-executive Director. Rhonda has over 40 years' in the construction materials industry and executive management experience in line and functional areas. She is highly regarded for her skills in maximising the effectiveness of the strategies and structures across the Barro Group. Her breadth of experience also extends to a true insight and appreciation of the issues that face business leaders today.

In October 2019, Arlene Tansey retired from the Board following eight years as an Independent Director, serving at various times as Chair of the Audit Risk and Compliance Committee and Chair of the formerly titled Nomination Remuneration and Governance Committee. The Board thanks Arlene for her great service to the Company.

Emma Stein was appointed in October 2019 as an Independent Non-executive Director. Ms Stein has over 30 years' experience in board and senior executive positions in the building materials, oil and gas, energy and utilities, mining and resources, water and waste management sectors. Prior to emigrating to Australia, she was UK Managing Director for Gaz de France Energy, a major energy retailer focused on industrials.

The appointments of Rhonda and Emma bring a wealth of industry-specific experience to our Board and improve the balance between operational and financial skills, as well as gender diversity.

SUSTAINABILITY

Your Board continues to respond to the increasing expectations of stakeholders in relation to sustainability matters such as environment and climate change, diversity and inclusion, community and social responsibilities. We recognise that our licence to operate is contingent on our continued good corporate citizenship, which we never take for granted.

We continue to invest in a culture of improvement when it comes to our environmental and social responsibilities and our interactions and impacts on the communities in which we operate.

In 2019, we focused on key strategic priorities including: the introduction of a Group-wide Sustainability Framework; the design of a roadmap for the implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations; and the incorporation of additional environmental management software capability to improve the management of the Group's environmental data, emissions reporting and compliance obligations.

STAKEHOLDER ENGAGEMENT

Your Board stays connected with the business and the people who run it. Board meetings are rotated from state to state and routinely include visits to our operations. These visits provide great insights into the culture and operational effectiveness of the organisation. The Board is particularly focused on demonstrating visible leadership in safety, diversity and inclusion and also use these visits to gauge talent for future succession.

During 2019, members of the Board visited almost 20 of our operational facilities. On a personal note, I always find these visits invigorating. Particularly with the depth of demonstrated talent on show at each site visit. On behalf of your Directors, I would like to acknowledge and thank our employees for their dedicated efforts to Adelaide Brighton's long-term success.

On behalf of the Board, I would like to thank our customers, joint venture partners and suppliers for their continued support of our business. We thank the members of the communities in which we operate, governments and regulatory bodies for your feedback and support which will help ensure our business remains sustainable. We look forward to working closely with each of you and invite you to spend more time with us to build better mutually beneficial partnerships.

Finally, to our shareholders, we thank you for your continued support, during what has been a challenging year. The Executive team and all of our people are focused on driving long-term sustainable growth and returns for all of our shareholders.

FINANCIAL SUMMARY

	19 \$ M	18 \$ M
Revenue	1,517.0	1,630.6
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	271.6	352.8
Depreciation, amortisation and impairments	(189.7)	(87.4)
Earnings before interest and tax ("EBIT")	81.9	265.4
Net finance cost ¹	(18.5)	(14.4)
Profit before tax	63.4	251.0
Tax expense	(16.2)	(65.8)
Net profit after tax	47.2	185.2
Non-controlling interests	0.1	0.1
Net profit attributable to members	47.3	185.3
Underlying EBITDA	280.0	360.9
Underlying EBIT	186.4	273.5
Underlying net profit after tax	123.0	191.0
Underlying net profit after tax excluding property	123.0	190.1
Basic earnings per share ("EPS") (cents)	7.3	28.5
Underlying EPS (cents)	18.9	29.4
Ordinary dividends per share - fully franked (cents)	5.0	20.0
Special dividends per share - fully franked (cents)	-	8.0
Net debt ² (\$ million)	423.3	424.8
Leverage ratio ³ (times)	1.5	1.2
Gearing ⁴ (%)	35.4	34.1
Return on funds employed ⁵ - underlying (%)	11.2	16.6

1 Net finance cost is the net of finance costs shown gross in the income statement with interest income included in other income

2 Net debt is calculated as total borrowings less cash and cash equivalents

3 Leverage ratio is net debt / trailing 12 month underlying EBITDA

4 Gearing is net debt / equity

5 Return on funds employed is underlying EBIT / average monthly funds employed

CEO REVIEW

IT IS A GREAT PRIVILEGE TO LEAD ADELAIDE BRIGHTON – A COMPANY WITH A DEEP AND RICH HISTORY OF DELIVERING FOR ITS STAKEHOLDERS. WE ARE PROUDLY AUSTRALIAN AND HAVE BEEN INTEGRAL TO THE CONSTRUCTION AND GROWTH OF AUSTRALIA SINCE 1882. OUR ASSET BASE IS UNIQUE, AND WE ARE WELL-POSITIONED FOR GROWTH. I AM PLEASED TO PRESENT THE 2019 ANNUAL REPORT AS CHIEF EXECUTIVE OF ADELAIDE BRIGHTON.

2019 has been a year of major change in Adelaide Brighton. The Adelaide Brighton team is tackling the challenges of a dynamic market head on, focusing on the things we can control and responding quickly to the changes the market presents.

HEALTH & SAFETY

Our people are our most important asset and I am proud to report a significant improvement in safety. A keen focus of the Group's Safety 'Step Change' Program has seen our Total Recordable Injury Frequency Rate (TRIFR) improve by 36%. 'Step Change' is a four-part program which addresses the incidence of harm and risk of high potential incidents, incorporates visible leadership, critical risks and life-saving rules. The program has also introduced technology to support live reporting of hazards and has updated and improved training programs for frontline leadership.

YOUR EXECUTIVE TEAM

The Executive team has come together seamlessly following a number of departures in 2018 and is working together collaboratively to build a more sustainable business. In 2019, we welcomed the arrival of Theresa Mlikota as Chief Financial Officer and Tarmo Saar as Executive General Manager Strategic Projects.

In 2020, we will also welcome Rebecca Irwin, who will lead Corporate Affairs and Sustainability. Rebecca is a seasoned professional who will bring a renewed focus to our environmental, climate change and sustainability agenda. Rebecca is a qualified lawyer and has over 20 years' experience across public and private sectors, with a strong background in stakeholder management.

CONSTRUCTION MATERIALS MARKET 2019

In 2019, construction materials markets weakened significantly on the eastern seaboard of Australia – particularly in Queensland and New South Wales – driven by an oversupply of multi-residential dwellings, and a reduction in general consumer confidence which was further exacerbated in regional areas by bushfires in late 2019.

We expect demand on the east coast of Australia to improve in 2021, with the benefit of stimulus from fiscal and monetary policy measures. The Group will continue to build out its vertically integrated position in the interim, to ensure it takes full advantage of this future view.

Input costs into cement and concrete continued to rise during the period and are forecast to increase further in 2020. In particular, gas and electricity costs, shipping costs and raw materials including clinker and aggregates. The Group continues to focus on productivity gains and cost-out initiatives in areas where it can exercise cost control, to mitigate this risk.



NICK MILLER

CHIEF EXECUTIVE OFFICER

“ THE ADELAIDE BRIGHTON TEAM IS TACKLING THE CHALLENGES OF A DYNAMIC MARKET HEAD ON.

“ WE EXPECT DEMAND ON THE EAST COAST OF AUSTRALIA TO IMPROVE IN 2021, WITH THE BENEFIT OF STIMULUS FROM FISCAL AND MONETARY POLICY MEASURES.

In spite of lower volumes and the entry of a new cement distributor into the Brisbane market, average selling prices for cement and concrete increased marginally in both Queensland and New South Wales. Prices for concrete products and aggregates reduced marginally in these two markets.

Victorian and South Australian volumes were relatively stable – supported by ongoing demand for industrial and commercial buildings in Victoria and infrastructure projects in Adelaide. Increased competition in the South Australian market resulted in a reduction in average selling price for concrete and cement. Selling prices for aggregates in the South Australian market remained robust with the benefit of ongoing supply into the Northern Connector project.

Northern Territory ready mix volumes were lower in 2019. However, cement demand remained stable, supported by increased demand from the resources sector and the benefit of sales into the Queensland market as a result of transport disruptions to normal supply lines.

Western Australian cement volumes increased, largely in response to increased demand from the resources sector, driven by the commencement of new underground gold and nickel projects and development activities in iron ore.

Lime sales volumes were relatively stable across Australia, supported principally by demand from resource projects and the Inland Rail project in NSW. Alumina sector sales remained stable compared with 2018.

We expect demand for both lime and cement to continue to grow in the Western Australian market in 2020.

FINANCIAL RESULTS

In 2019, a deterioration in residential demand across the eastern seaboard and a loss of market share in South Australia, resulted in Group revenues being 7.0% lower than 2018, decreasing by \$113.6 million.

Underlying net profit after tax decreased to \$123.0 million which was in line with market guidance.

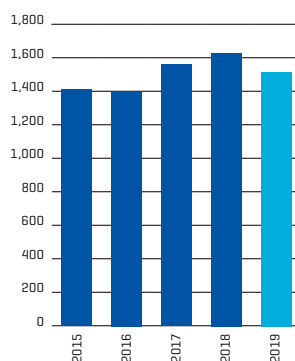
Margins were impacted by lower sales volumes and net selling price into the South Australian market following the emergence of a new cement competitor. This forced the redistribution of some cement volumes into the Victorian market, which in turn displaced cement imports and resulted in significantly lower revenue and higher costs, due to late cancellation of shipping, which severely impacted margins.

Margins were further impacted by lower volumes in the New South Wales and Queensland markets which were impacted by an oversupply of multi-residential dwellings and the slower start-up of anticipated infrastructure projects. Lower volumes resulted in higher unit costs, particularly in relation to concrete transport and corporate overheads. Variable costs were also higher, including fuel, energy and raw material input costs, particularly clinker and purchased aggregates.

Joint venture operations were similarly impacted, recording reduced returns across all ventures, with the exception of Aalborg which benefited from increased local demand in the Southeast Asian region.

REVENUE*

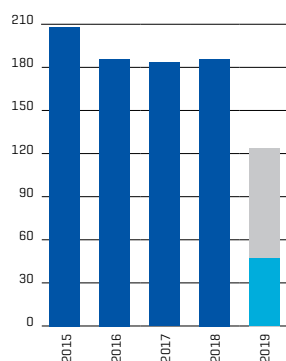
\$M



*Prior year (2015–2017) revenue numbers have been restated to accord with the adoption of AASB15

NET PROFIT AFTER TAX

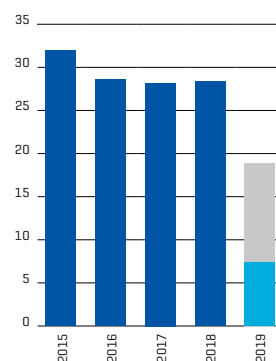
\$M



■ Reported
■ Underlying

EARNINGS PER SHARE

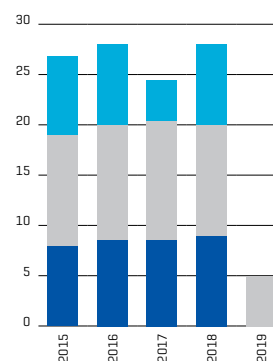
CENTS



■ Reported
■ Underlying

DIVIDENDS

CENTS



■ Ordinary interim dividend
■ Ordinary final dividend
■ Special dividend

Reported NPAT of \$47.3 million includes one-off significant items totalling \$75.7 million after tax, which includes impairment, former Managing Director retirement costs, retention payments, restructuring costs and the write-off of old debt facility establishment costs.

Key operational highlights for the period included:

- A major improvement in safety with our TRIFR improving by 36%, reflecting a renewed focus and development of our safety culture.
- Operations commenced at our Scotchy Pocket quarry in July 2019, which is expected to deliver up to 350,000 tonnes of annual production and will service growth in the Sunshine Coast market.
- Substantially completed the construction of the Pinkenba concrete plant which is anticipated to open in 1Q20 to service the Brisbane market.
- Our cement and lime team delivered three key improvement projects which will increase productivity and reduce unit costs, being the commissioning of the Kwinana packaging plant, upgrades of the drymix plant and limestone stacker at Birkenhead.
- The Group reached a 1,000,000 tonne milestone for use of Refuse Derived Fuel (RDF) at our Birkenhead plant, having redirected waste from landfill. In this instance, our commitment to reducing greenhouse gas emissions is entirely complementary to our focus on reducing costs. We are now targeting for up to 50% of our kiln fuel to come from refuse derived energy sources.
- Our concrete products team commenced a rollout of their solar initiative, with the installation of a 99Kw system at the Townsville site, with the aim of installing 1Mw of solar capacity in 2020.
- A \$900 million refinancing package was established extending maturities to between 5-10 years, expanding our financier pool, reducing refinancing risk and increasing our flexibility for growth.

36%

IMPROVEMENT IN TRIFR, REFLECTING A RENEWED FOCUS AND DEVELOPMENT OF OUR SAFETY CULTURE.

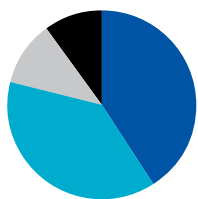
50%

TARGET OF KILN FUEL TO COME FROM REFUSE DERIVED FUEL (RDF) SOURCES AT OUR BIRKENHEAD PLANT.

350

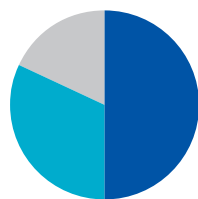
THOUSAND TONNES OF ANNUAL PRODUCTION EXPECTED AT OUR SCOTCHY POCKET QUARRY, WHICH WILL SERVICE GROWTH IN THE SUNSHINE COAST MARKET.

REVENUE BY PRODUCT GROUP



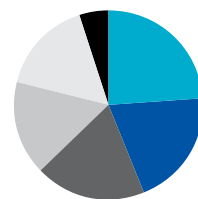
Concrete and aggregates	41%
Cement	38%
Lime	11%
Concrete products	10%

REVENUE BY MARKET



Non-residential & engineering	50%
Residential	32%
Mining operations	18%

REVENUE BY STATE



Western Australia	19%
South Australia	16%
Victoria	24%
New South Wales	20%
Queensland	16%
Other	5%

LONG-TERM OUTLOOK

The outlook for Government infrastructure spend remains very strong. Whilst projects have been a little slow in coming to market, we anticipate an increase in activity in 2021. The Company will target projects where it is vertically integrated and has a positional cost advantage, particularly projects in Queensland, New South Wales, South Australia and Victoria, which we expect will come to market in 2020.

Structurally, the cement market has seen increased competition with the emergence of a number of new distributors introducing additional import terminal capacity, including Southern Cross Cement in the Queensland market, SA Premium Cement in the South Australian market and the likely development of a third import terminal in Port Kembla NSW in the next 24 months.

Lower interest rates, the prospect of early delivery of further tax cuts and ongoing spending on infrastructure, are likely to deliver stabilisation in construction materials markets in 2021. This, in combination with expected population growth and a stronger outlook for the resources sector, is expected to deliver a stronger long-term outlook for Adelaide Brighton.

The Group continues to invest to ensure we maintain a sustainable business model, which includes the need to operate in an environmentally and socially responsible manner. To this end, the Group is well-progressed with its corporate and social responsibility programs and has a comprehensive plan in relation to its environmental commitments which are detailed further in this Annual Report.

STRATEGY

Cost reduction and operational improvement

Remaining cost competitive and customer focused in an increasingly competitive landscape are critical to the long-term sustainability of the Company. A geographically diverse portfolio of assets provides Adelaide Brighton with a better cyclical balance to earnings and an ongoing focus on building out its downstream position will help further protect the Company's earnings base.

Cost headwinds continue to present us with key challenges. However, our focus on operational efficiency and scale will help maintain the competitive cost position we enjoy in the Australian market. Our cost-out program is expected to deliver cost savings exceeding \$30 million to counter \$20 million in cost headwinds expected in 2020.

Technology and the application of capital to make our operations more cost efficient will help support the cost advantage we enjoy against local competitors and imports.

Vertical integration

Looking forward, the Company will continue to pursue growth in its downstream businesses. In early 2020, the Company will commission our Pinkenba plant in south-east Queensland, which will service the Brisbane market. In mid-2019, our Scotchby Pocket Quarry was commissioned and we expect to build out our volumes from this location to service the growing Sunshine Coast market.

We are also in the process of developing land recently secured in the Badgerys Creek area for the establishment of another concrete plant in the Greater Western Sydney region, which will enable us to provide this market with a fully integrated competitive offering given the near proximity of our Hartley Quarry and Port Kembla cement distribution facility.

Land development

We intend to exploit more fully, our land development opportunities, to establish another earnings stream for the business over the medium to long-term. Surplus land holdings have been identified and are being prepared for sale, and we are currently exploring partnerships with established property developers to evaluate our land portfolio and its higher value use options. We are also working with the Geelong City Council on two excellent opportunities to develop the Batesford Quarry and the Company's 'Hilltop' land both close to the City of Geelong.

Grow lime business

We will seek to grow our lime business on the back of resource growth opportunities. Growth in gold and nickel production represent great prospects to increase our earnings, particularly in Western Australia where investment in exploration is increasing. Prospects for growth in alumina are tied to expansion options being considered by our customers which will increase demand for lime. Our lime production is low cost against imports, which is critical to our product offering remaining competitive. We are also exploring investment in beneficiation processes to increase the quality of our lime products to enhance and maintain our competitive position over the longer term.

Sustainability

Improving energy efficiency and reducing our carbon footprint remain a key focus for our business. We are a large consumer of energy and energy-intensive raw materials and continue to look for innovative ways to neutralise our footprint. To that end, we continue to increase our use of alternative fuels (RDF, waste oils) and alternative cementitious materials (steel slag and fly ash).

Our Sustainability Report demonstrates that we have made great progress in relation to limiting or offsetting our greenhouse gas emissions and have a good roadmap for moving towards a more carbon-neutral business model. We are working closely with all of our stakeholders and particularly with regulatory authorities and the communities in which we operate to ensure a sustainable future.

“ THE GROUP REMAINS IN A STRONG POSITION GOING FORWARD. THE LONG-TERM OUTLOOK FOR POPULATION GROWTH, WHICH WILL DRIVE THE DEMAND FOR RESIDENTIAL AND INFRASTRUCTURE CONSTRUCTION, REMAINS STRONG, PARTICULARLY ON THE EASTERN SEABOARD OF AUSTRALIA.

2020 OUTLOOK

In 2020, Adelaide Brighton expects competitive pressures to persist and construction markets to remain subdued. Mining demand is expected to grow marginally, driven by investment in new resource projects.

We expect demand to pick up in the Queensland and Western Australian markets, driven by demand from the resources sector and an increase in residential and infrastructure construction activity in the Queensland market. Pricing pressure is expected in the Queensland market as increased capacity in both concrete and cement distribution is established in the south-east Queensland market. Sunstate will face increased challenges as our joint venture partner, Boral, settles its cement supply arrangements with other competitors in the market. Sunstate sales volumes are expected to be lower in 2020.

The New South Wales market is expected to remain subdued until infrastructure projects are brought to market. Early indicators of an uplift in residential demand are present in auction clearance rates in the Sydney market. However, this has not yet translated to increased construction activity. We expect fiscal and monetary policy stimulus to impact this market in 2021.

At this stage, it is difficult to project the impacts on demand following the tragic bushfires which impacted several states. Whilst we expect an increase in demand, it is difficult to estimate the timing of any infrastructure or residential construction work resulting from the bushfires.

The South Australian and Northern Territory markets are expected to decline marginally in 2020 as key projects reach completion in early 2020. Competition in the ready mix market is expected to remain strong, with residential demand expected to remain subdued, with further pricing pressure expected.

Victorian market volumes are expected to remain stable in 2020, supported by the delivery of infrastructure projects and continued demand from the industrial and commercial sector.

Lime and cement demand in Western Australia is expected to increase in 2020, driven by the commencement of new gold and nickel projects.

CONCLUSION

In summary, whilst the short-term outlook remains subdued, the Group remains in a strong position going forward. The long-term outlook for population growth, which will drive the demand for residential and infrastructure construction, remains strong, particularly on the eastern seaboard of Australia. The Company's Western Australian and Northern Territory operations, which deliver key contributions to the Group's profitability, have remained robust through the cycle and are supported by a low cost and competitive resources sector.

The Group's balance sheet and undrawn debt facilities provide it with optionality to pursue growth. The Group will continue to focus on operational and cost improvement to ensure it remains competitive in the global market.

I would like to thank the Adelaide Brighton team, our Board and all of our employees, as well as our business partners for their dedication and support of the Company. Whilst we are facing challenging times, the Company continues to be well-positioned competitively and will continue to deliver sustainable returns to shareholders into the future.



FINANCE REPORT

FULL YEAR REPORTED NPAT DECREASED FROM \$185.3 MILLION TO \$47.3 MILLION IN 2019. REPORTED PROFIT INCLUDES NON-CASH IMPAIRMENT CHARGES TOTTALLING \$69.8 MILLION AFTER TAX AND NON-RECURRING SIGNIFICANT ITEMS TOTTALLING \$5.9 MILLION AFTER TAX RESULTING IN AN UNDERLYING NET PROFIT AFTER TAX OF \$123.0 MILLION.

SALES AND PROFIT

Revenue decreased by 7%, reflecting lower average selling prices, primarily in the South Australian market and lower cement and concrete volumes, predominantly on the eastern seaboard of Australia.

In 2019, the demand for construction materials weakened significantly, particularly in Queensland and New South Wales. Whilst pricing remained stable in these markets, sales volumes declined.

Lower cement volumes in South Australia resulted in the redirection of a portion of production into the Victorian market, at a reduced margin. It also resulted in the Group importing less cementitious material to sell into the Victorian market. Pricing in the South Australian market has stabilised since April 2019.

Cement and lime volumes in the Western Australian market increased during the period, supported by demand from the resources sector.

Underlying earnings before interest and tax decreased to \$186.4 million, reducing EBIT margin from 16.8% in 2018 to 12.3% in 2019.

Whilst lower cement sales prices in the South Australian market were the primary driver of lower earnings, margins were also impacted by higher raw material costs, particularly clinker and purchased aggregates, and increased sea freight, fuel, transport and maintenance costs associated with unplanned shutdowns.

Earnings from our joint venture operations were similarly lower, given they are also concentrated on the eastern seaboard of Australia. Joint arrangements and associate earnings decreased from \$37.4 million in 2018 to \$31.5 million in 2019.

Net finance costs increased from \$14.4 million in 2018 to \$18.5 million in 2019, driven by higher average borrowings and the introduction of the new lease accounting standard which increased the overall cost by \$3.0 million in 2019.

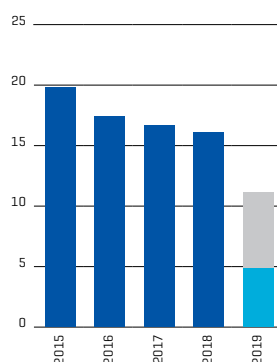
The effective tax rate of 25.6% reflects a higher proportion of the Company's profits from post-tax earnings of joint ventures.

COST-OUT PROGRAM

The Group's cost-out program is focused on delivering in excess of \$30 million in gross cost savings to counter further cost headwinds anticipated in 2020. The Group has long-term, established relationships with its key suppliers for clinker, cement, shipping and fuel. The Company typically negotiates longer term contracts which ensure competitive pricing and security of supply.

RETURN ON FUNDS EMPLOYED

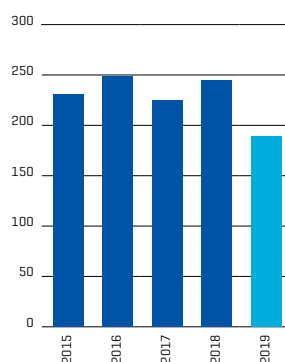
%



■ Reported
■ Underlying

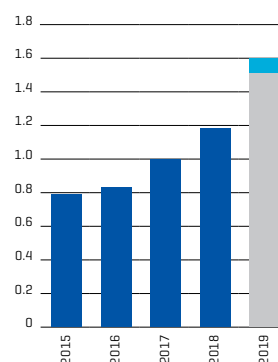
CASH FLOW FROM OPERATIONS

\$M



LEVERAGE

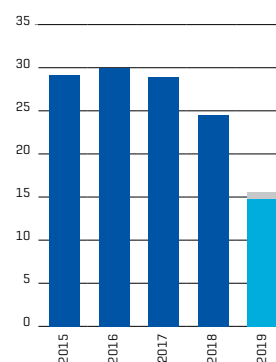
TIMES



■ Reported
■ Underlying

INTEREST COVER EBITDA BASIS

TIMES



■ Reported
■ Underlying

However, we operate in a global market and cost headwinds from higher raw material and shipping costs, rising insurance costs and an increase in gas prices in South Australia are expected to increase the cost base by approximately \$20 million in 2020.

To counter these cost increases, the Group has embarked on a program of cost-out initiatives which includes:

- A reduction in workforce and fleet numbers to reflect lower scale of operations;
- Insourcing of transportation arrangements where economic;
- Cost savings through centralised procurement function and consolidation of spending power;
- Lower-cost aggregate sourcing including self-supply following opening of Scotchy Pocket quarry; and
- Pallet recovery initiatives.

CASH FLOW

Cash flow from operations is strong at \$193.2 million but decreased by \$51.5 million, directly as a consequence of lower earnings. Working capital levels, ignoring the impacts of impairments, decreased primarily due to higher creditor balances and improved debtor collections that offset higher inventory levels, due to a build-up of raw material stocks at Birkenhead in anticipation of the planned refurbishment of the Accolade vessel in 2021 which will take three months to complete.

Capital expenditure of \$91.6 million was \$23.2 million lower than 2018. Development capital for the period totalled \$48.3 million and included investments in the development of the Scotchy Pocket quarry and the Pinkenba concrete plant, both in Queensland, and completion of the Kwinana packing plant upgrade in Western Australia.

Proceeds from the sale of assets were largely in line with 2018 at \$4.7 million, reflecting minor asset sales.

Dividend payments of \$97.8 million were made, reflecting payment of the 2018 final dividend of 15.0 cents per share. No interim dividend was declared or paid during 2019 to ensure gearing and leverage were kept within targets and to maintain balance sheet flexibility for the Group.

BALANCE SHEET AND CAPITAL MANAGEMENT

The Group's balance sheet remains strong and has been further supported by the establishment of incremental and longer dated debt facilities, which provide the Company optimal flexibility to pursue opportunities for growth.

Adelaide Brighton now has debt facilities totalling \$900 million, spread across nine debt providers. The average tenure of the facilities has increased from 2.4 to 5.7 years as a result of the recent debt refinancing program. Undrawn debt at period end totalled \$355 million.

The Group's leverage ratio peaked at 1.63 in September 2019, following payment of the Group's 2018 final dividend in the first half of 2019. Leverage at period end improved and reported at 1.51 times trailing underlying EBITDA, which is inside the Group's target range of 1.0 to 2.0 times. Interest cover remains strong at 15.1 times underlying EBITDA.

The Group's net debt to equity ratio is 35.4% at 31 December 2019, and well inside the Group's target gearing range.

SHAREHOLDER RETURNS

Adelaide Brighton's approach to capital management has the following broad objectives:

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

Total dividends declared with respect to the 2019 financial year were 5.0 cents per share, fully franked, a decrease on the 28.0 cents per share declared in 2018, which included special dividends of 8.0 cents per share.

Ordinary dividends declared of 5.0 cents per share represented a payout ratio of 68% of 2019 basic earnings per share (EPS) of 7.3 cents. This is consistent with Adelaide Brighton's dividend payout policy for ordinary dividends of 65 – 75% of basic EPS and will also ensure the Company remains within preferred target leverage.

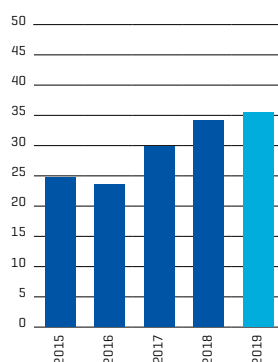
Underlying return on funds employed is lower at 11.2%, reflecting the reduced earnings profile brought about by weaker market conditions and increased import competition. Whilst lower than 2018, returns remain higher than the Group's cost of capital.

The Company will continue to conserve and recycle capital where appropriate and focus on reducing costs to improve returns to shareholders.

The Group's balance sheet and funding position ensure that the Company can take a long-term view on investment decisions to deliver a more sustainable business model for its shareholders. We expect markets to improve in the medium term and Adelaide Brighton is well-placed to take advantage of changing market conditions.

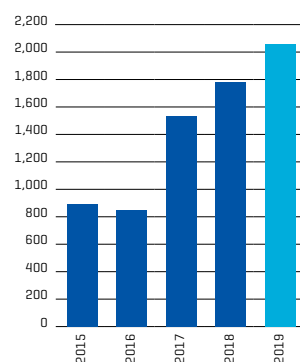
NET DEBT TO EQUITY

%



TOTAL ASSETS

\$M



CEMENT AND LIME



ADELAIDE BRIGHTON IS A LEADING SUPPLIER OF CEMENT AND CLINKER PRODUCTS IN AUSTRALIA. WE HAVE MAJOR PRODUCTION FACILITIES AND MARKET-LEADING POSITIONS IN THE RESOURCE RICH STATES OF SOUTH AUSTRALIA AND WESTERN AUSTRALIA. ADELAIDE BRIGHTON IS THE LARGEST PRODUCER OF INDUSTRIAL LIME IN AUSTRALIA WITH PRODUCTION ASSETS IN WESTERN AUSTRALIA, SOUTH AUSTRALIA AND THE NORTHERN TERRITORY.

OUR BUSINESS

CEMENT

The decline in residential demand on the eastern seaboard of Australia saw overall cement sales volumes reduce by 6.1% in 2019.

Weaker demand experienced in Australia's east coast market was impacted by the decline in consumer confidence which was driven by low wages growth and exacerbated by bank lending restrictions and an oversupply in multi-residential dwellings. Whilst sales volumes were in decline, average selling prices held firm in these markets.

The RBA's announced reductions in interest rates and the federal and state government announcements for increased infrastructure spending have not yet delivered the desired increase in demand for construction materials. We anticipate for this to materialise in 2021.

Underlying demand in the South Australian market was impacted by the completion of a number of key infrastructure projects. However, the entry of a new cement importer and distributor in 2018, was the primary driver of lower sales.

On a positive note, Western Australia cement demand stabilised during 2019 with cement volumes slightly up on the previous year, driven by resource sector activity and a number of new infrastructure projects.

The Northern Territory continues to experience low demand from construction, however demand from the resources sector saw overall demand remain stable year on year.

LIME

Lime volumes increased marginally, supported by infrastructure projects and resource sector activity, particularly gold in Western Australia. A number of new contracts were secured against import competition, as a result of strong cost competitiveness versus imported lime.

MARGINS

Cement margins were impacted by increased competition from imports in South Australia which saw domestic volumes and average selling prices decline in this market. This combined with lower sales volumes into eastern seaboard markets and increased transport and raw materials costs (cementitious materials and shipping costs) translated to lower margins.

Birkenhead production was also impacted by operational issues caused by a lightning strike and a separate kiln bearing failure, which both led to higher clinker unit production costs.

Lime margins remained stable during the period, with rising costs being offset by a small increase in prices.

COST AND EFFICIENCY PROGRAM

In an effort to maintain a cost competitive advantage over import options, the business has made ongoing investment into projects to drive efficiency and productivity across cement and lime operations, including:

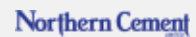
- Continued use of alternate fuels across most kiln operations, with over 1 million tonnes of refuse derived material being redirected from landfill in South Australia since our use of the material started. Birkenhead is currently operating at approximately 26% alternate fuel substitution and are targeting 50% within five years.
- New packing plant at Kwinana completed in late 2018, which has increased productivity and improved safety with higher levels of automation.
- The upgrade of materials handling equipment at Klein Point and Birkenhead to increase output and reduce cost of limestone for clinker production.
- A strong focus on waste disposal with significant reductions in cement and lime kiln dust disposal being achieved through reuse and commercialisation.
- Cement mill optimisation across all milling operations providing throughput and energy efficiency improvements.

“ THE BUSINESS HAS MADE ONGOING INVESTMENT INTO PROJECTS TO DRIVE EFFICIENCY AND PRODUCTIVITY ACROSS CEMENT AND LIME.

IN 2020, THE GROUP WILL INVEST IN A KEY INFRASTRUCTURE ASSET, 'THE ACCOLADE', WHICH WILL UNDERGO A MAJOR REFURBISHMENT.

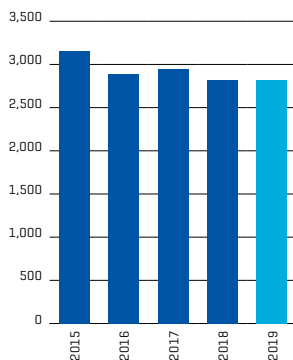


OUR BRANDS



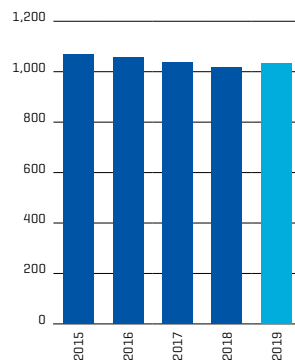
CEMENT PRODUCTION

000 TONNES



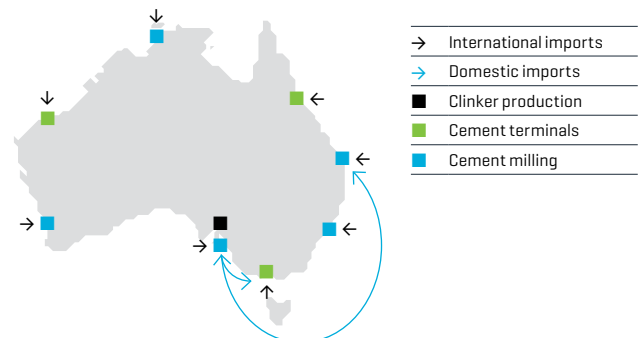
LIME PRODUCTION

000 TONNES



CONCRETE PRODUCTION, IMPORT AND DISTRIBUTION

ADELAIDE BRIGHTON IMPORTS 2.6MT PA CEMENTITIOUS MATERIALS AND SELLS MORE THAN 4.3MT PA OF CEMENTITIOUS MATERIALS



CONCRETE AND AGGREGATES



WE HAVE PRIVILEGED ASSETS WITHIN OUR BUSINESS, AND GIVEN THE BENEFIT OF THEIR STRATEGIC LOCATIONS AND DEVELOPMENT APPROVALS, OUR ASSETS WILL CONTINUE TO GENERATE SIGNIFICANT PROFITS FOR ADELAIDE BRIGHTON FOR MANY YEARS TO COME.

OUR BUSINESS

In 2019, construction materials markets were challenging, driven by declining building approvals, challenges with consumers gaining access to capital and low investor confidence predominantly in the Sydney and Brisbane markets. However, the fundamentals of our concrete and aggregates business are still very strong.

In 2019, concrete and aggregate selling prices were modestly up on the previous year. This is due to strong pricing disciplines and our ability to demonstrate the value that we bring to our partnerships with our valued customers. However, operating costs, although well controlled, increased on a unit cost basis as the market slowed. In particular, aggregate costs in the south-east Queensland market, and transport costs were higher during the reporting period.

To address the deteriorating market conditions, a significant cost reduction program was undertaken to ensure that we remain lean and have the lowest possible cost base. This program has generated significant ongoing annualised savings within the Concrete and Aggregates business which will give us a competitive cost base to work from in 2020.

In 2019, we successfully completed major infrastructure projects in South Australia and the Northern Territory, the Northern Connector Project and the Tindal RAAF Base Upgrade. We will continue to enhance our major project capabilities in 2020 as we focus on other large infrastructure projects where we have a vertically integrated offering.

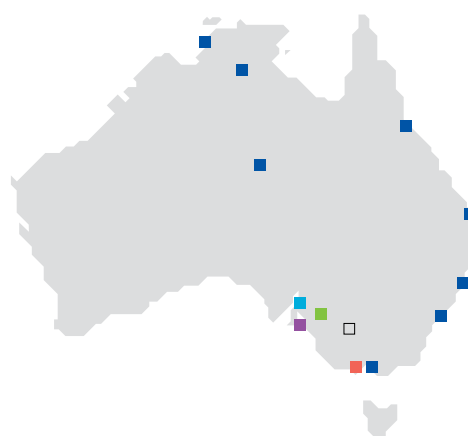
Major investments during 2019 included construction of our new Pinkenba concrete plant. This will service the inner Brisbane market delivering on our concrete infill strategy in south-east Queensland.

We were also pleased to commission our new quarry at Scotchby Pocket. In line with our strategy to maximise aggregate pull-through, this quarry is now supplying aggregates and manufactured sand to our Sunshine Coast concrete plants. It is well-positioned to supply the local market and major infrastructure projects with concrete and asphalt aggregates, as well as other road building materials.

We will continue to seek new acquisitions, joint ventures or develop greenfield sites in attractive markets where we can build an integrated position to provide synergies, scale or pull-through benefits, which improve our product offering to customers.

CONCRETE AND AGGREGATES FOOTPRINT

95 CONCRETE PLANTS 44 QUARRIES



■ Hy-Tec	■ Direct Mix Concrete
■ Central	■ ResourceCo Concrete
■ Davalan Concrete	□ Mawsons Joint Venture

OUR BRANDS



A man wearing a white hard hat, safety glasses, and an orange long-sleeved shirt with the HY-TEC logo is operating a large industrial machine. The machine has a large, perforated metal drum on the left side. The background is a clear blue sky. A red banner is overlaid on the top right of the image.

**WE WILL CONTINUE TO SEEK NEW
ACQUISITIONS IN ATTRACTIVE
MARKETS WHERE WE CAN BUILD
AN INTEGRATED POSITION.
MAJOR INVESTMENTS DURING 2019
INCLUDED CONSTRUCTION OF OUR
NEW PINKENBA CONCRETE PLANT.**

The HY-TEC logo consists of the company name in a bold, orange, sans-serif font. Behind the letters 'Y' and 'T' is a stylized blue map of Australia, which is part of the company's branding.

HY-TEC

CONCRETE PRODUCTS



ADELAIDE BRIGHTON IS AUSTRALIA'S LARGEST MANUFACTURER OF CONCRETE MASONRY PRODUCTS SERVICING CUSTOMERS IN ALL AUSTRALIAN STATES AND TERRITORIES.

OUR BUSINESS

Earnings, excluding property and impairments, reduced from \$9.7 million in 2018 to \$6.0 million on the back of softer activity in the broader residential and commercial construction markets, with lower volumes particularly in Queensland and New South Wales. Modest selling price increases were able to be achieved, in spite of a challenging and competitive market.

At an operational level, the softer market conditions and lower production volumes negatively impacted plant efficiencies and unit costs in most regions, further impacting margins. The business implemented a number of cost reduction initiatives to assist in offsetting cost impacts associated with the lower volumes and we continue to focus our capital investment to improve manufacturing efficiencies and safety within our operations.

Sustainability has been an ongoing priority within the organisation and in 2019 the Concrete Products division invested in several energy reduction initiatives including low energy gas curing and solar power. These initiatives combined with our utilisation of recycled materials such as bottom ash, fly ash, smelting slag and recycled glass supports our desire to manufacture sustainable concrete masonry building materials now and into the future.

In 2020, we will also be launching initiatives to improve the recovery and reuse of our pallets further adding to our sustainability efforts whilst also improving our bottom line performance.

The business continues to invest in product innovation and new market opportunities that will add value to the Concrete Products division, and to the broader Adelaide Brighton Group with vertical integration benefits flowing back to the other divisions and joint venture partners.

This includes our award-winning architectural bricks which are manufactured using environmentally-friendly materials and production processes.



OUR BRANDS

adbriMASONRY



OUR AWARD-WINNING ARCHITECTURAL BRICKS ARE MANUFACTURED USING ENVIRONMENTALLY-FRIENDLY MATERIAL AND PRODUCTION PROCESSES.

**THE BUSINESS CONTINUES TO
INVEST IN PRODUCT INNOVATION.
OUR UTILISATION OF RECYCLED
MATERIALS SUPPORTS OUR DESIRE
TO MANUFACTURE SUSTAINABLE
CONCRETE MASONRY BUILDING
MATERIALS NOW AND IN
THE FUTURE.**



JOINT VENTURES

OUR JOINT VENTURE BUSINESSES OFFER VERTICAL INTEGRATION WITH OUR FULLY OWNED OPERATIONS AND PROVIDE US WITH ACCESS TO IMPORTANT MARKETS AND PRODUCTS.

OUR JOINT VENTURE BUSINESSES

Earnings from joint arrangements and associate decreased from \$37.4 million in 2018 to \$31.5 million in 2019. Pressures on volume in the Australian east coast markets impacted on contributions from several of the Company's joint ventures during 2019, whilst others strengthened their performance.

INDEPENDENT CEMENT AND LIME PTY LTD (ICL) (50%)

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

The reduction in east coast residential construction activity during 2019 impacted on ICL demand, particularly in New South Wales. This, combined with an increased cost of materials, driven by shipping costs and a lower exchange rate, saw ICL earnings reduce by 20.2%.

SUNSTATE CEMENT LIMITED (SUNSTATE) (50%)

Sunstate is a joint venture between Adelaide Brighton and Boral Limited. A leading supplier to Queensland's construction industry, Sunstate has a cement milling, storage and distribution facility at Fisherman Islands, Port of Brisbane.

In an increasingly competitive market, Sunstate earnings reduced by 12.1%. Continued manufacturing efficiency efforts assisted in mitigating some of the impact of lower volumes, which were driven by softer markets. We anticipate earnings to deteriorate further in 2020, as sales volumes to our joint venture partner decrease.

MAWSON GROUP (MAWSONS) (50%)

Mawsons is a joint venture between Adelaide Brighton and BA Mawson Pty Ltd. Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria and also operates in southern New South Wales. Mawsons is a significant aggregates producer in the region, holding leading positions in many of the markets it serves.

The earnings contribution from the Mawsons joint venture decreased from its peak in 2018 of \$7.2 million to \$5.6 million in 2019. Underlying volumes for Mawsons in 2018 were elevated in historical terms by significant infrastructure projects in regional Australia. However, project volumes reduced to more normal operating levels, while non-infrastructure volumes remained stable during the period.

AALBORG PORTLAND MALAYSIA SDN. BHD. (AALBORG) (30%)

Aalborg manufactures and sells white cement and clinker for the domestic Malaysian market and exports to Australia and markets throughout Southeast Asia.

Earnings improved by approximately 130% to \$1.6 million in 2019 due to strong Southeast Asian market volumes coupled with reduced material costs and improved manufacturing efficiencies.

BURRELL MINING SERVICES (50%)

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

Burrell Mining Services reported stable earnings at \$0.6 million, supported by demand from the coal industry, particularly in Queensland.

BATESFORD QUARRY (50%)

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

Batesford Quarry earnings were marginally lower than 2018 at \$1.5 million, driven by lower demand from the agricultural lime market due to drought conditions in parts of Victoria.

OUR JOINT VENTURE BRANDS



Independent
Cement



aalborgportland
CEMENTER HOLDING



BATESFORD QUARRY
GEELONG



LAND

THE COMPANY'S LAND PORTFOLIO PROVIDES A SIGNIFICANT EARNINGS AND VALUE CREATION OPPORTUNITY OVER THE MEDIUM TO LONG-TERM.

Smaller, surplus land holdings have been identified and are being prepared for sale as an efficient recycling of capital in the near term. Larger land holdings are being considered for higher value use and further development, potentially with experienced partners.

In 2019, Geelong City Council approved the Greater Geelong Growth Strategy which includes the land associated with the Company's joint venture of the Batesford Quarry. We have approximately 530 hectares of land included in this precinct where the quarry will form the centrepiece lake for over 60,000 future residents.

We have also progressed options for the development of the Company's "Hilltop" land in Geelong, including a structural assessment of a future use of the silos. Due to the inadequacy of the silos we have awarded a contract for the demolition of the redundant assets to allow for a development of approximately 4 Hectares of land for potential multi-residential use, incorporating the Heritage of the old Cement Head Office building.

We will continue to optimise returns for shareholders from the sale of surplus land and will explore broader opportunities for land development through partnerships with experienced land development capabilities, which may lead to an alternate earnings annuity stream for the Company into the future.



**WE ACKNOWLEDGE OUR ROLE
IN MANAGING AND GOVERNING
IMPACTS ON THE ENVIRONMENT,
OUR PEOPLE AND THE COMMUNITIES
IN WHICH WE OPERATE. WE HAVE
AN IMPORTANT PART TO PLAY IN
CONTRIBUTING TO A SUSTAINABLE
FUTURE.**

SUSTAINABILITY REPORT

AT ADELAIDE BRIGHTON, SUSTAINABILITY IS ABOUT MANAGING OUR BUSINESS TO ENSURE SUCCESS FOR THE LONG-TERM. MANAGEMENT AND THE BOARD ARE ACTIVELY INVOLVED IN GOVERNING OUR ENVIRONMENTAL AND SOCIAL IMPACTS AND OPPORTUNITIES. OUR COMMITMENT TO SUSTAINABILITY IS BUILT ON A SOUND BUSINESS STRATEGY THAT SUPPORTS CONTINUOUS IMPROVEMENT IN THE SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE OF THE GROUP.

Seventeen Sustainable Development Goals (SDGs) were defined by the United Nations (UN) 2030 Agenda for Sustainable Development. These goals, their related targets and indicators, address the most important sustainability challenges and can stimulate worldwide transformational change. We are future focused and consider global megatrends, such as climate change, globalisation, digitalisation and automation, and how these will impact our operations.

The Adelaide Brighton Group includes Adelaide Brighton Limited and the entities it controls (the Group). This report excludes information about the joint ventures to which the Group is party to, as their operations are not material to the Group's sustainability reporting. Adelaide Brighton management are Directors on boards of the joint ventures and therefore have an active oversight role over the sustainability performance of the joint ventures.

The environmental data in this Sustainability Report relates to the year ended 30 June 2019, as reported to regulatory authorities, while the Health, Safety and Community data relates to the Group's financial year ending 31 December 2019.

The Group supports the UN SDGs. We acknowledge our role in managing and governing impacts on the environment, our people, the communities in which we operate and society more broadly. Further, we acknowledge that we have an important part to play in contributing to a sustainable future. We have prioritised four SDGs that most closely align with our strategic sustainability framework. Specifically:

1. SDG #8: Decent Work and Economic Growth;
2. SDG #9: Industry, Innovation and Infrastructure;
3. SDG #12: Responsible Consumption and Production; and
4. SDG #13: Climate Action.

This Sustainability Report outlines how the Group governs and manages social and environmental matters, our strategic approach and key achievements in 2019.

SUSTAINABLE BUSINESS

Environment

Eco-efficiency
Impact management
Product life cycle
Emission reduction
Waste utilisation
Site rehabilitation



Economic

Economic viability
Assurance of supply
Shareholders
Government
Customers



Social

Employee resources
Stakeholder relations
Community interaction
Diversity and inclusion



Environment + Economic

Greenhouse gas reduction
Energy efficiency
Alternative fuels
Alternative raw materials
Supplementary cementitious materials

Economic + Social

Product development
Corporate citizenship
Developing a skills base
Safety

Environment + Social

Process waste reduction
Mains water efficiency
Local environmental effects

Governance

Integrity
Compliance
Risk management

GOVERNANCE

The Board and Management of Adelaide Brighton are committed to the highest standards of corporate governance, essential for sustainable long-term performance and value creation. The Board has an established Safety, Health, Environment and Community (SHEC) Committee. The charter that sets out our SHEC Committee's roles and responsibilities is available on our website.

In summary:

- Our SHEC Committee consists of a minimum of three Directors, with a majority independent, and is chaired by an Independent Director;
- SHEC Committee members meet quarterly and at other times as required to monitor and oversee the effectiveness of the Group's practices related to SHEC matters;
- Other Non-executive Directors and members of Management are invited to attend these meetings;
- Any material matters arising are further reported to and discussed with the Board;
- The Board include SHEC matters in scheduled Director education sessions; and
- The Board will, at least annually, review the membership and charter of the Committee to determine its adequacy for current circumstances.

The SHEC Committee's composition and competencies are further described in our annual Corporate Governance Statement, also available on our website.

More specifically, our SHEC Committee reviews the Group's performance and identifies our key strategic priorities which in 2019 included the following:

- The further development of a Group-wide Sustainability Framework with strategic goals including sustainable and responsible business, and engaged people and communities;
- Designing a roadmap for implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations;
- Incorporation of additional environmental management software capability for improving the Group's environmental data management, emissions reporting and compliance obligations. This software provides improved on-line modules to complement our existing integrated Health, Safety and Environment Management System; and
- Roll-out of a Safety 'Step Change' Program, a four-part program endorsed by the Board and Executive Management team. Implementation commenced in 2019, to address the occurrence of harm and risk of high potential incidents, incorporating visible leadership safety walks, critical risk and life-saving rules, a new app supporting live reporting of hazards and training programs for frontline leadership.

The Group's progress against each of the above strategic priorities is further discussed in this Sustainability Report.

We also include SHEC key performance indicators in executive remuneration. The non-financial performance components of short-term incentives include a range of metrics focused on leadership, people, diversity, health, safety and environment with specific metrics for:

- Proactive environmental and safety behaviours;
- Development of capability;
- Deepening succession pools;
- Increasing diversity of candidate pools and new hires; and
- Technology as a business enabler.

MANAGEMENT APPROACH

We know sustainability issues are relevant to the Group and the external environment in which we operate. Our goal is safe and sustainable production and we continuously work to improve our SHEC management systems and culture. Our SHEC management tools and procedures are contained within our Health, Safety and Environment Management System. Our Health, Safety and Environment Policy provides the foundation, outlining our commitments in this area and the system provides standards and framework for achieving our SHEC objectives, including:

- Management and employee roles and accountabilities, and expectations of contractors;
- Provision of appropriate resources and processes to identify, manage, report and reduce SHEC risks associated with our operations;
- Consultation and communication with employees, contractors, suppliers and customers on SHEC matters;
- Processes for complying with our legislative obligations;
- Protection of the health, safety and wellbeing of employees, contractors and visitors;
- Provision of return to work opportunities for injured employees with the best opportunity to return to work through effective rehabilitation and equitable claims management; and
- Avoidance, reduction and control of waste and pollutants to reduce adverse environmental impacts.

The Group recognises a number of environmental and social stakeholder expectations. Our commitment to meeting and exceeding these expectations is captured in various policies and procedures, which Directors and employees are required to comply with.

Sustainability presents both challenges and opportunities for our industry. Responding to these challenges has already helped us reduce our carbon footprint, decrease costs and manage our risks better. Examples include the use of refuse derived fuels as a fuel substitute and lowering our carbon footprint through the use of supplemental materials, such as slag and fly ash in the production processes.

Management's ambition is to add to our current efforts by continuing to drive sustainable innovation and development which will also build brand value and improve long-term profitability. Central to delivering on that ambition is our commitment to developing low-carbon building materials, reducing adverse environmental impacts of our operations, and ensuring our people and the local communities in which we operate continue to be engaged with our sustainability journey. We will continue to take advantage of opportunities that contribute to responsible consumption and production as aligned to the UN SDG #12.



“MANAGEMENT'S AMBITION IS TO ADD TO OUR CURRENT EFFORTS BY CONTINUING TO DRIVE SUSTAINABLE INNOVATION AND DEVELOPMENT WHICH WILL ALSO BUILD BRAND VALUE AND IMPROVE LONG-TERM PROFITABILITY.

SUSTAINABILITY REPORT

Our key sustainability challenges and opportunities include the following:

SDGS	TOPICS	CHALLENGES	OPPORTUNITIES
#13	Climate change	Our core products are energy and emission intensive and our assets and supply chain may be exposed to physical impacts of climate change.	Incorporating low or carbon-neutral products into our product mix and furthering our use of alternative fuel sources and renewable energy, such as wind and solar. To help guide our journey in addressing climate change risks, we have developed a number of initiatives including a roadmap for implementing TCFD recommendations (discussed below) as well as materials and energy efficiency improvements achieved through the use of raw material substitutes and alternative fuels.
#12 #9	Waste	Our processes produce waste and by-products that have potential for efficiency gains and reuse opportunities in a circular economy. We manage our waste and seek ways to reduce and recover waste for recycling. Our approach includes diverting waste materials from landfill for recycling, using suitable recovered materials as raw material substitutes, as well as recovering and recycling excess concrete and packaging waste.	We continue to seek out and invest in processes to divert waste materials from landfill for recovery and recycling and reuse into products. We continue to trial and use suitable recovered materials as raw material substitutes in our manufacturing process and are already using slag and fly ash as alternative materials. We also use alternative fuels in our kilns, diverting construction waste materials from landfill. We are using Refuse Derived Fuel (RDF) at our Birkenhead facility.
#9	Natural environment and community	Our stakeholder engagement and environmentally beneficial activities are an important focus area for the business. We have programs including community tree planting days and undertake progressive rehabilitation of sites and buffer land under our care and when operational activities cease.	We will continue to seek ways to better engage with our communities and implement measures to achieve improved environmental and social outcomes for the communities we live and work in. We do this by providing vital materials for construction, supporting sustainable development and realising the value of rehabilitated sites.
#8	Safety, health and wellbeing	There are inherent hazards in our operations because of their nature and location. We are constantly working to reduce occupational injuries and illnesses, including mental illness.	We have implemented a Safety 'Step Change' Program and are developing a wellbeing strategy underpinned by common values, goals and operating principles.
#8	Diversity and inclusion	Regulatory changes in reporting now require reporting on the gender pay gap in the United Kingdom, with similar legislation developing in Australia. The recent signing of the Uluru statement and #InvasionDay campaign have increased the understanding and recognition for Indigenous rights.	Our inaugural Reflect Reconciliation Action Plan has been endorsed by Reconciliation Australia. We have reviewed our existing Diversity and Inclusion Policy resulting in the development of a Diversity and Inclusion Strategy for 2020 to 2025. We have increased female representation on our Board, Executive and within senior management. We encourage flexible working arrangements, both in how we work and where we work.
#9	Perceived and actual impacts on communities	We are managing interactions with our local communities in relation to perceived and actual impacts. Effective social performance, including transparent reporting and community engagement is critical to addressing this challenge. Further, Modern Slavery legislation in Australia and abroad will make the human rights performance of companies a mainstream consideration.	We are developing our inaugural Modern Slavery statement, which will be released in 2020. We have been publicly reporting on sustainability since 2000. We will continue to enhance external communications to build on our transparency efforts to date and to inform the market about our progress.
#8	Technology	We understand that in the long-term, automation and technology will transform workforces, the equipment we use and how we use it.	We are developing a digital strategy to help us deliver productivity gains from more efficient operational activities, as well as in core Company processes in finance, and health and safety. Technology and automation will reduce manual handling within our operations and will remove our people from 'at risk' activities. Data-rich machines will become a more common feature of our operations and will enable us to make better and more agile business decisions.

STRATEGY

Sustainability is critical to Adelaide Brighton. In 2019 we developed a Sustainability Framework which incorporates challenges and opportunities. The Framework is set out in the table below and covers two key focus areas:

1. Fostering a **sustainable and responsible business** by reducing adverse environmental impacts and developing low carbon products; and
2. Enhancing **engagement with people and communities** by increasing transparency, building strong relationships with local communities and engaging our people in sustainability initiatives.

The Sustainability Framework has been endorsed by the Board and will help us continue to manage our business to ensure success for the long-term, both internally and externally. The Sustainability Framework has formed the basis of this Sustainability Report, providing a cohesive platform for continuing our sustainability journey. It also helps us focus and prioritise our sustainability efforts and manage them in a cohesive way across the Group while driving measurable performance.

Whilst we have identified a number of future priorities, this year we have introduced 5-year targets for the opportunities we intend to focus on in the shorter to medium term, which are embedded within the Sustainability Framework. We will track our performance against targets to evaluate our progress against our strategic priorities.

Strategic Goals		Challenges and Opportunities	Current Initiatives	Future Priorities	5-Year Targets	Alignment to SDGs
Sustainable and responsible business	Reduce adverse environmental impacts	<ul style="list-style-type: none">▪ Emission intensive core products▪ Waste [excess concrete, packaging, use of recycled materials]▪ Plant design not all to current best practice	<ul style="list-style-type: none">▪ Using raw material substitutes▪ Using alternative fuels▪ Responsible sourcing and screening of products▪ Diverting waste from landfill▪ Progressive rehabilitation▪ Developing TCFD disclosures▪ Implementing roadmap to deliver on TCFD recommendations▪ Use of renewable energy sources including wind and solar	<ul style="list-style-type: none">▪ Responsible use of buffer land [planting trees, solar installations]▪ Complete product lifecycle assessments▪ Waste minimisation and recycling strategy▪ Improve efficiency of operations [energy efficiency and plant upgrades]▪ Renewable energy strategy▪ Reduce the use of potable water in industrial processes▪ Business case to introduce hybrid/ electric vehicles and trucks	<ul style="list-style-type: none">▪ 7% carbon emission reduction▪ 50% kiln fuel to be sourced from alternative fuel in SA▪ 25% reduction in process waste to landfill	SDG 9: Industry, Innovation and Infrastructure SDG 12: Responsible Consumption and Production SDG 13: Climate Action
	Low carbon products	<ul style="list-style-type: none">▪ Regulatory impediments to replacing Portland clinker cement▪ Lack of scalable demand for greener products▪ Produce cement with 20% limestone capability	<ul style="list-style-type: none">▪ Developing geopolymers capability▪ Recycle cement packaging▪ Environmental product disclosure▪ Creating products to customer specifications at Birkenhead, including production of low carbon products	<ul style="list-style-type: none">▪ Develop carbon-neutral/low carbon products via R&D investment and strategic initiatives▪ Grow portfolio of sustainable products▪ Look to acquire businesses providing sustainable products and solutions	<ul style="list-style-type: none">▪ 20% increase in the tonnage of alternative raw materials use	SDG 9: Industry, Innovation and Infrastructure SDG 12: Responsible Consumption and Production SDG 13: Climate Action
Engaged people and communities	People	<ul style="list-style-type: none">▪ Reduce harm to our people [physical and mental health]▪ Workforce diversity and inclusion▪ Establish brand identity▪ Access to information	<ul style="list-style-type: none">▪ Implementing Safety 'Step Change' Program▪ Review of Diversity and Inclusion Policy▪ Developing Reflect RAP▪ Implementing graduate program▪ Inaugural Modern Slavery statement▪ Brand working group established▪ Improving environmental compliance through technology	<ul style="list-style-type: none">▪ Wellbeing strategy, including mental health▪ Progress our reconciliation journey through the RAP stages▪ Common values, goals and operating principles▪ Company initiatives for employees, e.g. plastic, lighting, waste, energy▪ Develop digital strategy	<ul style="list-style-type: none">▪ 10% reduction in TRIFR every year▪ Innovate RAP approved▪ 30% female NEDs▪ 20% female employees▪ Digital platform established to improve communication	SDG 8: Decent work and economic growth
	Communities	<ul style="list-style-type: none">▪ Reduce the negative impact and contribute positively to the communities in which we operate▪ Investor engagement	<ul style="list-style-type: none">▪ Developing cohesive messaging and branding for communities and investors i.e. sustainability strategy and reporting▪ Strategic community engagement initiatives▪ Supporting local employment	<ul style="list-style-type: none">▪ Enhance external communications▪ Community engagement strategy▪ Visible community partnerships▪ Local employment focus	<ul style="list-style-type: none">▪ Community investment aligned with the community engagement strategy▪ Maintain regular external communications	SDG 8: Decent work and economic growth

OUR PERFORMANCE IN 2019

Health and Safety performance is evaluated based on historical performance, such as Total Recordable Injury Frequency Rate [TRIFR], Lost Time Injury Frequency Rate [LTIFR], Medically Treated Injury Frequency Rate [MTIFR], Restricted Duties Injury Frequency Rate [RDIFR], Lost Time Severity Rate [LTSR] and forward looking indicators, such as High Potential Incidents [HPIs], employee engagement for mental health and safety near misses and hazards. Employee wellbeing is also considered by evaluating the utilisation of the Employee Assistance Program [EAP] and proactive training being offered by the Group.

Environmental performance is evaluated based on the reportable environmental hazards and incidents from our operations. We report our greenhouse gas (GHG) emissions, energy production and energy consumption in this Sustainability Report and to the Australian Clean Energy Regulator pursuant to the National Greenhouse and Energy Reporting [NGER] scheme, in accordance with the National Greenhouse and Energy Reporting Act 2007. We also report emissions of substances triggered under the National Pollutant Inventory [NPI] underpinned in legislation by the framework of the National Environment Protection [National Pollutant Inventory] Measure.

Community performance is evaluated based on the quality of our ongoing proactive engagement with the communities in which we operate. This includes assessment of our communication programs and community feedback and complaints mechanisms, along with our community support programs.

SHEC compliance is monitored by the Executive and the SHEC Committee of the Board to determine effectiveness of SHEC risk management processes and to ensure controls are working as intended. This includes any interactions with relevant regulators. Our internal audit function is a key component of governance over SHEC matters. SHEC audits and inspections are conducted on a regular basis and the results of these audits and inspections reported to our SHEC Committee, along with management plans to rectify any findings.

Our SHEC Committee of the Board also reviews updates on state and national regulatory developments to ensure compliance. The most recent updates have included chain of responsibility and industrial manslaughter laws, respirable crystalline silica standards, and efforts to develop the hydrogen industry by the Council of Australian Governments Energy Council.

KEY STEPS IN DELIVERING OUR 5-YEAR SUSTAINABILITY TARGETS INCLUDE:

Carbon: reducing carbon emissions is focused on investments to expand the use of low carbon fuels and carbon capture technology, and removal of fossil fuels as a source of energy.

Landfill: increased diversion of waste to beneficial reuse.

Alternative raw materials: increase engagement with standard setters to change quality standards that align with higher levels of alternate raw material usage.

KEY PERFORMANCE INDICATORS

MATERIAL TOPICS	MEASURE	2019	2018	PROGRESS
Reduce adverse environmental impacts and develop low carbon products				
Total GHG emissions [Scope 1 and 2] ¹	tCO ₂ e	2,387,020 [0.4% increase]	2,378,500	Set a 5-year target of 7% GHG emission reduction
Scope 1 GHG emissions	tCO ₂ e	2,156,481 [0.2% increase]	2,151,902	
Scope 2 GHG emissions	tCO ₂ e	230,539 [1.7% increase]	226,598	
Total energy consumption	GJ	14,782,120	14,692,315	
Alternative fuels use in SA ²	%	26%	25%	Set a 5-year target of 50% kiln fuel to be sourced from alternative fuel in SA
Alternative raw materials ³	Tonnes	1,284,967 [8% increase]	1,187,058	Set a 5-year target of 20% increase in tonnage
Reportable Environmental Incidents	Number	1	1	
Environmental Near Misses	Number	232	34	
Environmental Hazards	Number	388	506	
Mains water usage	ML	1,317 [7% increase]	1,225	
Process waste to landfill ⁴	Tonnes	168,732 [4% decrease]	175,957	Set a 5-year target of 25% reduction in process waste to landfill
People				
Total Recordable Injury Frequency Rate	MHRS ⁵	16.2	25.5	Set a 5-year target of 10% reduction in TRIFR every year
Lost Time Injury Frequency Rate	MHRS ⁵	2.5	1.7	
High Potential Incidents	Number	37	20	
Safety near misses	Number	629	870	
Safety hazards	Number	2,817	2,782	
Female Non-executive Directors [NEDs]	%	43%	29%	Maintain a 5-year target of 30% female NEDs
Female employees	%	15%	14%	Set a 5-year target of 20% female employees
Communities				
Community investment	\$	263,221	421,479	Set a target to align community investment with strategy

1 GHG emissions are measured in accordance with the NGER legislation.

2 Used at our clinker kiln production facilities. Alternative fuels are defined as any kiln fuel that is not a traditional fossil fuel including fuel derived from renewable or suitable recovered resources.

3 Alternative raw materials are defined as any waste or by-products from other industrial processes.

4 Waste produced through clinker and lime production that is sent to a final disposal destination.

5 Per million man-hours worked.

REDUCE ADVERSE ENVIRONMENTAL IMPACTS AND DEVELOP LOW CARBON PRODUCTS

Taskforce for Climate related Financial Disclosure (TCFD)

The Group acknowledges that climate change is a shared global challenge. We are committed to playing our role in reducing carbon emissions and preparing for the impacts of climate change and the actions needed to achieve net-zero carbon emissions by 2050 contributing to the UN SDG #13.



We acknowledge that there is a need for large reductions in global GHG emissions to reduce the extent of future climate change and to avoid the most severe physical climate impacts. This, coupled with the world's increasing requirements for secure and affordable energy, create significant challenges which are best addressed through collaboration between companies, governments and communities.

The Group identifies climate change as a strategic risk that could affect the Group's future operating and financial performance. In 2019, we have carried out a gap analysis of the Group's current practices and performance against the recommendations of the TCFD and developed a roadmap for implementing the recommendations over a two-year period.

Governance

Our approach to governance over sustainability matters, including climate change is articulated on page 22.

Strategy

Focus sessions with key Management and Directors were held in 2019 as part of the development of the Group's Sustainability Framework, which incorporates climate change issues. Key issues set out below have been categorised as short-term (<5 years), medium-term (5-20 years) and long-term (>20 years):

- Price for GHG emissions that are not matched internationally, leading to deterioration of competitive cost position, resulting in higher costs/lower margins (short-term);
- Material specifications for projects are changed, reducing demand for the Company's products, reducing volumes and profitability (medium-term);
- Transition to renewable energy - higher costs and potential for disruption to production due to intermittent supply (short-term);
- A substitute for Portland clinker-based cement becomes commercially viable, stranding current cement production assets (medium-term); and
- Rising sea levels adversely impact operations in coastal areas. Significant operations associated with the Cement and Lime division are situated in coastal locations (long-term).

Climate change risks have the potential to increase costs that are not recoverable in the markets due to competitive pressures. For example, where these costs are not imposed evenly on all participants, such as in a scenario where there is a lack of global co-ordination for a price on carbon.

The Group seeks to manage climate change risk through improved efficiency of production processes, switching fuels to low-emissions fuels including the use of biomass, and leveraging the use of clinker substitutes. The Group is also investing in development of non-clinker-based substitute products.

Opportunities presented by climate change include:

- Development of low-cost energy sources as waste streams are diverted from landfill. Adelaide Brighton is an active participant in the use of alternate fuels, with Refuse Derived Fuel replacing circa 26% of energy used at the Birkenhead cement plant; and
- Participation in the transition to lower emissions intensive construction materials that displace competing products.

A move to lower emissions products has improved the conversion of waste streams being converted either into cost competitive sources of inputs into the production of construction materials or as an energy source.

We participate in industry associations (Cement Industry Federation (CIF); Cement, Concrete & Aggregates Australia (CCAA); and Manufacturing Australia (MA)) and a member of the Carbon Market Institute, which provide a forum for discussions on climate and industry changes. In addition, key Adelaide Brighton Management are actively engaged with Australian regulatory bodies, monitoring Australian and international climate change developments.

The 2018 International Energy Authority (IEA) roadmap for low carbon transition in the cement industry outlined three key actions for all stakeholders to 2030:

IEA KEY ACTIONS	ADELAIDE BRIGHTON ACTIONS
Create an enabling level playing field - development of a stable and effective international price on carbon.	Adelaide Brighton, through its membership of industry associations, engage with all levels of government to promote actions in line with the IEA roadmap. This includes development of climate change policy to meet Australia's international commitments, participation with relevant regulatory bodies to change standards to facilitate improved emissions-intensity for construction materials, and promotion of alternate fuels.
Putting technological change in action - implementation of state-of-the-art technologies and sharing operating best practices, governments to develop legislation that supports use of low carbon fuels, support risk-mitigating mechanisms for development of new technologies and promote flexibility in energy systems.	Key actions by the Group, either directly or through its joint ventures, have already improved the carbon intensity of products through: <ul style="list-style-type: none"> ▪ Utilisation of low carbon fuels - expanding the use of Refuse Derived Fuel at the Birkenhead cement plant, and sourcing electricity from a renewables generator for circa 55% of the Group's requirements; and ▪ Decreasing the use of clinker-based cementitious products - supplementary cementitious materials are used by Adelaide Brighton. The Group has equipment to process slag, a by-product from the steel industry, in all Australian mainland metro markets.
Facilitating uptake of sustainable products - governments ensuring regulation and standards are in place to enable greater use of cementitious constituents that lower the clinker content of cement.	

SUSTAINABILITY REPORT

Adelaide Brighton is undertaking scenario analysis as part of its 2020 work stream, with the aim of providing further details on the potential impact of climate change risks in its 2020 Sustainability Report.

Risk management

Adelaide Brighton operates a risk management framework, which includes reporting of strategic risks to the Board's Audit, Risk and Compliance Committee. In addition, specific risks associated with sustainability, including climate change, are included in the SHEC Committee agenda.

The risk framework categorises risks by reviewing the likelihood, impact, timing and mitigations in place to come to an overall assessment that allows determination of the overall significance of risks. In making this assessment, current and potential changes to the regulatory requirements for climate change are taken into consideration.

Testing for impairment for financial reporting in both 2018 and 2019 has incorporated a carbon price of AU\$25, testing the Group's resilience to a basic scenario of a price on carbon. No impairment was required in either year under a \$25 carbon price scenario.

Metrics

In addition to the KPIs outlined on page 25, we also monitor the following metrics:

	2019	2018	% CHANGE
Total CO₂-e emissions by product¹			
Cement ¹	1,129	1,087	3.9
Lime ¹	1,174	1,205	(2.6)
Other ¹	84	86	(2.3)
Emission intensity by product²			
Cement ³	0.68	0.69	(1.4)
Lime	1.06	1.10	(3.6)

1 Thousand tonnes CO₂-e

2 Tonnes CO₂-e /tonne

3 Emissions intensity of cement from locally produced clinker

Adelaide Brighton's progress compared to the IEA key indicators

	IEA 2°C SCENARIO LOW-VARIABILITY CASE		ADELAIDE BRIGHTON
	2014	2030	2019
Clinker to cement ratio	0.65	0.64	0.79
Thermal efficiency – GJ/t clinker	3.5	3.3	4.8
Electricity intensity – kWh/t cement	91	87	119
Alternate fuel usage [% of thermal energy] ¹	5.6	17.5	25
Direct CO ₂ intensity of cement – tCO ₂ -e/t cement]	0.54	0.52	0.68

1 Integrated clinker/cement facilities

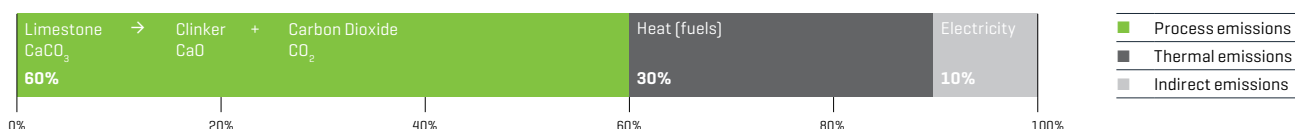
Environmental performance

As a producer of heavy construction materials and lime, Adelaide Brighton emits greenhouse gases as part of its operations. Emissions are primarily generated by the production of clinker, an intermediary product in the production of Portland cement, and lime. The production process for clinker and lime are similar, with a carbonate source of limestone heated in a kiln to high temperature, resulting in both process and thermal emissions. However, we are striving to reduce the amount of process and thermal emission production of cement with the addition of carbon-neutral substitutes.

To progressively reduce our emissions, we have set a 7% carbon emission reduction target over the next five years. We will continue to monitor and review our targets in line with technological advancements and community expectations. The Group's strategy of continuous improvement has resulted in a reduction in GHG emissions over a sustained period. While overall GHG emissions (scope 1 and scope 2) increased 0.4% in FY19 from FY18, they have reduced 13% over the five years from FY14 and 25% in the ten years since FY09.

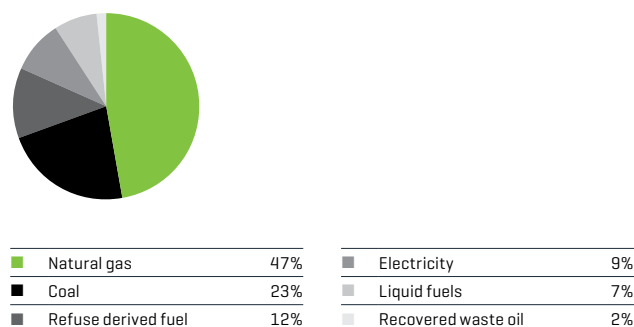
In addition to the incremental efficiency improvements, the Group's production footprint has changed over a number of years, as a result of closing low-efficiency clinker production facilities and concentrating production at more energy-efficient sites.

GHG EMISSIONS PROFILE OF THE AUSTRALIAN CEMENT INDUSTRY 2018 - 2019



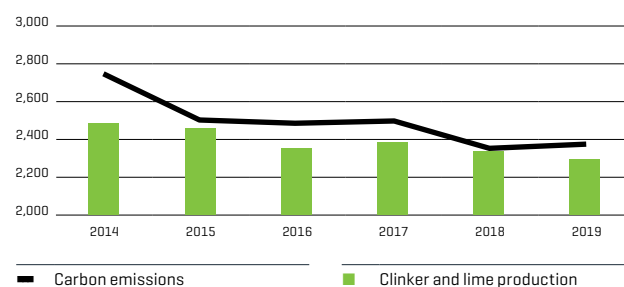
Source: CIF Survey

ENERGY BY SOURCE



TOTAL GROUP CARBON EMISSIONS¹

000 TONNES



1 For year ended 30 June, scope 1 and scope 2

An investment in a second firing line for the use of refuse derived fuel (primarily wood waste) as an energy source at the Birkenhead plant in 2015 has led to ongoing reductions in emissions due to its lower emissions profile. The use of refuse derived fuel has increased 42% over the last five years, with alternate fuels now supplying 14% of ABL's total energy consumption.

While not captured in these emission reduction figures, the Group has also continued an electricity supply agreement with a renewables generator for the provision of electricity to our South Australian sites.

Our efforts in waste management have improved our emissions and waste to landfill performance. We are focused on continuing with our current waste management initiatives and identifying new opportunities. We are aiming to drive circular economy thinking and to contribute towards circular economy practices. Some examples of this include:

- An upgraded packer recycling system and debagger at our Kwinana site, where all changeover product and off-specification cement is recycled and blended back into the final product, eliminating wastage and materials sent to landfill; and
- Recycling of damaged concrete products, crushing materials for reuse and diverting product that would have been disposed to landfill.

We acknowledge that it is important that we monitor and manage our environmental impacts to minimise our environmental footprint. We are pleased to report that we have not had any reportable environmental incidents in 2019 and will continue to monitor environmental incidents, environmental near misses and hazards.

In 2019, we planned and committed to upgrading our environmental management software to include an improved on-line module for managing environmental obligations compliance, improving environmental monitoring, emission data and reporting. The modules for development and implementation are:

- Obligations Management;
- Environmental Management (including Aspects and Impacts Register); and
- Emissions Monitoring Data.

PEOPLE

Health and safety performance

Our focus is on ensuring that all our people, contractors and site visitors go home safely at the end of every day. We regularly monitor our safety performance.

Our TRIFR at December 2019 was 16.2, compared to 25.5 at December 2018. Our focus across all Divisions has been the reduction of injuries across all recordable types – lost time, restricted duties and medically treated injuries, resulting in a TRIFR reduction of 29% in our Cement and Lime Division, 34% reduction in our Concrete and Aggregates Division and 47% reduction in our Concrete Products Division.

Our LTIFR at December 2019 was 2.5 compared to 1.7 at December 2018. The increase in LTIFR resulted from nine lost time injuries sustained in our Concrete and Aggregates Division, and three lost time injuries sustained in our Concrete Products Division. Our Cement and Lime Division recorded a 68% reduction in LTIFR in 2019.

Our sustained focus on key areas of risk shapes the design of our injury prevention programs and is driving sustainable improvements in reducing harm to our people.

A sustained high volume of reporting of leading safety indicators, such as safety hazards, near misses and high potential incidents from 4,131 in 2018 and 3,985 in 2019, is an indication that a culture of safety is embedded across the Group.

CASE STUDY

1 MILLION TONNES OF FUEL FROM WASTE

Adelaide Brighton recently celebrated the use of 1,000,000 tonnes of Refuse Derived Fuel (RDF) at its Birkenhead cement plant. RDF has helped reduce the Group's greenhouse gas emissions, diverting approximately 200,000 tonnes of waste from landfill each year, as well as reduce the use of natural gas by 25%. Adelaide Brighton was also awarded the Premier's Mining & Energy Award for Innovation in Environmental Management for its alternative fuels program.



CASE STUDY

PLASTIC RECYCLING

In 2019 we installed a bailer at our Moorebank site to ensure all plastic pallet wrapping and shrink wrap is recycled rather than sent to landfill. The site identified that a significant percentage of its landfill waste was plastic, and successfully applied for a rebate under the NSW government "Bin Trim" scheme. Now when plastic waste is generated, it is bailed, collected from site, and recycled. This project will prevent approximately 70 bins, or 5.6 tonnes, of plastic per year going to landfill.

CASE STUDY

CIRCULAR ECONOMY FOR CEMENT KILN DUST

Adelaide Brighton has long sought opportunities for reusing one of the waste products formed when manufacturing cement – Cement Kiln Dust (CKD) – back into the production process, or to find alternative uses other than disposal to landfill. This has proved successful for our Birkenhead facility this year. Since June, the Birkenhead facility has found reuse opportunities for 100% of the CKD the site has produced.



CASE STUDY

SOLAR ARRAY IN TOWNSVILLE

Our concrete products site in Townsville completed the installation of a 100kW solar array in October 2019. The system supplies 52% of the Townsville site's electricity consumption. We are currently working on another 900kW of projects to bring our total to 1MW of solar in 2020.

CASE STUDY

SCHOOL TREE PLANTING DAYS, MUNSTER

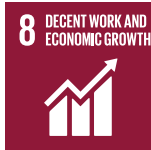
Annual tree planting days are held with local primary schools in the areas surrounding the Munster plant. This year, the Munster operations team hosted 55 students from the local South Coogee Primary School for a tree planting excursion. The students planted hundreds of native plants and shrubs on site to revegetate a cleared area near the boundary of the plant.

Revegetation of our quarries is one way we can achieve the plant's land improvement goals to provide beautification and dust minimisation benefits to the area surrounding our operations. Through our partnership with wildlife rescue organisation Native Arc, the students were also provided with the opportunity to meet some native animals up close and gain an insight into the importance of native planting for the habitats of our native wildlife.



Proactive reporting and shared learnings are being supported by a refreshed monthly employee dashboard distributed across the Group, showcasing 'what good looks like'. This is where we provide examples of good practice and learnings across the business.

Safety is not just about processes and procedures within a business, it is a culture. We have continued to invest in our safety development to deliver further improvements in our performance. In 2019, we rolled out a Safety 'Step Change' Program, contributing to the UN SDG #8. Our new health and safety vision of "Work Safe, Home Safe" aims to connect to the emotional motive for staying safe at work, and resonates with workers who responded overwhelmingly in our 2018 survey that "going home to loved ones" was the number one reason for staying safe at work.



Accompanying the launch of "Work Safe, Home Safe" was our Critical Risk Program and Life Saving Rules. The Critical Risk Program focuses on six critical risks, common across the Group. The Life Saving Rules are a series of 10 rules that all employees must follow. The Critical Risk Program and Life Saving Rules have also been rolled out in 2019 across all sites.

Diversity and inclusion

Our Diversity Policy was established in 2011 with a focus on removing barriers to enable equal opportunity employment at Adelaide Brighton. In 2019, we have undertaken a holistic review of the Diversity Policy, incorporating the amendments to the ASX Corporate Governance Principles and Recommendation [4th Edition, 2019] and further articulating our vision to 2025 to inspire our employees and the next generation of talent to work with us at Adelaide Brighton, where our inclusive workplace culture embraces difference and thrives. We have prioritised five focus areas, being culture, communication, capability, connection and community and developed detailed action plans for each of the areas articulating target outcomes, actions to achieve the outcomes, responsibilities and timeframes.

In recognition of the low numbers of females entering our engineering and manufacturing vocations and to increase the diversity of our workforce, we have implemented the following initiatives:

- Uploaded online videos showcasing our female employees on the job;
- Implemented programs designed to engage graduate engineers;
- Offered undergraduate scholarship opportunities and sponsored vacation work programs to engage students who are entering tertiary education to consider engineering as a career option; and
- Offered opportunities for secondary school students to become aware of diverse career opportunities within our industry.

These initiatives have resulted in 20% of new hires being female, increasing our female employment population to 15%. We have also increased our representation of female Non-executive Directors from 29% to 43%, further illustrating our commitment to diversity and inclusion.

In 2019, we have developed our inaugural Reflect Reconciliation Action Plan [RAP]. Adelaide Brighton continues to invest in Australian communities, creating strong futures for our employees while helping cities and towns prosper. Our employees come from many different backgrounds and cultures, embracing difference is key to our continued growth and success.

CASE STUDY

VISIBLE LEADERSHIP

Visible leadership is a process implemented across the Group's operations in 2019, where senior leaders actively engage in open safety conversations – across all aspects of operations, and in the office. Outcomes of visible leadership observations include an increased appreciation of the nature of the hazards and risks within operations; and how we best address them, as well as positive recognition to staff on safe behaviours and attitudes.



CASE STUDY

PROFESSIONAL DRIVER SAFETY WORKSHOPS

Professional Driver Safety Workshops were conducted across our Concrete and Aggregate driving operations, and attended by more than 600 truck drivers with the goal of engaging in a safety conversation with drivers:

- What it means to be a professional driver [skills, responsible conduct and driving behaviours]
- Understanding the challenges drivers face on the roads
- Heavy vehicle safety
- The mindset that professional drivers must have every day to be safe on the roads

The workshops generated positive engagement and discussions, as well as personal commitments to support safe driving.

CASE STUDY

SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (STEM) FOR GIRLS PROGRAM, BIRKENHEAD

The Adelaide Brighton team at Birkenhead hosted 30 female year 11 students as part of the University of Adelaide's STEM for GIRLS Program. The visit is part of the broader STEM Girls program and aims to showcase some of South Australia's STEM industries and introduce students to women [and men] who work for these companies. Girls visit at least three sites to view the industry's practices, processes and learn about career opportunities.

The Reflect RAP forms part of Adelaide Brighton's Diversity and Inclusion Strategy and helps foster a culture where we embrace difference. The Executive and RAP Working Group believe that we can make a positive difference to Aboriginal and Torres Strait Islander people by focusing on areas such as employment, education, empowerment and economic development, while enhancing the understanding of the Indigenous culture.

Adelaide Brighton's Reflect RAP supports the three pillars of reconciliation which includes relationships, respect and opportunities. This is the beginning of our reconciliation process and will be continually refined through consultation as we continue to progress our reconciliation journey.

The Group provides employees and their families with a free and confidential counselling service through our Employee Assistance Program (EAP) to help employees meet life challenges and remain healthy, engaged and productive.

Our annualised utilisation rate of the EAP for 2019 is 5.2% which is higher than the industry benchmark of 3.2%. The EAP is promoted at all our work sites to enable greater awareness and support for employees' wellbeing.

As an extension to EAP, the Group advocates and supports active participation in R U OK? Day, a national day of action in September each year dedicated to reminding people to ask family, friends and colleagues the question "R U OK?", in a meaningful way. Mental Health Awareness Training has been rolled out across the Group in addition to Mental Health First Aider accreditation from Mental Health First Aid Australia.

Employee engagement

In 2018, more than 80% of our workforce completed the bi-annual employee survey. More than 80% of the employees that responded are proud to work for Adelaide Brighton and 76% would recommend the Company as a great place to work. 79% are comfortable voicing their ideas and opinions, even if they are different from others. In 2019, we have conducted listening sessions with hundreds of employees from across the Group. The feedback from these sessions informed the Diversity and Inclusion Strategy 2020 to 2025.

COMMUNITIES

Community engagement

Adelaide Brighton is committed to being a socially responsible member of the communities in which we operate. Engagement with, and keeping the local community informed on the operations of our plants is an important element of our day-to-day operations.

At our Munster plant in Western Australia, we have created a communication program which includes a dedicated community website, a 24/7 community feedback telephone service, newsletters, and a range of fact sheets and short videos, as well as regular community meetings with key stakeholders. We continue to improve our dust management, with the installation of five new solar powered ambient air monitoring stations in 2019 at the site to supplement the existing network, providing early alerts to allow management of on-site activities to prevent off-site dust impact. The site also sealed 140 metres of road with concrete to reduce fugitive dust.

CASE STUDY

iWOMEN PROGRAM, MUNSTER

We partnered with the Kwinana Industries Council (KIC) in the 2019 KIC iWOMEN Program. The iWOMEN Project is a unique program for the local region that provides an insight into our industry for potential future employees. In 2019, the program included a tour of the Munster and Kwinana facilities, along with a tree planting exercise as part of a quarry regeneration program. Thirty-five female year 10 students representing 16 local secondary schools completed the program.



Adelaide Brighton holds quarterly community liaison group meetings for its Birkenhead cement plant in South Australia, to engage and inform the local community. The site has a network of air quality monitors in the local community and in the plant, designed to provide early alerts and intervention to reduce offsite fugitive dust. Live dust monitoring is reported on the Adelaide Brighton Cement Community website (available online). If air quality limits are exceeded, the site conducts an investigation and publishes a report within 48 hours on the website.

In addition, the site consulted with the local community to develop a three-year environmental improvement program to manage noise and dust impacts, coming up with 16 improvement projects in total. The site has also planted 600 native tree seedlings for "Trees for Life" and 150 native shrubs to improve the visual amenity of the site.

To better understand our local communities, we also encourage and monitor community enquiries and grievances, recording and responding to the communications we receive.

Community investment

Through our community support program, we aim to make a valued and sustainable contribution to the communities in which we operate by investing in programs at local schools, sporting clubs, care agencies and community services, as well as higher education support. We continue to invest in community initiatives, including being a key sponsor of the Variety South Australia Moto Run since 2009.

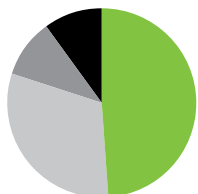
In addition, Adelaide Brighton Cement was once again proud to partner with Little Athletics South Australia as the major sponsor of the State Personal Best Classic Carnival in November 2019.

In July 2019 at the South Australian Cement Concrete and Aggregates Australia Awards, Adelaide Brighton Cement was awarded the winner for both the:

- Environmental Innovation Award for its Alternative Fuels Program-Refused Derived Fuel; and
- Diversity and Inclusion Award for its Adelaide Brighton Cement University of Adelaide Chemical Engineering Scholarships for female students' program.

In August 2019 at the Western Australian Cement Concrete and Aggregates Australia Awards, Cockburn Cement was awarded the community engagement award for its series of educational videos on air quality.

COMMUNITY INVESTMENT SPEND BY FOCUS AREA



Health and wellbeing	49%
Education	31%
Community and environment	10%
Industry	10%

CASE STUDY

ADELAIDE BRIGHTON ASSISTED WITH THE SUPPLY OF CONCRETE TO SUPPORT COMMUNITY INITIATIVES

We assisted with the supply of concrete to these organisations.

Daniel Morcombe House: Has been set up and has councillors on hand to help children who have been mistreated in life. Bruce and Denise Morcombe visit schools throughout Queensland teaching children about stranger danger.

Men's Sheds: These centres are set up around the Sunshine Coast for men to go to for different activities such as wood working and companionship.

Kawana Dolphins Rugby League Club: We've supported this club for many years as it is a local club on the Sunshine Coast and is also supported by many of our customers.



CASE STUDY

BUTTERFLY PROGRAM SPONSORSHIP

The Butterfly project was established with funding by the City of Cockburn's Environmental Education Grant and Adelaide Brighton's donation of native butterfly-host plants and financial sponsorship. Primary schools in the Cities of Cockburn and Fremantle have come together to deliver a local Butterfly Garden Project. Each participating school will plant a butterfly-host garden to create a habitat corridor for native butterfly species. The aim of the Butterfly Garden Project is two-fold: to make available practical STEM-based learning opportunities for students; while boosting native butterfly numbers within the Cities of Cockburn and Fremantle. The project now boasts 13 participating local schools.



CASE STUDY

GREEN AND GOLDEN BELL FROGS

Our Port Kembla clinker grinding facility has an endangered frog species on-site. The Green and Golden Bell Frog (*Litoria aurea*) is native to eastern NSW and due to the dwindling numbers is listed as endangered. Since 2011, with the help of environmental consultant Chris Wade, we have maintained two ponds and a habitat area on-site, as per the Green and Golden Bell Frogs Management Plan [2013]. This habitat consists of two clay-lined frog ponds with natural vegetation provided and maintained by a horticulturalist that is ideal for these frogs. Chris holds a scientific licence, which allows him to regularly monitor the population, and provide advice in relation to management practices for the frogs. On behalf of Adelaide Brighton, Chris submits annual reports on the colony to National Parks and Wildlife and the Office of Environment and Heritage.



HEALTH AND SAFETY

AT ADELAIDE BRIGHTON WE ARE PASSIONATE ABOUT PROVIDING THE SAFEST WORKING ENVIRONMENT. "WORK SAFE, HOME SAFE" IS WHAT EVERYBODY EXPECTS. WE ALL COME TO WORK WANTING TO DO OUR JOBS SAFELY AND GO HOME EACH DAY TO OUR FAMILY AND FRIENDS.

TOTAL RECORDABLE INJURY FREQUENCY RATE

Adelaide Brighton's Total Recordable Injury Frequency Rate (TRIFR) at December 2019 was 16.2, compared to 25.5 at December 2018. Our focus across the Group has been the reduction of injuries across all recordable types – lost time, restricted duties and medically treated injuries, resulting in a TRIFR reduction of 29% in our Cement and Lime Division, 34% reduction in our Concrete and Aggregates Division and 47% reduction in our Concrete Products Division.

These results demonstrate that our sustained focus on key areas of risk, that shapes the design of our injury prevention programs, is driving sustainable improvements in reducing harm to our people.

LOST TIME INJURY FREQUENCY RATE

Adelaide Brighton's Lost Time Injury Frequency Rate (LTIFR) at December 2019 was 2.5 compared to 1.7 at December 2018. The increase in LTIFR resulted from nine lost time injuries sustained in our Concrete and Aggregates Division, and three lost time injuries sustained in our Concrete Products Division. Our Cement and Lime Division recorded a 68% reduction in LTIFR in 2019.

SAFETY NEAR MISS AND HAZARDS

The proactive reporting of safety near misses and hazards have been, and will continue to be, a key driver to our safety culture where risks are managed, and injuries and incidents are prevented. Proactive reporting and shared learnings, showcasing safety innovation 'what good looks like', is communicated across the Group, to strengthen the effectiveness of safety and health activities and management of our critical risks.

SAFETY STEP CHANGE

In 2019, we continued to invest in safety to deliver further improvements in our performance through the roll out of our Safety 'Step Change' Program. This program saw the introduction of our new health and safety vision of "Work Safe, Home Safe", which aims to connect to the emotional motive for staying safe at work, and resonates with workers who responded overwhelmingly in our 2018 employee survey that "going home to loved ones" was the number one reason for staying safe at work.

Endorsed and delivered by the Executive Management team, the Safety 'Step Change' Program focuses on four key areas including:

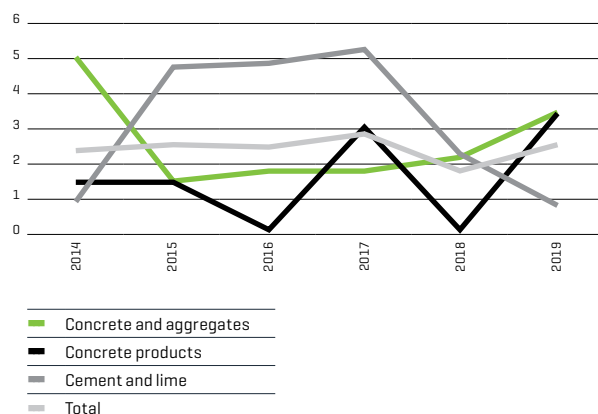
- critical risk management;
- musculoskeletal stress;
- transport; and
- visible leadership.

Critical risk management involves increasing our learnings from our strong reporting culture to understand how to investigate incidents to find the cause, share the lessons learnt and to know what is expected when undertaking critical risk activities. Accompanying the launch of "Work Safe, Home Safe" was our Critical Risk Program highlighting six critical risks, common across the Group. For each of these critical risks, we identified critical controls that must be in place before work commences.

In addition, we introduced Life Saving Rules that are designed to keep people safe. They eliminate some of the most significant risks, and help achieve our safety objective of "Work Safe, Home Safe". These are not optional rules, they are rules expected to be followed by all our employees, contractors and visitors at all times on our sites.

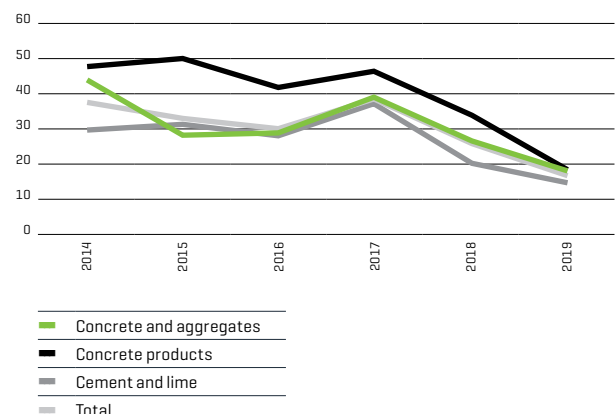
LOST TIME INJURY FREQUENCY RATE (LTIFR)

Total lost time injuries per million hours worked



TOTAL REPORTABLE INJURY FREQUENCY RATE (TRIFR)

Total recorded injuries per million hours worked



“ WE CONTINUED TO INVEST IN SAFETY TO DELIVER FURTHER IMPROVEMENTS IN OUR PERFORMANCE THROUGH THE ROLL OUT OF OUR SAFETY 'STEP CHANGE' PROGRAM.

Another key area is **musculoskeletal stress**, the most common cause of injuries to our people. In 2019, a review was undertaken of job tasks and job dictionaries were developed for high-risk tasks. This was supported by a review of internal processes to improve case management and strategic oversight of the provision of health and wellbeing services.

The key focus area of **transport** included a review of our transport operations to further encourage safe driving behaviours. In 2019, Professional Driver Safety Workshops were conducted across our Concrete and Aggregates operations and attended by more than 600 truck drivers. The goal of the workshops is to engage in a conversation with our drivers about what it means to be a professional driver, including the skills required, responsible conduct and demonstrating driving behaviours.

600+ TRUCK DRIVERS ATTENDED PROFESSIONAL DRIVER SAFETY WORKSHOPS CONDUCTED ACROSS OUR CONCRETE AND AGGREGATES OPERATIONS.

The purpose of **visible leadership** is to reinforce positive safety behaviours through open, unthreatening and respectful conversations so we all go home safe every day. In 2019, the visible leadership process was implemented across the Group, where senior leaders actively engage in open safety conversations across all operations. Outcomes of visible leadership conversations include an increased appreciation of the nature of the hazards and risks within operations, how we best address them, as well as positive recognition to staff on safe behaviours and attitudes.

WELLBEING

Adelaide Brighton provides employees and their families with a free and confidential counselling service through our Employee Assistance Program (EAP) to assist employees to meet life challenges and remain healthy, engaged and productive.

Our annualised utilisation rate of these services as at December 2019 is 5.2% which is higher than the industry benchmark of 3.2%. The EAP is promoted at all our work sites, reinforced through active participation in R U OK? Day, a national day of action in September each year dedicated to reminding people to ask family, friends and colleagues the question “R U OK?”.

To support our employees to develop the skills to identify and assist a friend, family member or co-worker who may be experiencing issues with their mental health, Mental Health First Aid Accreditation (two day) and Mental Health Awareness (one day) training has been offered to all frontline leaders, Human Resources and Health, Safety and Environment staff. 10 employees are now accredited in Mental Health First Aid and over 100 employees have attended Mental Health Awareness training.

To further support the Safety ‘Step Change’ Program, Adelaide Brighton has piloted an early intervention injury management service for employees, ensuring workers have access to the most appropriate and timely medical advice, information and treatment in the workplace. The program provides a nurse triage service 24 hours a day seven days a week, visits to a general practitioner, physiotherapist, x-rays and basic ultrasounds for diagnostic purposes. This pilot program aims at delivering quality workplace medical services to reduce the impact of injury and illness in our workplaces.

YOU CAN SAVE A LIFE. FOLLOW OUR LIFE SAVING RULES.

Simple do's and don'ts that everyone must follow on our sites.

 <p>I will wear the required PPE</p>	 <p>I will report all hazards and incidents immediately</p>
 <p>I will drive to the conditions and comply with all road rules</p>	 <p>I will be drug and alcohol free at work</p>
 <p>I will only perform work for which I am trained, competent and authorised</p>	 <p>I will not enter exclusion zones unless authorised</p>
 <p>I will have the required isolations in place and verified before work starts</p>	 <p>I will not alter, modify or bypass safety devices</p>
 <p>I will only work at height with fall protection in place</p>	 <p>I will have all controls in place before entering a confined space</p>

WORK SAFE, HOME SAFE



PEOPLE AND DIVERSITY

OUR EMPLOYEES COME FROM MANY DIFFERENT BACKGROUNDS AND CULTURES, EMBRACING DIFFERENCE IS KEY TO OUR CONTINUED GROWTH AND SUCCESS. IT IS CRITICAL THAT WE HAVE AN INCLUSIVE WORKPLACE AT ALL LEVELS OF THE ORGANISATION REGARDLESS OF GENDER, MARITAL OR FAMILY STATUS, SEXUAL ORIENTATION, GENDER IDENTITY, AGE, DISABILITY, ETHNICITY, RELIGIOUS BELIEFS, CULTURAL BACKGROUND, SOCIO-ECONOMIC BACKGROUND, PERSPECTIVE AND EXPERIENCE. CREATING A CULTURE THAT EMBRACES DIFFERENCE AND IS INCLUSIVE OF EVERYONE WILL ENSURE ADELAIDE BRIGHTON CONTINUES TO BE A GREAT PLACE FOR EVERYONE TO WORK.

INVESTING IN OUR FUTURE

In 2019, we continued to invest in our people and our future by providing learning and development opportunities, maintaining and renewing technical knowledge and increasing the overall capability and enterprise skills of the Group. The opportunities included enabling innovation, cross-divisional networking and collaboration, strengthening inclusiveness and diversity and visible leadership.

GRADUATE PROGRAM

The 2020 Adelaide Brighton Graduate Program will commence with an induction program that includes a facilitated mentoring workshop with graduates and their appointed Adelaide Brighton mentors. This investment in future talent, to support a sustainable growth strategy, includes sourcing expertise in multiple technical fields including process engineering, chemical engineering, health, safety and environment, and control systems engineering. Graduate positions include process engineer, chemical engineer, HSE and control systems. First rotation locations are across Australia and include; Staphylton in Queensland, Birkenhead in South Australia and Munster in Western Australia.

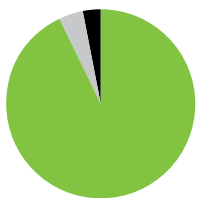
FRONTLINE LEADERSHIP

Our frontline leaders participate in management training, developing essential skills and knowledge to enable them to lead their teams to sustained, improved business performance. The blended coaching model is an effective way for our managers to learn and practice new skills. Participation in this program has resulted in frontline managers willing to have difficult conversations, coach and develop others, create inclusive and collaborative work environments and build engagement with their teams.

READY TO EXCEL

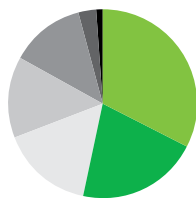
In 2019, we launched the Ready to Excel Program to create a national network of highly skilled leaders who are connected and 'Ready to Excel'. The 12-month program is highly experiential, with participants being asked to solve complex problems, business and operational challenges. Participants are given opportunities to expand their Adelaide Brighton knowledge and network by developing relationships with participants from around the Group, including exposure to senior leaders and involvement in workshops across different states and sites.

EMPLOYMENT BY
EMPLOYMENT STATUS



Full-time	93%
Casual	4%
Part-time	3%

EMPLOYMENT BY
GEOGRAPHY



South Australia	33%
New South Wales	20%
Queensland	16%
Western Australia	14%
Victoria	13%
Northern Territory	3%
Tasmania	1%

% EMPLOYEES ON
EBA VS STAFF



EBA	60%
Staff	40%

SUSTAINABILITY REPORT - PEOPLE AND DIVERSITY

A key component of the program is the action learning project, where participants are placed in project teams sponsored by a member of the Executive team. The projects are derived from Adelaide Brighton's Sustainability Framework and will focus on delivering the strategic goals; sustainable and responsible business practices and engaged people and communities.

HIRING MANAGERS

Recruitment is a key activity in the support of our inclusive and diverse workforce. Creating awareness and building the capability of our hiring managers has been the objective of the launch of an on-line training module 'Licence to Recruit' and the delivery of workshops to build awareness of unconscious bias in the recruitment process.

LEADERSHIP

To deliver Adelaide Brighton's business priorities, key leadership talent priorities have been identified and form the foundation of development programs, succession planning, talent reviews and career opportunities. The priorities include:

- Inclusive leadership – we build understanding and accountability for leaders to demonstrate inclusiveness, adapting their leadership style to obtain maximum contribution from all employees;
- Building capability and retaining company knowledge – we continue to monitor and invest in development plans for successors and future leaders, and we provide opportunities for mentoring, secondments and cross-divisional networking and collaboration;

- Engagement – we ensure appropriate strategies are in place to enable an engaged workforce to encourage discretionary effort, and to continue to improve employee engagement; and
- Visible leadership – we ensure our leaders understand the value of safety to our business and model behaviours that communicate their understanding of 'safety as a value' to our people, and that day-to-day communications and decisions reinforce 'Work Safe, Home Safe'.

DIVERSITY AND INCLUSION

In 2019, a holistic review of Adelaide Brighton's Diversity and Inclusion Policy was undertaken. This included a thorough consultation process to understand first-hand from our employees their experience of working at Adelaide Brighton and how inclusive we are.

- The EGM Human Resources & Health, Safety and Environment is a member of the Cement Concrete & Aggregates Australia [CCAA] Diversity Committee and participated in the development of the CCAA Diversity and Inclusion Plan to ensure we align with the industry approach to Diversity and Inclusion, and that we are involved in the solution at an industry level.
- Listening Sessions were conducted across the Group to hear from employees about their experience of working at Adelaide Brighton and how well we are doing at being inclusive and what we could do better.
- An Executive Diversity and Inclusion Steering Committee has been established and a number of workshops were conducted with the Committee.



**OUR CEO, NICK MILLER
INSPIRING FUTURE LEADERS**



IN 2019, WE CONTINUED TO INVEST IN OUR PEOPLE BY PROVIDING LEARNING AND DEVELOPMENT OPPORTUNITIES, RENEWING TECHNICAL KNOWLEDGE AND INCREASING THE OVERALL CAPABILITY AND ENTERPRISE SKILLS OF THE GROUP.

- A Diversity and Inclusion session was facilitated at the Adelaide Brighton Management Conference with our top 90 leaders, including leaders from our joint ventures.
- Secondary Listening Sessions were conducted across the Group followed by workshops with our Committee to feed back our renewed strategy and engage in further consultation to ensure our strategy was in line with our employees' expectations.

A Strategy built by the people of Adelaide Brighton for the people of Adelaide Brighton. The Diversity and Inclusion Strategy 2020 – 2025 is the result of what we heard, combined with best practice research. It sets out how we invest in our future.

Our vision is that the next generation of talent will aspire to work with us at Adelaide Brighton, where our inclusive workplace culture embraces difference and thrives.

Key focus areas were established to enable the vision including culture, communication, capability, connection and community. Each focus area has a detailed action plan consisting of the target outcomes, the actions to achieve the outcomes, who is responsible, and a timeframe for delivery.

RECONCILIATION ACTION PLAN (RAP)

In 2019, Adelaide Brighton developed its first Reconciliation Action Plan (RAP).

The development of this RAP will help us further develop Adelaide Brighton's relationships with Aboriginal and Torres Strait Islander people and create other meaningful opportunities for their contribution. A RAP Working Group has been established and our Reflect RAP has been endorsed by Reconciliation Australia.

For many years we have been building relationships with Aboriginal and Torres Strait Islander people through various programs such as helping Indigenous law students transition from graduates to legal practitioners, St Peter's College secondary school Indigenous student sponsorship and support of the Aurora Education Foundation.

WELLBEING

As part of being an inclusive workplace, we want to support the mental health of our employees to create a more engaged and productive workforce. Aligned with this, and building on our company-wide "R U Ok?" initiatives, a key wellbeing focus has been upskilling our employees in mental health and ensuring they have an understanding of where they are able to access support should they require it. This training in mental health awareness also provides employees with improved skills to start conversations with other workers who may require support. In addition to the employees who have participated in this training, ten employees have been accredited as Mental Health First Aiders with Mental Health First Aid Australia.

Adelaide Brighton invited Ross Jones – Ambassador, Mentally Healthy Workplaces, for SafeWork NSW – to the 2019 Management Conference, to deliver a session reinforcing the importance of this mental health awareness training and the multitude of organisational benefits that are associated with having a mentally healthy workplace.

Our Employee Assistance Program (EAP) provides employees with practical support in dealing with mental health issues when required. The intensified promotion of this program during 2019, has seen an increase in employees accessing this service for mental health related matters.

DIVERSITY REPORT

ADELAIDE BRIGHTON IS COMMITTED TO PROVIDING AN INCLUSIVE WORKPLACE THAT VALUES AND PROMOTES DIVERSITY OF SKILLS, EXPERIENCE AND CULTURAL BACKGROUND.

We recognise that an inclusive culture enables us to attract and retain the best people with the appropriate skills to contribute to the continuing success of our business. 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. An overview of these objectives, and our progress towards achieving these objectives during the 2019 financial year are set out below.

In addition to progress against these specific objectives, the People and Culture Committee updated the Committee's charter and approved the launch of our Diversity and Inclusion Strategy 2020 to 2025. By 2025, our vision is that the next generation of talent will aspire to work with us at Adelaide Brighton, where our inclusive workplace culture thrives on diversity. To achieve this, we have listened to our people to understand what is working well and where we can improve. Our Diversity and Inclusion Strategy takes into consideration this feedback and is our roadmap to creating a culture that embraces difference and is inclusive of everyone.

OBJECTIVES	DIVERSITY MEASURES TO FACILITATE ACHIEVEMENT OF OBJECTIVES	PROGRESS
To promote a culture of diversity and inclusion.	<ul style="list-style-type: none"> Review our diversity policy, deployment of the plan and progress towards achieving the objectives. Conduct listening sessions across the Group to obtain employee feedback. Develop a vision and five-year strategy to progress a culture that embraces difference and is inclusive of everyone to be approved by the People and Culture Committee. 	<ul style="list-style-type: none"> The People and Culture Committee discussed the Company's diversity measures and reviewed progress towards achieving the objectives. The Committee approved the Diversity and Inclusion vision and strategy 2020 to 2025 to continue to create an inclusive culture that embraces difference. In addition, our inaugural Reflection Reconciliation Action Plan was endorsed by Reconciliation Australia.
	<ul style="list-style-type: none"> Proactively engage with industry to enhance inclusion and increase diversity. 	<ul style="list-style-type: none"> As a member of Cement Concrete & Aggregates Australia (CCAA) and their Diversity Working Group, contributed to the development of the CCAA Diversity and Inclusion Plan to foster an environment that builds a stronger level of diversity and inclusion in our industry.
	<ul style="list-style-type: none"> Company-wide training in workplace policies (including diversity, anti-bullying and harassment, Equal Employment Opportunity). 	<ul style="list-style-type: none"> On-line learning platform established to provide an effective and accessible way for employees and contractors to complete inductions and training, complementing workshop sessions. In addition, specific offerings launched also 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.	<ul style="list-style-type: none"> Recruitment sourcing strategies and practices deliver diverse candidate pools, employment decisions are made without regard to factors that are not applicable to the inherent requirements of a position and unconscious gender bias does not influence outcomes. Promote Adelaide Brighton as a diverse employer with an inclusive culture. 	<ul style="list-style-type: none"> Continued to invest in hiring manager capability with the launch of an on-line recruitment training module "Licence to Recruit" and the delivery of unconscious bias workshops for hiring managers. 20% of all new hires in 2019 were female with 45% of staff roles filled by female new hires. Initiatives to increase the number of female applicants applying for typically male dominated roles include: gender-neutral language in advertising, providing flexibility options, training for candidates without prior experience, and establishing a relationship with "Soldier On".
	<ul style="list-style-type: none"> Group mentoring program for high potential employees facilitated across the divisions to continue to develop inclusive leadership. 	<ul style="list-style-type: none"> Mentoring program embedded across the business to develop, inspire and support the next generation. Leadership talent priorities include building understanding and accountability to demonstrate inclusiveness and adapting leadership style to obtain maximum contribution from all employees.
Develop inclusive leaders who value diversity of opinions and challenge the status quo.		

SUSTAINABILITY REPORT - DIVERSITY REPORT

OBJECTIVES	DIVERSITY MEASURES TO FACILITATE ACHIEVEMENT OF OBJECTIVES	PROGRESS
Build talent pipelines through investment in skills and capabilities.	<ul style="list-style-type: none"> Ensure performance, development and succession management processes support the career progression of individuals regardless of gender or cultural background. 	<ul style="list-style-type: none"> 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 our frontline leaders to complete FastLead training building confidence, capability and an openness to learning.
	<ul style="list-style-type: none"> Sponsor or encourage professional networking, coaching programs and cross-divisional projects to give employees the opportunity to connect with other professionals. 	<ul style="list-style-type: none"> When needs are identified, coaching programs are supported across the business. Ready to Excel is a CEO sponsored program for identified high performers to inspire curiosity, innovation and networking across the Group. The inaugural program was launched in 2019 with 33.3% female participants.
	<ul style="list-style-type: none"> Sponsor MBA or post-graduate studies for high potential employees. 	<ul style="list-style-type: none"> Adelaide Brighton supports external study and development for high potential employees.
	<ul style="list-style-type: none"> In recognition of the low female participation in engineering [11.2%]¹ and manufacturing vocations and to increase the diversity of our workforce: <ul style="list-style-type: none"> 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; and Offer opportunities for secondary school students to become aware of diverse career opportunities within our industry. 	<ul style="list-style-type: none"> Electrical Engineering scholarship, University of Wollongong providing 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 secondary school students. Vacation programs in place in Adelaide, Perth and Sydney. Participation in Kwinana Industries Council iWomen and iScience projects. Sponsorship of the SA Law Society Indigenous Law Student Mentoring Program, ongoing Scholarship for an indigenous secondary 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.	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The gender pay parity review was completed in 2019 as part of Adelaide Brighton's annual remuneration review processes. Methodology and training supporting the staff remuneration framework, the Mercer International Position Evaluation [IPE], is embedded in the hiring process.
To provide flexible work practices.	<ul style="list-style-type: none"> Adelaide Brighton seeks to provide suitable working arrangements for employees returning from maternity leave. Flexible working arrangements are available to all employees under our flexible work policy, to recognise that employees may have different domestic responsibilities throughout their career. We also offer 12 weeks' paid parental leave for the primary carer. Formal review of all part-time work arrangements to ensure roles are appropriate to maintain career development. 	<ul style="list-style-type: none"> 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% of the workforce have a part-time or casual work arrangement. 7 employees have taken Maternity Leave and 13 employees have taken Paternity Leave in 2019.
Understand the diversity of our workforce.	<ul style="list-style-type: none"> Measure age, gender, and cultural identity of our workforce. 	<ul style="list-style-type: none"> Analysis of results from bi-annual employee survey of cultural identity plus diversity data is collected from candidates during the recruitment process. Reconciliation Action Plan Working Group established. Member of Cement Concrete & Aggregates Australia (CCAA) Diversity Working Group.

1. Engineers Australia. The Engineering Profession. A Statistical Overview, Fourteenth Edition June 2019



**INVESTING IN FUTURE TALENT,
WHERE OUR INCLUSIVE WORKPLACE
CULTURE THRIVES ON DIVERSITY.**

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. 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 following table shows the proportional representation of women employees at various levels within the Adelaide Brighton Group [as at 31 December 2019]:

		MALE	FEMALE
Board	43%	4	3
Senior Executives	22%	7	2
Senior managers (direct reports to senior Executives)	40%	26	17
Total workforce	15%	1,280	220

A copy of our Diversity and Inclusion Policy is available in the corporate governance section of our website.

TAX TRANSPARENCY REPORT

THIS REPORT IS PREPARED IN ACCORDANCE WITH ADELAIDE BRIGHTON'S VOLUNTARY ADOPTION OF THE TAX TRANSPARENCY CODE AND PROVIDES INFORMATION REGARDING ADELAIDE BRIGHTON'S TAX CONTRIBUTION, ITS APPROACH TO TAX STRATEGY AND GOVERNANCE, AND ITS INTERNATIONAL RELATED PARTY DEALINGS DURING THE YEAR ENDED 31 DECEMBER 2019. ADELAIDE BRIGHTON PUBLISHES THIS REPORT ON A VOLUNTARY BASIS AS PART OF ITS COMMITMENT TO TAX TRANSPARENCY.

DISCLOSURES – PART A

EFFECTIVE COMPANY TAX RATE

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

The Effective Tax Rate ("ETR"), being tax expense divided by profit before tax, for Adelaide Brighton's Australian operations is 25.6% for the year ended 31 December 2019.

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

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

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

In accordance with accounting standards, the share of after tax profits generated by Adelaide Brighton's joint ventures and associates is recognised by the Group in the income statement. Adelaide Brighton also maintains a balance of capital losses that may be recouped to offset capital gains incurred for tax purposes. However, during the year ended 31 December 2019 no capital losses were recognised to offset capital gains. The inclusion of equity accounted earnings in accounting profit, and the inclusion of capital losses recognised in income tax expense, may distort the ETR and removing these items from the ETR provides a more transparent representation.

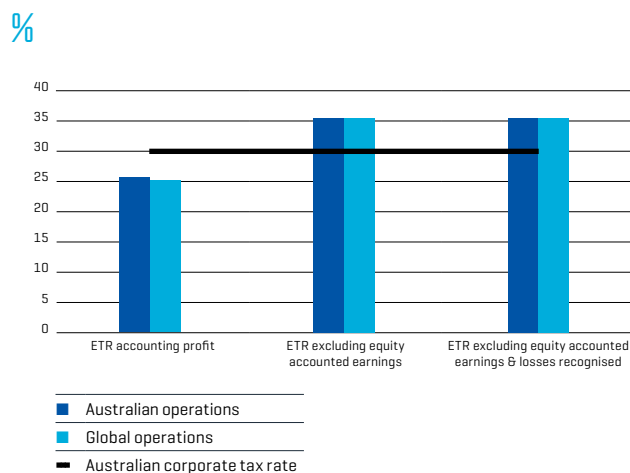
The global ETR recognises the accounting profit/loss attributable to Adelaide Brighton's minority interest in our Malaysian based associate. Additional information in relation to Adelaide Brighton's international related party dealings is provided under Part B of this Report.

	2019	2018
Australian operations	25.6%	26.7%
Australian operations – Excluding equity accounted earnings	35.4%	29.7%
Australian operations – Excluding equity accounted earnings and capital losses recognised	35.4%	29.8%

	2019	2018
Global operations	25.0%	26.7%
Global operations – Excluding equity accounted earnings	35.4%	29.7%
Global operations – Excluding equity accounted earnings and capital losses recognised	35.4%	29.8%

Adjusting for equity accounted earnings and capital losses not previously recognised, Adelaide Brighton has an effective tax rate of 35.4% percent for the year ended 31 December 2019.

2019 EFFECTIVE TAX RATE



TAX TRANSPARENCY REPORT

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE AND INCOME TAX PAYABLE

The reconciliation of accounting profit to income tax expense and income tax payable contained in this Report is published in a summarised form in Note 7 in the 2019 Financial Statements.

	2019 \$M	2018 \$M
Accounting profit before tax	63.4	251.0
Prima facie tax payable (at 30%)	19.0	75.3
<i>Tax effect of non-temporary differences (at 30%):</i>		
Non-allowable expenses	0.5	0.5
Non-assessable income	(2.1)	(2.2)
Rebatable dividends	(4.0)	(5.3)
Non-assessable non-exempt dividends	-	(0.4)
Goodwill impairment	2.6	-
Other additions/ (deductions)	(0.1)	(0.8)
Previously unrecognised capital losses	-	(0.1)
Income tax expense	15.9	67.0
<i>Tax effect of temporary differences (at 30%):</i>		
Higher accounting depreciation compared to tax depreciation	(1.6)	1.5
Accounting impairment of fixed assets	15.0	-
Timing of deduction for consumables	0.2	(2.6)
Timing of deduction for provisions	2.5	(0.8)
Deduction for accruals on payment	(0.9)	(0.2)
Timing of deduction of prepayments	0.4	(0.1)
Foreign currency income not yet realised for tax	-	0.1
Other timing differences	-	(0.4)
Income tax payable	31.5	64.5
Income tax expense - current year	15.9	67.0
Under/(over) provision in prior years	0.3	(1.2)
Total income tax expense recognised	16.2	65.8

IDENTIFICATION OF MATERIAL TEMPORARY AND NON-TEMPORARY DIFFERENCES

Material adjustments for non-temporary items that reduce income tax expense relate primarily to differences in the accounting and tax treatment of income derived from joint ventures and associated entities as outlined above. During the year ended 31 December 2019, a significant impairment to goodwill was recognised, resulting in an increase to income tax expense.

Adjustments for temporary differences relate to differences in the timing between an amount being derived/incurred for accounting purposes and the amount being assessable/deductible for tax purposes. During the year, temporary differences related primarily to differences in the timing of deductions for expenses such as depreciation, provisions, accruals, prepayments and consumables. During the year ended 31 December 2019, significant timing differences were also recognised in relation to the accounting impairment of fixed assets.

DISCLOSURES – PART B

TAX STRATEGY AND GOVERNANCE

Adelaide Brighton is committed to the highest standards of corporate governance and its approach to taxation aligns with its Tax Risk Management and Governance Policy and Code of Conduct. Adelaide Brighton is committed to being a responsible corporate citizen and actively seeks to contribute to the wellbeing of shareholders, customers, the economy and the community.

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

Adelaide Brighton was recently reviewed by the Australian Taxation Office as part of the Top 1,000 Streamlined Assurance Review. In their final Report, dated May 2019, the Australian Taxation Office awarded Adelaide Brighton a 'High' level of assurance (being the highest assurance rating achievable) overall and for each of the key areas reviewed (namely Significant and new transactions, Specific tax risks, and Alignment between accounting and tax results).

INTERNATIONAL RELATED PARTY DEALINGS

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

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

TAX CONTRIBUTION SUMMARY

Adelaide Brighton paid/will pay in excess of \$45.0 million in Commonwealth, state and territory taxes in respect of the 2019 year.

TAXES BORNE BY ADELAIDE BRIGHTON	2019 \$M	2018 \$M
Corporate income tax ^{1,4}	31.4	63.7
Fringe benefits tax ²	1.3	1.2
Payroll tax ³	9.9	9.0
Property tax	2.5	3.6
Total	45.0	77.5

TAXES COLLECTED BY ADELAIDE BRIGHTON	2019 \$M	2018 \$M
Goods and services tax ⁵	151.0	160.2
PAYG withholding (employees)	48.6	45.1
Total	199.6	205.3

Note: figures may not add down due to rounding.

- Corporate income tax paid is based on the year-end provision and will be finalised when the income tax return for the year ended 31 December 2019 is due for lodgement in mid-2020.
- Fringe benefits tax paid in respect of the year ended 31 March 2019.
- Payroll tax paid in respect of the year ended 30 June 2019.
- Prior year income tax paid has been updated from the amount shown in the 2018 Annual Report to reflect the final income tax liability per the income tax return which was due and lodged in mid-2019 (after the 2018 Annual Report was published).
- Net GST collected \$52.1 million (2018: \$55.3 million) after input tax credits on behalf of taxation authorities.

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

This Tax Transparency Report has not been independently audited; however, disclosures made in Part A of this Tax Transparency Report are consistent with disclosures made in the audited financial statements.

EXECUTIVE TEAM

NICK MILLER

CHIEF EXECUTIVE OFFICER

THERESA MLIKOTA

CHIEF FINANCIAL OFFICER

MICHAEL MILLER

EXECUTIVE GENERAL
MANAGER, MARKETING AND
INTERNATIONAL TRADE

TARMO SAAR

EXECUTIVE GENERAL MANAGER,
STRATEGIC PROJECTS



**THE EXECUTIVE TEAM HAS
COME TOGETHER SEAMLESSLY
AND IS WORKING TOGETHER
COLLABORATIVELY TO BUILD A
MORE SUSTAINABLE BUSINESS.**

BRAD LEMMON

EXECUTIVE GENERAL
MANAGER, CEMENT
AND LIME

MARCUS CLAYTON

GENERAL COUNSEL AND
COMPANY SECRETARY

DIMITY SMITH

EXECUTIVE GENERAL
MANAGER, HUMAN
RESOURCES AND
HEALTH SAFETY AND
ENVIRONMENT

BRETT BROWN

EXECUTIVE GENERAL
MANAGER, CONCRETE
AND AGGREGATES

ANDREW DELL

EXECUTIVE GENERAL
MANAGER, CONCRETE
PRODUCTS



BOARD OF DIRECTORS

RAYMOND BARRO

BBus, CPA, FGIA, FCIS

CHAIRMAN

Age 58

Experience

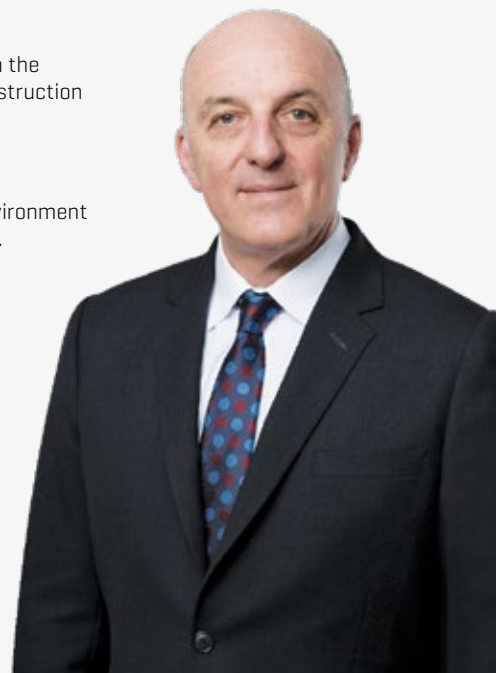
Over 24 years' experience in the premixed concrete and construction materials industry.

Committee memberships

Member, Safety, Health, Environment and Community Committee.

Current directorships

Managing Director of Barro Group Pty Ltd.



VANESSA GUTHRIE

Hon DSc, PhD, BSc (Hons)

DIRECTOR

Age 59

Experience

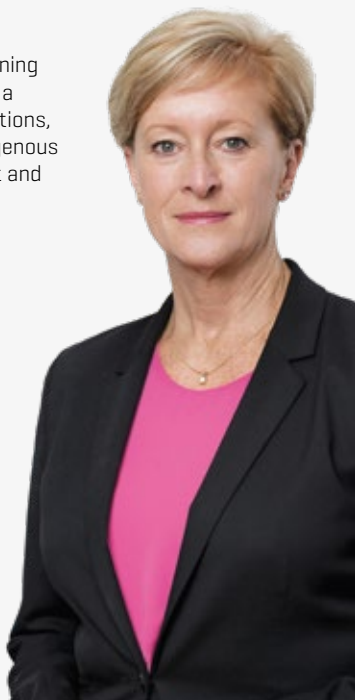
Extensive experience in the mining and resources industry across a variety of roles including operations, environment, community, Indigenous affairs, corporate development and sustainability.

Committee memberships

Chairman, People and Culture Committee and Member of the Safety, Health, Environment and Community Committee.

Current directorships

Director of Santos Limited, Tronox Holdings PLC and the Australian Broadcasting Corporation.



GEOFF TARRANT

BBus

DIRECTOR

Age 51

Experience

Extensive experience in the finance industry with experience gained in Australia, the United Kingdom and Asia.

Committee memberships

Member, Audit, Risk and Compliance Committee.

Current directorships

Chairman of Zuuse Limited.



ZLATKO TODORCEVSKI

MBA, BCom, FCPA, FGIA

DEPUTY CHAIRMAN AND LEAD INDEPENDENT DIRECTOR

Age 51

Experience

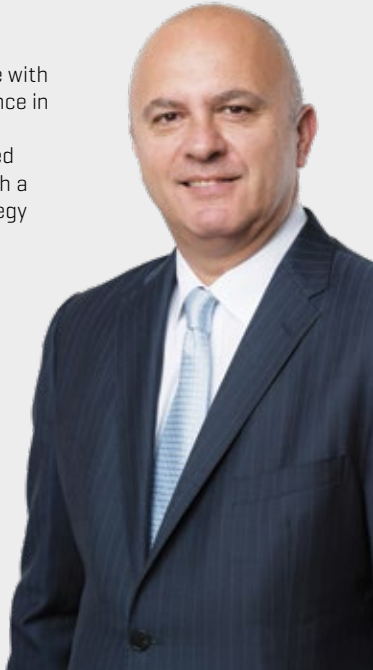
Experienced global executive with more than 30 years' experience in the oil and gas, logistics and manufacturing sectors gained in Australia and overseas with a background in finance, strategy and planning.

Committee memberships

Chairman, Audit, Risk and Compliance Committee and Member of the People and Culture Committee.

Current directorships

Director The Star Entertainment Group Limited and Coles Limited.



RHONDA BARRO

DIRECTOR

Age 65

Experience

Over 43 years' experience in the construction materials industry and executive management experience in line and functional areas.

Committee memberships

Member, People and Culture Committee.

Current directorships

Executive Director of Barro Group Pty Ltd.



EMMA STEIN

BSc (Physics Hons), MBA, FUWS, FAICD

DIRECTOR

Age 59

Experience

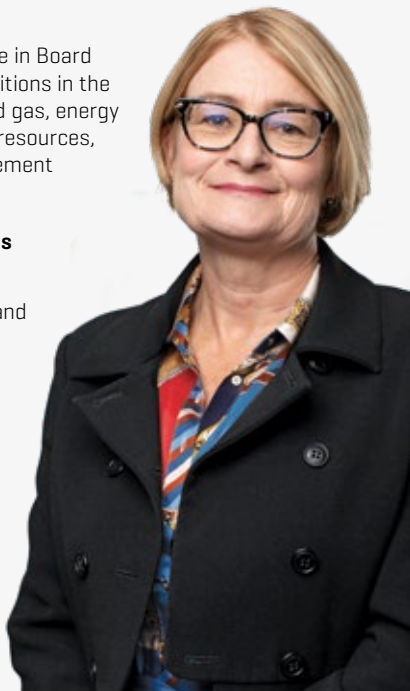
Over 30 years' experience in Board and senior executive positions in the building materials, oil and gas, energy and utilities, mining and resources, water and waste management sectors.

Committee memberships

Member, Audit, Risk and Compliance Committee and People and Culture Committee.

Current directorships

Director, Alumina Limited, Cleanaway Waste Management Limited and Infigen Energy Limited.



KEN SCOTT-MACKENZIE

BE(Mining), Dip Law

DIRECTOR

Age 69

Experience

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.

Committee memberships

Chairman, Safety, Health, Environment and Community Committee and Member, People and Culture Committee.



FINANCIAL STATEMENTS 2019

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity (the Group) consisting of Adelaide Brighton Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2019.

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:

RD Barro (Chairman)

Z Todorcevski (Deputy Chairman and Lead Independent Director)

RR Barro (appointed 10 May 2019)

VA Guthrie

KB Scott-Mackenzie

ER Stein (appointed 4 October 2019)

GR Tarrant

M Brydon (ceased 30 January 2019)

AM Tansey (ceased 4 October 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

Information on the principal activities, operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's report, Chief Executive Officer's review, operating and financial review on pages 3 to 19 of this Annual Report.

A summary of the financial results for the year ended 31 December 2019 is set out below:

	CONSOLIDATED	
	19	18
	\$ M	\$ M
STATUTORY RESULTS		
Revenue from contracts with customers	1,517.0	1,630.6
Earnings before interest, tax, depreciation, amortisation and impairments	271.6	352.8
Depreciation, amortisation and impairments	(189.7)	(87.4)
Earnings before interest and tax ("EBIT")	81.9	265.4
Net finance cost ¹	(18.5)	(14.4)
Profit before tax	63.4	251.0
Income tax expense	(16.2)	(65.8)
Net profit after tax	47.2	185.2
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	47.3	185.3
Non-controlling interests	(0.1)	(0.1)
Basic earnings per share (cents)	7.3	28.5
Ordinary dividend per share (cents)	5.0	20.0
Special dividend per share (cents)	-	8.0
Franking (%)	100.0	100.0
Net debt ² (\$ million)	423.3	424.8
Net debt/equity (%)	35.4%	34.1%

The results were impacted by a number of significant items. The table on page 50 sets out the underlying financial results for the year ended 31 December 2019 which have been adjusted for the significant items. An explanation of the significant items and reconciliation to statutory results is provided on page 50.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (continued)

CONSOLIDATED

19 18
\$ M \$ M

UNDERLYING RESULTS

Revenue from contracts with customers	1,517.0	1,630.6
Earnings before interest, tax, depreciation, amortisation and impairments	280.0	360.9
Depreciation and amortisation	(93.6)	(87.4)
Earnings before interest and tax ("EBIT")	186.4	273.5
Net finance cost ¹	(18.5)	(14.4)
Profit before tax	167.9	259.1
Income tax expense	(45.0)	(68.2)
Net profit after tax	122.9	190.9
Attributable to:		
Members of Adelaide Brighton Ltd ("NPAT")	123.0	191.0
Non-controlling interests	(0.1)	(0.1)
Basic earnings per share (cents)	18.9	29.4
Leverage ratio ³ (times)	1.5	1.2

Net Profit after Tax

Full year reported NPAT decreased 74.5% on 2018, to \$47.3 million.

Underlying NPAT declined 35.6% from \$191.0 million in 2018 to \$123.0 million.

Property profits contributed nil to NPAT in the year, compared to \$0.9 million in 2018.

¹ Net finance cost is the net of finance costs shown gross in the income statement with interest income included in other income.

² Net debt is calculated as total borrowings less cash and cash equivalents.

³ Leverage ratio of net debt/trailing 12 months underlying EBITDA.

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.

	19			18		
	PROFIT BEFORE TAX \$ M	INCOME TAX \$ M	PROFIT AFTER TAX \$ M	PROFIT BEFORE TAX \$ M	INCOME TAX \$ M	PROFIT AFTER TAX \$ M
FULL YEAR ENDED 31 DECEMBER						
Statutory profit	63.4	(16.2)	47.2	251.0	(65.8)	185.2
Impairment	96.1	(26.3)	69.8	-	-	-
Doubtful debts	0.9	(0.3)	0.6	2.6	(0.8)	1.8
Corporate restructuring costs	7.1	(2.1)	5.0	6.9	(2.0)	4.9
Acquisition expenses	0.4	(0.1)	0.3	(1.4)	0.4	(1.0)
Underlying profit	167.9	(45.0)	122.9	259.1	(68.2)	190.9

Note: Figures may not add due to rounding

Impairment

The Group has recognised a pre-tax non-cash impairment charge of \$96.1 million in the period (nil pcg). The charge reflects impairment testing incorporating the updated outlook for the Group and the reassessment 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 \$0.9 million (\$2.6 million pcg). 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 \$7.1 million were recognised in the period (\$6.9 million pcg). These costs result from staff restructuring within the Group.

DIRECTORS' REPORT

Acquisition expenses

Costs of \$0.4 million associated with prior period acquisitions, including stamp duty, legal and other consulting costs, were incurred during the period (income of \$1.4 million pcp).

DIVIDENDS PAID OR DECLARED BY THE COMPANY

During the 2019 financial year, the following dividends were paid:

- A final dividend in respect of the year ended 31 December 2018 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, was paid on 15 April 2019. This dividend totalled \$97,758,469; and
- No interim dividend was paid in respect of the year ended 31 December 2019.

Since the end of the financial year, the Directors have approved the payment of a final ordinary dividend of 5.0 cents per share (fully franked). The final dividend is to be paid on 28 April 2020. The record date for the final ordinary dividend is 14 April 2020.

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 operates mainly in residential, non-residential and infrastructure construction markets, as well as supplying product to the resources sector. Its financial performance is closely tied to the performance of those markets. The resources, residential, industrial, commercial and infrastructure construction markets are cyclical and affected by various factors beyond the Group's control including: commodity price performance and investment into mining projects, the performance of the Australian federal and state economies, the application of fiscal and monetary policies and regulatory compliance, the allocation and timing of government funding for public infrastructure and other building programs, the level of demand for building products and construction materials and services generally, the availability and cost of labour, raw materials and transport services, as well as the price and availability of fuel and energy. Adelaide Brighton supplements its local Australian production with imported materials. The supply of imported materials is therefore dependent upon economic conditions in countries outside of Australia, particularly in Japan, Indonesia and other Southeast Asian countries.	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. Adelaide Brighton maintains long-term contracts with major resource customers and raw material suppliers to minimise loss of business and earnings through market cycles.
Regulatory compliance	<p>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.</p> <p>Non-compliance with regulatory requirements could lead to substantial penalties and impositions on operations.</p>	<p>The Group employs a range of initiatives to meet or exceed regulatory compliance including:</p> <ul style="list-style-type: none">▪ Employment of specialists to support operational staff in areas such as human resources, health and safety, environment and sustainability;▪ 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.

BUSINESS RISKS AND MITIGATION (continued)

RISK	DETAILS	MITIGATION
Movement to a low carbon economy (climate change)	<p>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.</p> <p>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.</p>	<p>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 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 29.5% since 2010.</p> <p>The Group is able to leverage its access to products from emissions efficient suppliers as a result of the Company's import strategy.</p> <p>The use of alternate products with cementitious properties, such as fly ash and ground granulated slag, has increased.</p> <p>In addition, the use of renewable energy sources such as wind and solar has increased.</p> <p>Adelaide Brighton is also working with partners in the development of alternate products to replace Portland cement.</p> <p>The Group has adopted a two-year roadmap to implement the recommendations released by the Task Force on Climate-related Financial Disclosures, which are detailed in Adelaide Brighton's 2019 Sustainability Report.</p>
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 2.6 million tonnes of product imported in 2019. 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.
Interest rates	The Group's debt portfolio is exposed to changes in interest rates, which may result in increased interest costs.	The Group manages exposure to interest rate risk through a formalised hedging program. A portion of the Group's drawn debt is hedged at fixed rates for a period of 5 years to limit the risk of increases in interest rates to Adelaide Brighton.
Competitive landscape	Australia, with its relatively open access to global participants, is a competitive market. Heightened competition combined with fluctuations in the macro economic environment can lead to product price volatility and impact upon the financial performance of the Group.	Through a focus on cost control and productivity 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. The Group utilises technology to provide more meaningful data to improve margin and cost and engages proactively with its customer base to ensure their operational needs are fully met. We continue to develop our product range to address the changing needs of our customers and the increased focus on delivering products with a greener environmental footprint.
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. To the extent that production is disrupted, the Group maintains business interruption insurance which responds, after periods exceeding 20 days.
Production quality	<p>The Group's 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.</p> <p>Products that do not meet the relevant quality standard could result in end-use customers being financially disadvantaged.</p>	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. The Group has product liability insurance which covers the Group's legal liability to pay compensation and costs for personal injury or property damage arising from the supply of non-compliant products.

DIRECTORS' REPORT

BUSINESS RISKS AND MITIGATION (continued)

RISK	DETAILS	MITIGATION
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 macroeconomic conditions and customer specific issues impacting cash flows available to settle purchases affect 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 govern 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.

STATE OF AFFAIRS

Other than set out in the Chairman's report, Chief Executive Officer's review, operating and financial review on pages 3 to 19 of this Annual Report, 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 2019 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

The Chairman's report, Chief Executive Officer's review, operating and financial review on pages 3 to 19 of this Annual Report refer to likely developments in Adelaide Brighton's operations in future financial years and the expected results of those operations.

ENVIRONMENTAL PERFORMANCE

The Group's operations are subject to various Commonwealth, state and territory environmental regulations.

Environmental performance is monitored by site and business division, and information about the Group's performance is reported to and reviewed by the Group's senior management, the Board's Safety, Health, Environment 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 2019, 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 ABCL understood was certified Virgin Excavated Natural Material delivered to the Morgan Ash Vales Point site. ABCL preserved the material as required by the NSW EPA and on 23 January 2020, the NSW EPA issued to Hogan Haulage, the third party that delivered the material to the site, a notice requiring Hogan Haulage to clean up the material by 21 February 2020.

On 28 November 2018, Hy-Tec Industries (Queensland) Pty Ltd ("Hy-Tec") self-reported to the Queensland Department of Natural Resources, Mines and Energy ("DNRM&E") that Hy-Tec's concrete business in Mundubbera had been extracting sand from the Burnett River without a Quarry Material Allocation Notice. After investigating the circumstances, on 26 June 2019, the DNRM&E confirmed that it did not propose to take any regulatory action.

On 3 May 2019, Hy-Tec self-reported to the NSW EPA, a discharge of water from its Tumbulgum quarry in northern NSW. On 29 January 2020, the NSW EPA issued a Penalty Infringement Notice for \$15,000 for alleged offences associated with the discharge. Hy-Tec has paid the penalty.

Following the acquisition of its Alice Springs and Katherine quarries in 2017, Hy-Tec Industries (Northern Territory) Pty Ltd lodged its 2017/18 and 2018/19 National Pollution Inventory reports for the quarries late in November 2019.

On 5 November 2019, Cockburn Cement Limited was informed that the WA Department of Water and Environmental Regulation (DWER) was conducting an investigation into alleged offences against the WA Environmental Protection Act (EP Act). The DWER informed

DIRECTORS' REPORT

Cockburn Cement Limited that it was investigating alleged unreasonable odour emissions from Cockburn Cement's Munster plant between January and April 2019. Cockburn Cement Limited denies the allegations and denies that it has committed any offence.

Further details of the Group's environmental performance are contained in the 2019 Sustainability Report.

DIRECTOR PROFILES

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

DIRECTOR	EXPERIENCE	SPECIAL RESPONSIBILITIES
Raymond Barro BBus, CPA, FGIA, FCIS Age 58	Non-executive Director since August 2008. Over 29 years' experience in the premixed concrete and construction materials industry. Managing Director of Barro Group Pty Ltd.	Appointed Chair [10 May 2019] Member, Safety, Health, Environment and Community Committee
Zlatko Todorovski MBA, BCom, FCPA, FGIA Age 51	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's Energy business. Director, The Star Entertainment Group Limited and Coles Group Limited.	Appointed Deputy Chairman and Lead Independent Director [10 May 2019] Chairman, Audit, Risk and Compliance Committee
Rhonda Barro Age 65	Non-executive Director since May 2019. Experienced executive with over 40 years' experience in the construction materials industry with a background in concrete and quarry operations and strategy. Executive Director of the Barro Group. Director Co.As.It. Italian Assistance Association, Chairman Italian Historical Society Strategy Committee and Director St Vincent's Institute of Medical Research Foundation.	Member, People and Culture Committee [appointed 10 May 2019]
Vanessa Guthrie Hon DSc, PhD, BSc [Hons] Age 59	Independent Non-executive Director since February 2018. Extensive experience in the mining and resources industry. Former CEO and Managing Director of Toro Energy Limited and Vice President Sustainable Development at Woodside Energy. Director of Santos Limited. Former Director Vimy Resources Limited.	Chairman, People and Culture Committee 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, Boulderstone and Bilfinger Berger Services.	Chairman, Safety, Health, Environment and Community Committee Member, People and Culture Committee
Emma Stein BSc [Physics Hons], MBA, FUWS, FAICD Age 59	Non-executive Director since October 2019. Experienced global executive with over 30 years' experience in Board and senior executive positions in the building materials, oil and gas, energy and utilities, mining and resources, water and waste management sectors. Former UK Managing Director for Gaz de France Energy, a major energy retailer focused on industrials. Director Alumina Limited, Cleanaway Waste Management Limited and Infigen Energy Limited.	Member, Audit, Risk and Compliance Committee [appointed 4 October 2019] Member, People and Culture Committee [appointed 4 October 2019]
Geoff Tarrant BBus Age 51	Non-executive Director since 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

DIRECTORS' REPORT

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		SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY COMMITTEE ¹	
	A	H	A	H	A	H	A	H
RD Barro ²	14	14	–	–	–	–	3	3
Z Todorcevski ³	14	14	6	6	–	–	–	–
RR Barro ⁴	9	9	–	–	2	2	–	–
VA Guthrie	14	14	–	–	5	5	3	3
KB Scott-Mackenzie	14	14	–	–	5	5	3	3
ER Stein ⁵	2	3	1	1	1	1	–	–
AM Tansey ⁶	11	11	5	5	4	4	–	–
GR Tarrant	14	14	6	6	–	–	–	–
M Brydon ⁷	1	1	–	–	–	–	–	–

A Number of meetings attended.

H Number of meetings held during period of office.

1 Safety, Health, Environment and Community Committee formerly named Safety, Health and Environment Committee. Change of name effective 26 February 2019.

2 Mr Barro was appointed Chairman of the Board effective 10 May 2019.

3 Mr Todorcevski was Chairman of the Board until 10 May 2019 when he was appointed Deputy Chairman and Lead Independent Director. From 4 October 2019 Mr Todorcevski was appointed Chairman of the Audit, Risk and Compliance Committee.

4 Ms Barro was appointed as a Director and member of the People and Culture Committee effective 10 May 2019.

5 Ms Stein was appointed as a Director, a member of the Audit, Risk and Compliance Committee and a member of the People and Culture Committee effective 4 October 2019. Due to a pre-appointment commitment, Ms Stein was not able to attend one ad hoc Board meeting.

6 Ms Tansey retired as a Director on 4 October 2019.

7 Mr Brydon retired as a Director on 30 January 2019.

DIRECTORS' INTERESTS

	ORDINARY SHARES
RD Barro	279,178,329
Z Todorcevski	50,000
RR Barro	278,787,781
VA Guthrie	5,000
KB Scott-Mackenzie	20,000
ER Stein	–
GR Tarrant	–

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 58 to 71 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 58 to 71 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 for periods during the year to assist with secretarial duties should the principal Company Secretary be absent: the Company's former Group Corporate Affairs Adviser, Luba Alexander who had been Company Secretary since 22 March 2001 (resigned 15 November 2019) and the Group's General Manager Corporate Finance and Investor Relations, Darryl Hughes, who was appointed on 11 December 2019.

DIRECTORS' REPORT

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 2019 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, the Executive General Managers and any other Officers of each of the divisions of the Group, for the period 1 May 2019 to 30 April 2020. 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 120 of this report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 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 122.

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.

DIRECTORS' REPORT

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 2016	30 September 2020	193,490
1 January 2017	30 September 2021	166,866
1 January 2018	30 September 2022	142,357
1 January 2019	30 September 2023	560,887
Total		1,063,600

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.



Raymond Barro
Chairman

Dated 26 February 2020

REMUNERATION REPORT

CHAIRMAN'S LETTER

Dear Shareholders

On behalf of the Board and as Chair of the People and Culture Committee, I am pleased to present the Adelaide Brighton 2019 Remuneration Report.

COMPANY PERFORMANCE

The 2019 financial year saw a reduction in overall profitability of the Company driven by subdued demand across the eastern seaboard and competitive pressure in Queensland and South Australia. Underlying net profit after tax decreased from \$191 million to \$123 million.

Adelaide Brighton responded to these changes in the market by focusing our efforts on a major cost reduction program and expanding our exposure to the infrastructure sector. Benefits from these initiatives are already being realised, although the full impact will not be achieved until 2020 and onwards.

The Group 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.

RESPONSE TO 2019 AGM VOTE

At the 2019 AGM, Adelaide Brighton received a 'first strike', with 30.6% of shareholders voting against the Remuneration Report. We acknowledge the concerns that shareholders raised which led to the 'first strike'.

Following conversations with shareholders who voted against the report, we understand that it was predominantly in response to the exercise of the Board's discretion to the treatment of incentives awarded to the outgoing Managing Director and CEO, Martin Brydon. The structure of Mr Brydon's arrangements was disclosed in the 2018 Remuneration Report and were one-off in nature, reflecting the exceptional returns generated during his tenure with the Company and flexibility regarding his retirement arrangements. Some amounts included in this report reflect the final period of his service in 2019.

On the basis of this feedback the Board has reflected upon our remuneration framework. While Board discretion can be exercised within Plan rules, our preference in future is to consider alternative remuneration structures including the issue of shares with holdback provisions for any future Board discretion to ensure linkage to shareholder value.

In addition, the LTI plan will be reviewed in 2020. The objectives of the review are to ensure ongoing alignment with shareholder objectives, in addition to incentivising the executive in the long term. Changes being considered include; a minimum hold requirement for vested shares, the inclusion of non-financial measures and the introduction of additional performance measures.

REMUNERATION IN FY19

Non-executive Director fees

Non-executive Director fees increased by 2% during 2019, following a freeze on fees which had been in place since 2017. There are no proposed increases for 2020.

Executive Fixed Remuneration

Fixed remuneration has been set in line with the overall aim of paying an appropriate amount to hire and retain executive talent. For new executives in 2019, rates of remuneration were benchmarked to attract appropriately qualified candidates to the roles of CEO and CFO. For existing Executives, following benchmarking against the market, changes to remuneration in 2018 were regarded as sufficient to hold fixed remuneration flat in 2019.

Executive Retention Payment

In response to the unique circumstances in 2018, which included the departure of the MD & CEO, plus two other Executives, the Board offered retention payments to the remaining key Executives in August 2018. This was in response to the recognition that with change can come a period of perceived instability.

The cash payment was conditional upon continued service until July 2019 and was a 'bring forward' of vesting of future STI and LTI. Any entitlements to future STI and LTI will be reduced by the amount of the retention payment. The retention payment has been effective in achieving the objective of retaining key Executives both in the initial period and to today.

STI outcomes

Short-term incentive awards take into account the Board's assessment of performance against non-financial objectives. While the Company demonstrated strong performance in safety and community engagement, the Company's financial performance fell short of targets. As a result, the Board and CEO agreed no STI would be paid for the 2019 year.

REMUNERATION REPORT

For those Executives that are subject to retention arrangements, the value of the assessed performance for non-financial objectives will be offset against their retention balance. This decision has been made to accelerate the alignment of the remuneration of key Executives.

The STI awards reflect the improvement in the Group's performance in community engagement and safety outcomes, which are essential to long-term profitability and maintaining a strong social licence to operate. The Board believes that these outcomes balance the important achievements of management despite the softening of demand in the construction industry and the lower profit achieved this year.

LTI outcomes

The LTI plan plays an important role in aligning Executives and the interests of shareholders by ensuring Executive reward is linked to increasing shareholder value over the long term.

Across the performance period of the 2015 LTI, Adelaide Brighton's TSR was 89.5%, placing the Company at the 80th percentile of the comparator group, reflecting the strong share price and dividend payments over the period. Accordingly, the TSR component of the award vested in full. Conversely, the compound annual earnings per share (EPS) performance condition did not meet the threshold and did not vest. Overall, 50% of the 2015 LTI awards vested due to the condition attaching to the TSR component over the period.

The design of the LTI Plan in 2020 will reflect the outcomes of the planned review.

BOARD RENEWAL AND EXECUTIVE SUCCESSION

During the year there has been renewal in the Board of Adelaide Brighton:

- Mr Raymond Barro was appointed Chairman of the Company following the 2019 Annual General Meeting (AGM) on 10 May 2019.
- Mr Zlatko Todorcevski, the previous Chairman, was appointed Deputy Chairman and Lead Independent Director.
- On 10 May 2019, Ms Rhonda Barro, an Executive Director of the Barro Group, the Company's largest shareholder, was elected to the Board. Ms Barro has over 43 years' experience in the construction materials industry.
- On 4 October 2019, Ms Emma Stein was appointed to the Board. Ms Stein brings over 30 years' experience in Board and senior executive positions in the building materials, oil and gas, energy and utilities, mining and resources, water and waste management sectors. Ms Stein will stand for election as a Director at the 2020 AGM.
- Ms Arlene Tansey retired from the Board on 4 October 2019, having been a Director since April 2011. The Board thanks Ms Tansey for her commitment and contribution over her years' of service to the Company.

The Board continues to comprise a majority of independent directors in line with the Board Governance Framework announced in early 2019 and the recommendations of the ASX Corporate Governance Council.

In light of the Board's succession, the Board has determined to establish a Committee for Nomination and Governance, including conflict of interest protocols. The Committee will be chaired by the Lead Independent Director and no additional fees will be paid to the members of this Committee.

At an executive level, 2019 saw the successful transition of Nick Miller into the Chief Executive Officer role and Theresa Mlikota as Chief Financial Officer.

Nick brings 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.

Theresa is a highly regarded finance executive with 30 years' experience in the resources and construction sectors. Theresa previously held the role of CFO with Ausdrill Limited, Fulton Hogan, Thiess, Macmahon Holdings and Barminto Ltd.

These changes have strengthened our leadership group and have put Adelaide Brighton in a position for continued success.

CONCLUSION

The Board has ensured that remuneration outcomes reflect the level of performance achieved against the applicable targets.

We have prepared the 2019 Remuneration Report consistent with our objective of being transparent about our remuneration framework and practices, and the link between Company and individual performance with 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 reporting and practices. We look forward to welcoming you to the 2020 Annual General Meeting.

Vanessa Guthrie

Chairman of People and Culture Committee

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REMUNERATION REPORT

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 2019. 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* [Cth]. This Report, which forms part of the Directors' Report, has been audited by PricewaterhouseCoopers.

1. KEY MANAGEMENT PERSONNEL

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 2019 financial year are:

NAME	POSITION	TERM
EXECUTIVES		
Current		
Nick Miller	Chief Executive Officer	From 30 January 2019
Theresa Mlikota	Chief Financial Officer	From 15 April 2019
Brett Brown	Executive General Manager, Concrete and Aggregates	Full year
Andrew Dell	Executive General Manager, Concrete Products	Full year
Brad Lemmon	Executive General Manager, Cement and Lime	Full year
Former		
Martin Brydon	CEO and Managing Director	Until 31 March 2019
NON-EXECUTIVE DIRECTORS		
Current		
Raymond Barro	Chairman	From 10 May 2019 ¹
Zlatko Todorcevski	Deputy Chairman and Lead Independent Director	From 10 May 2019 ²
Ken Scott-Mackenzie	Independent Non-executive Director	Full year
Vanessa Guthrie	Independent Non-executive Director	Full year
Geoff Tarrant	Non-executive Director	Full year
Rhonda Barro	Non-executive Director	From 10 May 2019
Emma Stein	Independent Non-executive Director	From 4 October 2019
Former		
Arlene Tansey	Non-executive Director	Until 4 October 2019

1 Mr Barro was a Non-executive Director prior to being appointed.

2 Mr Todorcevski was Chairman prior to being appointed Deputy Chairman and Lead Independent Director.

2. EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

2.1 Remuneration policy

REMUNERATION PRINCIPLES

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 is guided by the following principles.

ATTRACT AND RETAIN	PAY-FOR-PERFORMANCE	BEHAVIOURS	SHAREHOLDER ALIGNMENT	MARKET COMPETITIVE	TRANSPARENT
Provide remuneration that attracts, rewards, motivates and retains 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.	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. Further detail on remuneration governance is set out at section 2.4.

2. EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

2.2 Remuneration framework

REMUNERATION COMPONENT	FIXED	'AT RISK' REMUNERATION			
	FIXED ANNUAL REMUNERATION (FAR)	SHORT-TERM INCENTIVE (STI)		LONG-TERM INCENTIVE (LTI)	
Purpose	Provide competitive base pay to attract and retain the skills needed to manage the business.	To be delivered on the achievement of performance targets linked to the Group's annual business objectives.		To focus Executives on the Group's long-term business strategy to create and protect shareholder value over a four-year performance period.	
Delivery	Salary and other benefits (including statutory superannuation).	Cash [50%]	Deferred rights to receive fully paid ordinary shares [50%]	Rights to receive fully paid ordinary shares [100%]	
Opportunity	Set at between the median and 75th percentile of the ASX51-150 for successful performers, and at relatively modest levels compared to peers for new Executives.	CEO 100% of FAR	Other executives 60% – 80% of FAR	CEO 100% of FAR	Other executives 40% – 70% of FAR
FY19 Approach	FAR 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.	<ul style="list-style-type: none"> Financial [80%] Non-financial [20%] <ul style="list-style-type: none"> Strategic People Operational excellence 		<ul style="list-style-type: none"> Four-year performance against: <ul style="list-style-type: none"> Compound annual Earnings Per Share (EPS) [50%] Relative Total Shareholder Return (TSR) [50%] 	

2.3 Remuneration mix

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

CEO

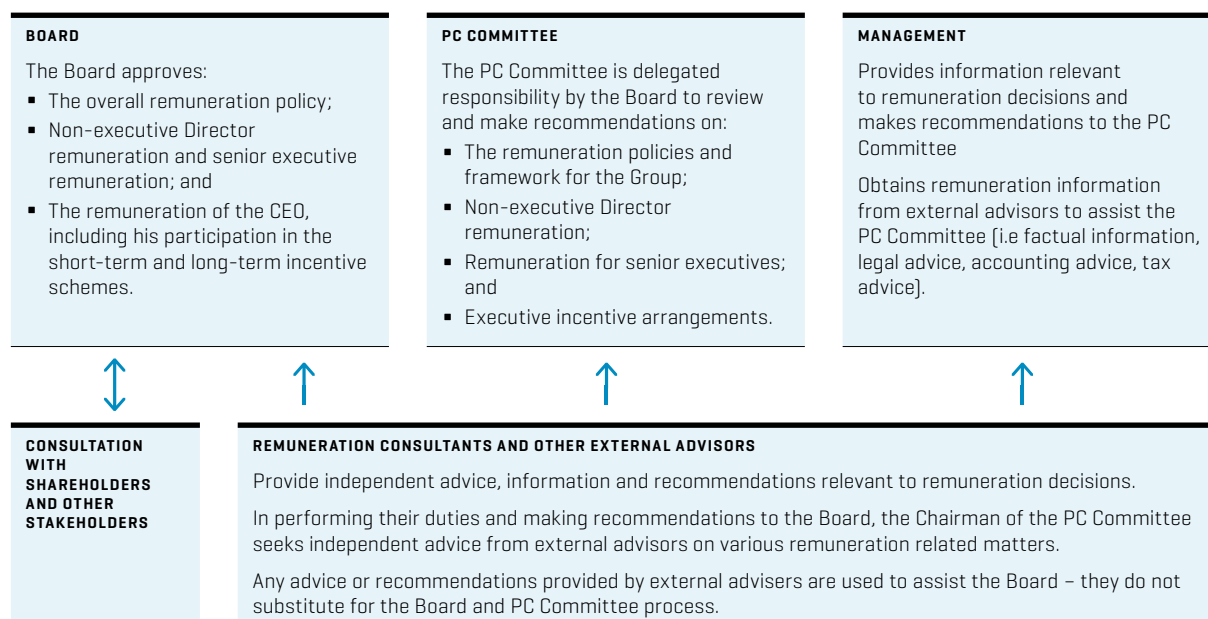
Fixed annual remuneration	Short-term incentive		Long-term incentive
33⅓%	16⅔%	16⅔%	33⅓%
Cash 50%		Equity 50%	

KEY MANAGEMENT PERSONNEL (AVERAGE)

Fixed annual remuneration	Short-term incentive		Long-term incentive
46%	16%	16%	22%
Cash 62%		Equity 38%	

2.4 Remuneration governance

Our governance framework for determining executive remuneration is outlined below:



3. NON-EXECUTIVE DIRECTORS' FEES

3.1 Non-executive Directors' minimum shareholding requirement

Adelaide Brighton's Non-executive Director Minimum Shareholding Policy enhances Board alignment with shareholder interests and encourages 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 5 years from July 2018 to achieve the minimum shareholding requirement.

Details of the current shareholdings for Non-executive Directors as at 31 December 2019 are provided in section 7.3.

3.2 Policy and approach to setting Director fees

FEATURE	DESCRIPTION																				
Overview of policy	<p>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.</p> <p>The new Chairman commenced in May 2019 and his fee has not been increased from his time as a Non-executive Director, consisting of the base fee and a committee member fee. The Deputy Chairman and Lead Independent Director's fee has not been changed from his time as Chairman, taking into account the continued time commitment of the role. He therefore receives a higher fee but does not receive any additional payment for service on the respective committees he is a member of.</p> <p>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.</p> <p>In setting fee levels, the PC Committee takes into account:</p> <ul style="list-style-type: none">▪ 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 2019	<p>Fees for the Chairman and Non-executive Directors are reviewed annually and considered against peer companies.</p> <p>Fees payable to Non-executive Directors are inclusive of contributions to superannuation.</p> <table><tr><th>BASE FEES (BOARD)</th><th>\$</th></tr><tr><td>Chairman</td><td>147,900</td></tr><tr><td>Deputy Chairman and Lead Independent Director¹</td><td>377,400</td></tr><tr><td>Non-executive Director</td><td>132,600</td></tr></table> <table><tr><th>COMMITTEE FEES</th><th>COMMITTEE CHAIR (\$)</th><th>COMMITTEE MEMBER (\$)</th></tr><tr><td>Audit, Risk and Compliance Committee</td><td>30,600</td><td>15,300</td></tr><tr><td>People and Culture Committee</td><td>30,600</td><td>15,300</td></tr><tr><td>Safety, Health, Environment and Community Committee</td><td>30,600</td><td>15,300</td></tr></table> <p>¹ The Deputy Chairman and Lead Independent Director of the Board receives no additional fee for committee work.</p> <p>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.</p> <p>Directors are also entitled to be reimbursed for all business-related expenses, including travel, as may be incurred in the discharge of their duties.</p>	BASE FEES (BOARD)	\$	Chairman	147,900	Deputy Chairman and Lead Independent Director ¹	377,400	Non-executive Director	132,600	COMMITTEE FEES	COMMITTEE CHAIR (\$)	COMMITTEE MEMBER (\$)	Audit, Risk and Compliance Committee	30,600	15,300	People and Culture Committee	30,600	15,300	Safety, Health, Environment and Community Committee	30,600	15,300
BASE FEES (BOARD)	\$																				
Chairman	147,900																				
Deputy Chairman and Lead Independent Director ¹	377,400																				
Non-executive Director	132,600																				
COMMITTEE FEES	COMMITTEE CHAIR (\$)	COMMITTEE MEMBER (\$)																			
Audit, Risk and Compliance Committee	30,600	15,300																			
People and Culture Committee	30,600	15,300																			
Safety, Health, Environment and Community Committee	30,600	15,300																			

ADELAIDE BRIGHTON LTD ANNUAL REPORT 2019

4. SUMMARY OF FINANCIAL PERFORMANCE IN 2019

		2015	2016	2017	2018	2019	CAGR %
Sales	\$m	1,411.4	1,393.8	1,559.6	1,630.6	1,517.0	1.8
NPAT reported	excluding property \$m	173.0	177.8	174.4	184.4	47.3	[27.7]
Share price	\$/share	4.75	5.43	6.52	4.27	3.46	[7.6]
Dividends	cents/share	27.0	28.0	24.5	28.0	5.0	[34.4]
Franking	%	100	100	100	100	100	-
Operating cash flow	\$m	229.9	248.4	224.2	244.7	193.2	[4.3]
Basic earnings per share	cents	32.0	28.7	28.0	28.5	7.3	[30.9]
TSR – 1 year	%	42.6	20.2	24.6	[30.2]	[18.9]	

5. 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 2019. Company performance across key indicators is reflected in the remuneration outcomes during the year.

PERFORMANCE MEASURE		REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT
FINANCIAL PERFORMANCE				
Financial	The financial metrics are NPAT for the Group and EBIT for Divisions. Actual financial metrics are compared to budget. The Board has discretion to adjust actual results for target assessment.	The Board believes these financial measures align the interests of Executives with shareholders, ensuring the KMP are rewarded on the Group's annual business objectives and creating sustainable value for shareholders. Stretch targets provide incentives beyond budget to enhance shareholder returns.	Group reported NPAT and Divisional EBIT were impacted by lower market demand and the entry of new competitors into the South Australian and Queensland markets. Financial performance of the Group and all divisions did not meet the threshold for the performance measure of 95% of budget.	0%
NON-FINANCIAL PERFORMANCE				
Strategic	The strategic initiatives focus on technology, market profitability diversity and inclusion. Fundamental to this assessment is the setting of business initiatives to deliver long-term development and growth.	Implementing strategies to drive sustainable growth, proactively responding to market development and future ways of working are critical to delivering the strategy and building shareholder value.	Technology – A comprehensive technology strategy and implementation roadmap was developed. Market profitability – A model was developed to monitor market share and pricing strategies Diversity and inclusion – An employee consultation process was undertaken to gauge Company working experiences, for incorporation into the Diversity and Inclusion Strategy.	80-100%
People	A range of metrics focused on people, culture and capability with specific metrics for: <ul style="list-style-type: none"> Proactive safety; Environmental performance; Development of capability; Deepening succession pools; and Increasing diversity. 	Increasing the diversity of candidate pools will result in a more robust talent pipeline and more diverse workforce to reflect the communities we operate in. This enables the CEO to deepen leadership succession, for our long-term success. Leading safety indicators are designed to drive cultural change and through visible leadership, deliver on the Safety "Step-Change" and reduce harm.	Diverse candidate pools – Initiatives increased the number of female applicants and new hires in typically male dominated roles, resulting in an increase in new female hires from 19% to 20%. Deepen leadership succession pools – Internal succession and development plans are in place for Executives, General Managers and leadership roles. Cultural change through visible leadership – Demonstrated through visible leadership walks and reporting safety behaviours, across our operations. Development of capabilities – Executive-led investigations into high potential incidents to determine root cause and prevent reoccurrence.	80-120%
Operational excellence	Specific operational targets focused on business processes, energy supply, import strategy, operational improvement, investment returns and reducing safety risk.	Specific measures and initiatives were identified to ensure the delivery of sustainable operations and shareholder returns.	Energy supply – Comprehensive energy supply program developed, including increased use of refuse derived fuel. Business process – A key business process review and improvement program was developed.	80-100%

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5. LINKING REMUNERATION TO COMPANY PERFORMANCE (continued)

5.1 Short-term incentive – outcomes

Considering the financial performance, and despite the positive outcomes for non-financial objectives, the board exercised its discretion to pay no STI for 2019.

FOR THE YEAR ENDED 31 DECEMBER 2019	MAXIMUM POTENTIAL STI OPPORTUNITY ¹	ACTUAL STI AS % OF STI MAXIMUM	STI ACTUAL ²	CASH STI	DEFERRED STI [2 YEARS]	DEFERRED STI [3 YEARS]
	\$	%	\$	\$	\$	\$
CURRENT EXECUTIVES						
Nick Miller	1,329,333	–	–	–	–	–
Theresa Mlikota	540,000	–	–	–	–	–
Brett Brown	360,000	–	–	–	–	–
Andrew Dell ³	262,230	–	–	–	–	–
Brad Lemmon ³	444,000	–	–	–	–	–
FORMER EXECUTIVE						
Martin Brydon ⁴	366,962	100%	366,962	366,962	–	–

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 2019 STI was determined in conjunction with the finalisation of 2019 financial results in relation to all Executives, excluding former Executives.

3 In line with the retention arrangements disclosed in last year's remuneration report, these amounts represent the prepayments of future incentives. Further detail on these payments is included in section 7.2 of this report.

4 STI paid in accordance with retirement arrangements disclosed in the 2018 remuneration report.

5.2 Long-term incentive – outcomes

Across the performance period of the 2015 LTI, Adelaide Brighton's TSR was 89.5%, placing the return at the 80th percentile. Accordingly, the TSR component of the award vested in full. The LTI award did not meet the compound annual earnings per share (EPS) performance condition. Accordingly, only 50% of the 2015 LTI awards vested.

FOR THE YEAR ENDED 31 DEC 2019	NUMBER HELD AT 1 JAN 2019	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 2019 ⁴	VALUE OF AWARDS AT GRANT DATE ⁵	FAIR VALUE AT GRANT DATE	VALUE PER SHARE AT THE DATE OF EXERCISE ⁶
						\$	\$/AWARD	\$
CURRENT EXECUTIVES								
Nick Miller	–	271,915	–	–	271,915	519,357	1.91	–
Theresa Mlikota	–	66,019	–	–	66,019	117,843	1.78	–
Brett Brown	–	44,146	–	–	44,146	76,152	1.73	–
Andrew Dell	145,756	34,301	[23,530]	[23,529]	132,998	59,169	1.72	3.60
Brad Lemmon	195,048	54,447	[25,575]	[25,575]	198,345	93,921	1.72	3.60
FORMER EXECUTIVE								
Martin Brydon ⁷	989,817	–	[794,244]	[195,573]	–	–	–	4.45

1 This represents the maximum number of Awards granted in 2019 that may vest to each Executive. As the Awards granted in 2019 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 2019 were exercised. For current Executives, these relate to the 2015 Awards. For the former Executive, this relates to the 2015, 2016 and 2017 Awards. The number of Awards that vested during the period and exercisable at 31 December 2019 is nil. The number of Awards that vested but were not yet exercisable at 31 December 2019 is nil.

3 This includes the portion of 2015 Award that reached the end of its performance period on 31 December 2018 that did not meet the performance conditions and were forfeited.

4 Awards subject to performance conditions which remain unvested (2016, 2017, 2018 and 2019 Awards), and which will be tested for vesting during the period 2020 to 2023.

5 Fair value of Awards granted during 2019 as at grant date.

6 The value per share at the date of exercise is the Volume Weighted Closing Price which is the average of the closing price and number of Adelaide Brighton Limited shares traded on the Australian Securities Exchange for the five trading days before the exercise date, but not including the day of exercise. The aggregate value of Awards that vested during the year is \$3,711,164 based on the Volume Weighted Closing Price.

7 As previously disclosed, no LTI grant was made to Mr Brydon in 2019.

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6. EXECUTIVE REMUNERATION IN 2019

6.1 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 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 CEO and CFO were appointed during the year. Due to remuneration changes in 2018 including retention agreements, FAR for other Executives was assessed as being appropriate and no changes were made in 2019.

6.2 Short-term incentive

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

A summary of the key features of the 2019 STI is as follows:

FEATURE	DESCRIPTION										
Participants	The CEO and senior Executives who are able to have a direct impact on the Group's performance against the relevant performance hurdles.										
Purpose	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.										
Deferral	50% of STI awards will be deferred into rights (unless otherwise determined by the Board).										
PERFORMANCE CONDITIONS											
Performance conditions	<p>All performance conditions are set by the Board and agreed with the Executive.</p> <p>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 cost considerations.</p> <p>Our management team has responded well to external pressures over recent years, and has consistently generated positive returns for longer term shareholders even under difficult market conditions.</p> <p>Accordingly, the Board strongly believes that our STI targets need to be set in this context in order to continue to attract and motivate a highly capable senior Executive team who can drive the continued delivery of strong results for shareholders.</p>										
REWARD OPPORTUNITY											
STI vesting schedule	<p>STI outcomes of financial targets vest progressively in accordance with the following scale:</p> <table> <tr> <th>FINANCIAL TARGET ACHIEVED</th><th>STI % FOR FINANCIAL TARGET</th></tr> <tr> <td>Below 95%</td><td>Nil</td></tr> <tr> <td>95%</td><td>50%</td></tr> <tr> <td>Between 95% and 110%</td><td>Pro rata</td></tr> <tr> <td>110% or above</td><td>100%</td></tr> </table> <p>Non-financial objectives are set at a stretch level of performance</p>	FINANCIAL TARGET ACHIEVED	STI % FOR FINANCIAL TARGET	Below 95%	Nil	95%	50%	Between 95% and 110%	Pro rata	110% or above	100%
FINANCIAL TARGET ACHIEVED	STI % FOR FINANCIAL TARGET										
Below 95%	Nil										
95%	50%										
Between 95% and 110%	Pro rata										
110% or above	100%										

6. EXECUTIVE REMUNERATION IN 2019 (continued)

FEATURE	DESCRIPTION
GOVERNANCE	
Assessment against measures	<p>All performance conditions under the STI are clearly defined and measurable.</p> <p>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 continues to be based on EBIT performance.</p> <p>In respect of the financial targets, the Board compares the actual earnings against the budget 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.</p> <p>The Board also considers the PC Committee's assessment of the CEO's performance against the agreed non-financial targets, and that of the senior Executives (based on the recommendation of the CEO).</p>
Timing of the award	<p>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.</p> <p>The cash component 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 practicable after the announcement of the Company's full year result.</p>
Disposal restrictions and dividends	<p>The 2019 Deferred Rights are divided into two equal tranches:</p> <ul style="list-style-type: none"> ▪ 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 2021 (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 2022 (3-year disposal restriction). <p>No dividends (or voting rights) are received on the Deferred Rights during the disposal restrictions.</p> <p>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 attract voting rights.</p>
Board discretion	The Board has absolute discretion in relation to assessing performance and determining the amount, if any, of STI awards.
Clawback	<p>The STI Plan Rules provide the Board with a broad ability to clawback awards if considered appropriate.</p> <p>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.</p>
CESSATION OF EMPLOYMENT OR A CHANGE OF CONTROL	
Cessation	<p>The Board has ultimate discretion to determine the treatment of awards on cessation.</p> <p>If an Executive resigns or is terminated for cause, all STI entitlements will be forfeited.</p> <p>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.</p>
Change of control	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.

6. EXECUTIVE REMUNERATION IN 2019 (continued)

6.3 LTI

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 2019 LTI Award are as follows:

FEATURE	DESCRIPTION										
DRIVING PERFORMANCE											
Participants	The LTI is offered to senior Executives whose behaviour and performance have a direct impact on the Group's long-term performance.										
Purpose	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											
Performance period	The 2019 Awards will be tested on results up to 31 December 2022 and become exercisable to the extent of any vesting from 1 May 2023.										
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 2019 Awards will expire on 30 September 2023.										
TSR vesting schedule	<p>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 2018 to 31 December 2022.</p> <p>The 2019 Awards vest progressively in accordance with the following scale:</p> <table> <tr> <th>TSR GROWTH RELATIVE PERCENTILE RANKING</th><th>% OF AWARDS SUBJECT TO TSR HURDLE TO VEST</th></tr> <tr> <td>Below 50th percentile</td><td>Nil</td></tr> <tr> <td>50th percentile</td><td>50%</td></tr> <tr> <td>Between 50th and 75th percentile</td><td>Pro rata</td></tr> <tr> <td>75th percentile or above</td><td>100%</td></tr> </table>	TSR GROWTH RELATIVE PERCENTILE RANKING	% OF AWARDS SUBJECT TO TSR HURDLE TO VEST	Below 50 th percentile	Nil	50 th percentile	50%	Between 50 th and 75 th percentile	Pro rata	75 th percentile or above	100%
TSR GROWTH RELATIVE PERCENTILE RANKING	% OF AWARDS SUBJECT TO TSR HURDLE TO VEST										
Below 50 th percentile	Nil										
50 th percentile	50%										
Between 50 th and 75 th percentile	Pro rata										
75 th percentile or above	100%										
EPS vesting schedule	<p>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.</p> <p>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.</p> <p>Awards under the 2019 Award are to vest progressively in accordance with the following scale:</p> <table> <tr> <th>COMPOUND ANNUAL GROWTH IN EPS</th><th>% OF AWARDS SUBJECT TO TSR HURDLE TO VEST</th></tr> <tr> <td>Below 5% per annum</td><td>Nil</td></tr> <tr> <td>5% per annum</td><td>50%</td></tr> <tr> <td>Between 5% and 10% per annum</td><td>Pro rata</td></tr> <tr> <td>10% per annum or above</td><td>100%</td></tr> </table>	COMPOUND ANNUAL GROWTH IN EPS	% OF AWARDS SUBJECT TO TSR 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%
COMPOUND ANNUAL GROWTH IN EPS	% OF AWARDS SUBJECT TO TSR 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%										
Re-testing	Re-testing of either of the performance conditions applicable to a tranche of Awards is not permitted.										
GOVERNANCE											
Clawback	<p>The rules of the Plan have, for some time, provided the Board with a broad ability to clawback Awards if considered appropriate.</p> <p>In addition to the rules of the Plan, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a Participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.</p>										
Other conditions	<p>An Executive's entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues.</p> <p>The rules of the Plan contain a restriction on removing the 'at risk' aspect of the instruments granted to Executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it becomes exercisable (e.g. hedging the Awards).</p> <p>Until the Awards vest, Executives have no legal or beneficial interest in Adelaide Brighton Limited shares, no entitlement to receive dividends and no voting rights in relation to any securities granted under the 2019 Award, or any of the other Awards.</p> <p>Any shares allocated to the Executive following exercise of an Award may only be dealt with in accordance with the Company's Share Trading Policy and subject to the generally applicable insider trading prohibitions.</p>										

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6. EXECUTIVE REMUNERATION IN 2019 (continued)

FEATURE	DESCRIPTION
CESSATION OF EMPLOYMENT OR A CHANGE OF CONTROL	
Cessation	<p>The Board has ultimate discretion to determine the treatment of Awards on cessation.</p> <p>If an Executive resigns or is terminated for cause, the Awards in respect of any tranche that is not exercisable will generally be forfeited.</p> <p>The Board may at any time waive in whole or in part any performance condition and additional terms in relation to any Awards granted.</p> <p>The rules of the Plan provide that in other circumstances, and at the discretion of the Board, a pro rata number of Awards, reflecting the part of the LTI earned or accrued up to termination, may become exercisable either at the time of termination of employment or at the end of the original performance period applicable to a tranche.</p>
Change of control	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.

6.4 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.

The key terms of the Executive Service Agreements are outlined below:

	NOTICE PERIODS	SEPARATION PAYMENTS ¹
EXECUTIVE		
CEO	12 months' notice by either party (or payment in lieu)	12 months' fixed annual remuneration where the Company terminates on notice
Other KMP	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, the Board has discretion as to whether a separation payment is made to the Executive (in addition to other amounts due and payable up to the date of ceasing employment)

7. KEY MANAGEMENT PERSONNEL DISCLOSURE TABLES

7.1 Non-executive Directors' statutory remuneration

NON-EXECUTIVE DIRECTOR	YEAR	FEES AND ALLOWANCES			POST-EMPLOYMENT BENEFITS SUPERANNUATION CONTRIBUTIONS ¹
		DIRECTORS' BASE FEES (INCL. SUPERANNUATION)	COMMITTEE FEES (INCL. SUPERANNUATION)	TOTAL	
Raymond Barro	2019	132,600	15,300	147,900	12,831
	2018	130,000	15,000	145,000	12,580
Zlatko Todorovski	2019	377,400	-	377,400	32,742
	2018	280,435	11,195	291,630	25,628
Ken Scott-Mackenzie	2019	132,600	45,900	178,500	15,486
	2018	130,000	45,000	175,000	15,183
Vanessa Guthrie	2019	132,600	45,900	178,500	15,486
	2018	116,458	26,191	142,649	12,376
Geoff Tarrant	2019	132,600	15,300	147,900	12,831
	2018	116,458	7,387	123,845	10,745
Rhonda Barro	2019	85,037	9,812	94,849	8,228
	2018	-	-	-	-
Emma Stein	2019	31,708	7,318	39,026	3,385
	2018	-	-	-	-
FORMER					
Arlene Tansey	2019	101,371	35,091	136,462	11,839
	2018	130,000	45,000	175,000	15,183

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

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7. KEY MANAGEMENT PERSONNEL DISCLOSURE TABLES (continued)

7.2 Executive statutory remuneration

2019	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFIT SUPER-ANNUATION ³	EQUITY-BASED BENEFITS		TOTAL	% OF REMUNERATION CONSISTING OF AWARDS ⁵
	CASH SALARY [FAR]	CASH STI ¹	OTHER BENEFITS ²		DEFERRED STI ¹	LONG-TERM INCENTIVE ⁴		
Nick Miller	1,307,363	–	450,000 ⁶	21,969	–	3,066	1,782,398	0.2
Theresa Mlikota	465,781	–	250,000 ⁷	14,901	–	1,310	731,992	0.2
Brett Brown	436,077	–	–	13,923	–	866	450,866	0.2
Andrew Dell	413,051	–	394,536 ⁸	24,000	–	–	831,587	–
Brad Lemmon	530,000	–	691,272 ⁹	25,000	–	–	1,246,272	–
FORMER EXECUTIVE								
Martin Brydon ¹⁰	360,671	366,962	560,627	6,250	–	466,061	1,760,571	26

1 STI includes amounts relating to 2019 performance accrued but not paid as at 31 December 2019.

2 Other benefits relate to a sign-on bonus for Nick Miller and Theresa Mlikota, pro-rata portion of retention for Andrew Dell and Brad Lemmon, and accrued leave entitlements for Martin Brydon.

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

4 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.

5 % 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.

6 Nick Miller's sign-on bonus was paid on 30 January 2019 and 12 July 2019 in equal instalments.

7 Theresa Mlikota's sign-on bonus was paid on 12 April 2019.

8 This amount relates to the retention payment granted to Mr Dell in FY18, the full details of which were disclosed in last year's Remuneration Report. The payments are not 'additional' lump sum payments, but have been structured such that they bring forward the vesting of part of each of Mr Dell'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 consideration of the financial performance of the business, the Board exercised discretion in determining no STI will be paid. For the purposes of retention, the notional STI due to Mr Dell has been offset against the balance of retention outstanding.

9 This amount includes the retention payment granted to Mr Lemmon in FY18, the full details of which were disclosed in last year's Remuneration Report. The payments are not 'additional' lump sum payments, but have been structured such that they bring forward the vesting of part of each of Mr Lemmon'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 consideration of the financial performance of the business, the Board exercised discretion in determining no STI will be paid. For the purposes of retention, the notional STI due to Mr Lemmon has been offset against the balance of retention outstanding.

10 Mr Brydon stepped down as CEO and Managing Director on 30 January 2019 and was employed through to 31 March 2019. Mr Brydon was deemed by the People and Culture Committee and the Board to have satisfied the performance conditions relating to the 2019 financial year STI by providing assistance with the transition to the new Chief Executive Officer and overseeing the finalisation of the 2018 financial statements. Accordingly, he received a pro rata short-term incentive award for the 2019 financial year.

2018	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFIT SUPER-ANNUATION ²	EQUITY-BASED BENEFITS		TOTAL	% OF REMUNERATION CONSISTING OF AWARDS ⁴
	CASH SALARY [FAR]	CASH STI ¹	OTHER BENEFITS		DEFERRED STI ¹	LONG-TERM INCENTIVE ³		
Martin Brydon	1,442,688	1,467,688	1,614,857	25,091	–	1,264,708	5,815,032	22
Brett Brown	125,417	12,630	100,000	6,271	12,630	–	256,948	–
Andrew Dell	413,050	21,503	105,464	24,000	21,503	33,283	618,803	5
Brad Lemmon	517,600	29,654	208,728	27,500	29,654	46,867	860,003	5

1 STI includes amounts 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.

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7. KEY MANAGEMENT PERSONNEL DISCLOSURE TABLES [continued]

7.3 Equity holdings of key management personnel

A summary of Executives' and Non-executive Directors' current shareholdings in the Company as at 31 December 2019 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 fluctuations].

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION DURING THE YEAR		NET MOVEMENT DUE TO OTHER CHANGES	BALANCE AT END OF YEAR ¹
		LTI	DEFERRED STI		
CURRENT EXECUTIVES					
Nick Miller ²	-	-	-	8,000	8,000
Theresa Mlikota ³	-	-	-	-	-
Brett Brown	-	-	2,699	15,000	17,699
Andrew Dell	8,018	23,530	4,595	[26,324]	9,819
Brad Lemmon	12,212	25,575	6,336	[29,674]	14,449
FORMER EXECUTIVES					
Martin Brydon ⁴	53,877	794,244	-	[848,121]	-
CURRENT NON-EXECUTIVE DIRECTORS					
Raymond Barro ⁵	279,178,329	-	-	-	279,178,329
Zlatko Todorcevski	20,000	-	-	30,000	50,000
Rhonda Barro ⁶	-	-	-	278,787,781	278,787,781
Vanessa Guthrie	-	-	-	5,000	5,000
Ken Scott-Mackenzie	5,000	-	-	15,000	20,000
Emma Stein ⁶	-	-	-	-	-
Geoff Tarrant	-	-	-	-	-
FORMER NON-EXECUTIVE DIRECTORS					
Arlene Tansey ⁷	10,000	-	-	[10,000]	-

1 The balances reported in this table 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 2019.

2 Mr Miller commenced in the position of Chief Executive Officer effective from 30 January 2019. He was not eligible for shares granted under the LTI 2015 Award.

3 Ms Mlikota commenced in the position of Chief Financial Officer effective from 15 April 2019. She was not eligible for shares granted under the LTI 2015 Award.

4 Mr Brydon ceased in the position of Managing Director and Chief Executive Officer effective from 30 January 2019.

5 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.

6 Ms Barro and Ms Stein were appointed Non-executive Directors on 10 May 2019 and 4 October 2019 respectively. Net movement due to other changes for Ms Barro relate to shareholdings held at the time of her appointment to the Board. The balances relating to Ms Barro include shares owned by entities over which Ms Barro has a significant influence, or which she jointly controls, but she does not control these entities herself.

7 Ms Tansey resigned as a Non-executive Director effective 4 October 2019.

INCOME STATEMENT

CONSOLIDATED

19 **18**
\$ M \$ M

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES

Continuing operations

Revenue from contracts with customers	5	1,517.0	1,630.6
Cost of sales		(983.7)	[1,052.2]
Freight and distribution costs		(282.8)	[274.3]

Gross profit

Other income	5	5.1	17.2
Marketing costs		(24.4)	[22.9]
Administration costs		(83.1)	[68.5]
Finance costs	6	(20.1)	[16.3]
Impairment losses	2,14	(96.1)	-
Share of net profits of joint ventures and associate accounted for using the equity method	21(a)	31.5	37.4

Profit before income tax

Income tax expense	7(a)	(16.2)	[65.8]
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Profit for the year

Profit attributable to:		47.2	185.2
Owners of the Company		47.3	185.3
Non-controlling interests		(0.1)	[0.1]
		47.2	185.2

CENTS CENTS

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:

Basic earnings per share	4	7.3	28.5
Diluted earnings per share	4	7.2	28.4

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

STATEMENT OF COMPREHENSIVE INCOME

		CONSOLIDATED	
		19	18
FOR THE YEAR ENDED 31 DECEMBER 2019	NOTES	\$ M	\$ M
Profit for the year		47.2	185.2
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	19(a)	0.4	2.0
Changes in the fair value of cash flow hedges	19(a)	[0.7]	1.7
Income tax relating to these items	7(c)	0.2	[0.5]
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain/(loss) on retirement benefit obligation	25(b)	2.3	[0.6]
Income tax (credit)/expense relating to these items	7(c)	[0.6]	0.2
Other comprehensive income for the year, net of tax		1.6	2.8
Total comprehensive income for the year		48.8	188.0
Total comprehensive income for the year attributable to:			
Owners of the Company		48.9	188.1
Non-controlling interests		[0.1]	[0.1]
Total comprehensive income for the year		48.8	188.0

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

BALANCE SHEET

CONSOLIDATED

19 18

AS AT 31 DECEMBER 2019

NOTES

\$ M

\$ M

Current assets

Cash and cash equivalents	8(i)	116.8	93.9
Trade and other receivables	9	218.7	224.8
Inventories	10	155.2	176.4
Current tax assets		28.5	5.5
Total current assets		519.2	500.6

Non-current assets

Receivables	9	43.6	39.9
Retirement benefit asset	25(b)	4.5	2.5
Joint arrangements and associate	21	184.8	173.9
Property, plant and equipment	11	1,033.7	1,061.7
Right-of-use assets	12	84.6	-
Intangible assets	13	283.3	299.5
Total non-current assets		1,634.5	1,577.5

Total assets

2,153.7 2,078.1

Current liabilities

Trade and other payables		144.9	133.0
Lease liabilities	12	5.7	-
Provisions	15	33.8	30.4
Other liabilities		8.6	15.9
Total current liabilities		193.0	179.3

Non-current liabilities

Borrowings	16	540.1	518.7
Lease liabilities	12	81.9	-
Deferred tax liabilities	7(f)	74.6	89.2
Provisions	15	66.7	45.2
Other non-current liabilities		0.1	0.1
Total non-current liabilities		763.4	653.2

Total liabilities

956.4 832.5

Net assets

1,197.3 1,245.6

Equity

Share capital	17	739.0	734.4
Reserves	19(a)	0.2	4.2
Retained earnings	19(b)	455.7	504.5
Capital and reserves attributable to owners of the Company		1,194.9	1,243.1
Non-controlling interests		2.4	2.5
Total equity		1,197.3	1,245.6

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

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

		ATTRIBUTABLE TO OWNERS OF ADELAIDE BRIGHTON LIMITED				NON-CONTROLLING INTERESTS	TOTAL EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019	NOTES	SHARE CAPITAL \$ M	RESERVES \$ M	RETAINED EARNINGS \$ M	TOTAL \$ M	\$ M	\$ M
Balance at 1 January 2019		734.4	4.2	504.5	1,243.1	2.5	1,245.6
Profit/(loss) for the year		-	-	47.3	47.3	[0.1]	47.2
Other comprehensive income/(loss)		-	[0.1]	1.7	1.6	-	1.6
Total comprehensive income/(loss) for the year		-	[0.1]	49.0	48.9	[0.1]	48.8
Deferred hedging gains and losses and cost of hedging transferred to the carrying value of inventory purchased in the period		-	[1.1]	-	[1.1]	-	[1.1]
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	18	-	-	[97.8]	[97.8]	-	[97.8]
Executive Performance Share Plan	17(b)/19(a)	3.5	[2.8]	-	0.7	-	0.7
Employee Equity Participation Share Plan	17(b)	1.1	-	-	1.1	-	1.1
		4.6	[2.8]	[97.8]	[96.0]	-	[96.0]
Balance at 31 December 2019		739.0	0.2	455.7	1,194.9	2.4	1,197.3
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 [restated]		-	-	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

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

STATEMENT OF CASH FLOWS

CONSOLIDATED

19 18
\$ M \$ M

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES

Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,671.7	1,812.5
Payments to suppliers and employees (inclusive of goods and services tax)		(1,434.2)	(1,509.6)
Joint venture distributions received		21.0	25.6
Interest received		0.6	0.9
Interest paid		(15.6)	(17.1)
Other income		3.1	10.5
Income taxes paid		(64.9)	(78.1)
Income tax refunds		11.5	-
Net cash inflow from operating activities	8(ii)	193.2	244.7
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(91.6)	(112.7)
Payments for acquisition of businesses, net of cash acquired		-	(2.1)
Proceeds from sale of property, plant and equipment		4.7	5.3
Loans to joint venture entities		(2.7)	(2.0)
Repayment of loans from other parties		0.6	0.6
Net cash outflow from investing activities		(89.0)	(110.9)
Cash flows from financing activities			
Proceeds from issue of shares		4.3	2.2
Drawdown of borrowings	8(iv)	19.7	89.0
Principal elements of lease payments	8(iv)	(7.5)	-
Dividends paid to Company's shareholders	18	(97.8)	(188.6)
Net cash outflow from financing activities		(81.3)	(97.4)
Net increase/(decrease) in cash and cash equivalents		22.9	36.4
Cash and cash equivalents at the beginning of the year		93.9	57.6
Effects of exchange rate changes on cash and cash equivalents		-	(0.1)
Cash and cash equivalents at the end of the year	8(i)	116.8	93.9

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 26 February 2020. 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 restated 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

Aside from AASB 16 Leases, other new standards and amendments applied for the first time for the annual reporting period commencing 1 January 2019 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has applied AASB 16 *Leases* for the first time for the financial reporting period commencing 1 January 2019.

AASB 16 Leases (AASB 16)

The Group has adopted the new leasing standard AASB 16 *Leases* retrospectively from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 12.

Under AASB 16, a lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease exists, a right-of-use asset and lease liability are recognised in the balance sheet. As a result, most traditional operating leases are now capitalised on the balance sheet. In addition, there are other service agreements that are deemed to contain an embedded lease and therefore the lease component of the agreement is also capitalised.

At the date of application of the standard, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.51%. The Group had no leases previously classified as finance leases immediately before transition.

At the date of application of the standard, the right-of-use asset was valued as the initial value of the lease liability, plus the amount of any prepaid lease amounts paid prior to 1 January 2019.

From 1 January 2019, each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter period of its useful life, or the lease term.

Until the 2018 financial year, leases were classified as operating leases or finance leases based on the terms and conditions of the agreements. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Practical expedients applied**

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.

(ii) Measurement of lease liabilities

The difference between operating lease commitments disclosed in 31 December 2018 accounts and lease liabilities disclosed at the date of application of the standard are explained below:

	\$ MILLION
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	62.8
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	91.2
Of which are:	
Current lease liabilities	9.0
Non-current lease liabilities	82.2
	91.2

(iii) Measurement of right-of-use assets

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The impact on the balance sheet of the adoption of AASB 16 Leases is set out below:

\$ MILLION	CARRYING AMOUNT 31 DECEMBER 2018	RE-MEASUREMENT	CARRYING AMOUNT 1 JANUARY 2019
Right-of-use assets	–	91.4	91.4
Prepayments	7.3	[0.2]	7.1
Lease liabilities	–	91.2	91.2
Retained earnings	504.5	–	504.5

(v) Impact of adopting AASB 16 on the income statement for the year ended 31 December 2019

The impact of applying AASB 16 on the income statement for the year ended 31 December is set out below:

	\$ MILLION
Profit before income tax – as reported year ended 31 December 2019	63.4
Impact of AASB 16 included in comprehensive income for the year ended 31 December 2019 as reported:	
Interest charge	3.0
Depreciation charge	7.6
Net profit/(loss) before tax	10.6
Prior period policy not applied to current year:	
Lease costs	[7.5]
Net incremental expense recognised in the current period through application of AASB16 on profit/(loss) before tax	3.1
Profit before income tax – before adoption of new standard	66.5

Notwithstanding the impact of amounts recognised in the income statement and balance sheet, the application of AASB 16 has not impacted cash flows.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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 2019 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as "the Group".

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

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

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

(ii) Employee Share Trust

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

(iii) Non-controlling interests

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement or deferred in equity if the gain or loss relates 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving equities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

(e) Rounding of amounts

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

(f) Goods and Services Tax (GST)

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

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

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

FINANCIAL PERFORMANCE OVERVIEW

2 SEGMENT REPORTING

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the CEO. 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 Group's circumstances.

The two reportable segments have been identified as follows:

- Cement, Lime, Concrete and Aggregates; and
- 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 CEO

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

31 DECEMBER 2019	CEMENT, LIME, CONCRETE AND AGGREGATES \$ M	CONCRETE PRODUCTS \$ M	UNALLOCATED \$ M	TOTAL \$ M
Total segment operating revenue	1,354.8	142.3	–	1,497.1
Inter-company revenue	(97.2)	–	–	(97.2)
Revenue from external customers	1,257.6	142.3	–	1,399.9
Timing of revenue recognition				
At a point in time	1,262.1	142.3	–	1,404.4
Over time	(4.5)	–	–	(4.5)
	1,257.6	142.3	–	1,399.9
Depreciation and amortisation	(82.7)	(6.5)	(4.4)	(93.6)
Impairment:				
Receivables and other debtors	(0.4)	–	–	(0.4)
Inventory	(10.8)	(13.7)	–	(24.5)
Property, plant and equipment	(44.9)	(8.1)	(2.0)	(55.0)
Asset retirement provision	(3.0)	–	–	(3.0)
Intangible assets	(2.6)	–	(1.8)	(4.4)
Goodwill	–	(8.8)	–	(8.8)
Total impairment	(61.7)	(30.6)	(3.8)	(96.1)
EBIT	152.9	(24.6)	(46.4)	81.9
Underlying EBIT	215.8	6.0	(35.4)	186.4
Share of net profits of joint venture and associate entities accounted for using the equity method	31.5	–	–	31.5

FINANCIAL PERFORMANCE OVERVIEW

2 SEGMENT REPORTING (continued)

31 DECEMBER 2018	CEMENT, LIME, CONCRETE AND AGGREGATES \$ M	CONCRETE PRODUCTS \$ M	UNALLOCATED \$ M	TOTAL \$ M
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
Underlying EBIT [excluding property]	292.6	9.7	[29.8]	272.5
Share of net profits of joint venture and associate entities accounted for using the equity method	37.4	–	–	37.4

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:

	19 \$ M	18 \$ M
Total segment operating revenue	1,497.1	1,610.4
Inter-company revenue elimination	[97.2]	[98.8]
Freight revenue	104.9	102.3
Other production revenue	11.6	16.3
Royalties	0.6	0.4
Revenue from continuing operations	1,517.0	1,630.6

The CEO 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:

	19 \$ M	18 \$ M
EBIT	81.9	265.4
Net interest	[18.5]	[14.4]
Profit before income tax	63.4	251.0

(c) Other segment information

Revenues of \$252.1 million (2018: \$292.0 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 tests – Note 14
- Provisions for close-down and restoration costs – Note 15(iv)
- Retirement benefit obligations – Note 25

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	
	19 CENTS	18 CENTS
Basic earnings per share	7.3	28.5
Diluted earnings per share	7.2	28.4

	CONSOLIDATED	
	19 SHARES	18 SHARES
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	651,542,678	650,498,520
Adjustment for calculation of diluted earnings per share:		
Awards	1,063,600	1,678,766
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	652,606,278	652,177,286

	CONSOLIDATED	
	19 \$ M	18 \$ M
Reconciliation of earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Profit after tax	47.2	185.2
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	47.3	185.3

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.

(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.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME (continued)

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Revenue		
Revenue from contracts with customers	1,516.4	1,630.2
Royalties	0.6	0.4
	1,517.0	1,630.6
Other income		
Interest from joint ventures	0.7	0.7
Interest from other parties	0.9	1.2
Net gain on disposal of property, plant and equipment	0.3	0.4
Rental income	1.5	1.5
Other income	1.7	13.4
	5.1	17.2
Total revenue from contracts with customers and other income	1,522.1	1,647.8

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 \$nil (2018: \$1.3 million) which is recognised in other income.

6 EXPENSES

Profit before income tax includes the following specific expenses:

		CONSOLIDATED	
		19	18
	NOTES	\$ M	\$ M
Depreciation	11, 12	91.2	85.2
Amortisation of intangibles	13	2.4	2.2
Impairment of goodwill	13, 14	8.8	-
Impairment of other assets			
Receivables and other debtors		0.4	-
Inventory	10	24.5	-
Property, plant and equipment	11	55.0	-
Asset retirement provision		3.0	-
Other intangible assets	13, 14	4.4	-
Total Impairment		96.1	-
Other charges			
Employee benefits expense		190.6	185.0
Defined contribution superannuation expense		13.4	13.4
Operating lease rental charge		1.7	10.0

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 in particular. Following a review across the Group, specific assets were also identified as no longer supporting strategy and were impaired.

The impairment recorded as a result of value-in-use cash flow modelling and balance sheet review in the period by segment is disclosed in Note 2.

6 EXPENSES (continued)**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.

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	20.0	16.3
Unwinding of the discount on restoration provisions and retirement benefit obligation	0.9	1.1
Total finance costs	20.9	17.4
Amount capitalised ¹	(0.8)	(1.1)
Finance costs expensed	20.1	16.3

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 2.5% p.a. (2018: 3.1% 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.

Tax consolidation

Adelaide Brighton Limited and its wholly-owned Australian subsidiaries implemented the Australian 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 entity's financial statements.

7 INCOME TAX [continued]

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.

	19	18
	\$ M	\$ M
[a] Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	63.4	251.0
Tax at the Australian tax rate of 30% (2018: 30%)	19.0	75.3
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	2.6	-
Non-allowable expenses	0.5	0.5
Non-assessable income	(2.1)	(2.2)
Rebateable dividends	(4.0)	(5.3)
Non-assessable non-exempt dividends	-	(0.4)
Other deductions	(0.1)	(0.8)
Previously unrecognised capital tax losses offset against capital gains	-	(0.1)
Under/(over) provided in prior years	0.3	(1.2)
Aggregate income tax expense	16.2	65.8
Aggregate income tax expense comprises:		
Current taxation expense	31.4	64.5
Net deferred tax expense/(benefit)	(15.5)	4.0
Under/(over) provided in prior year	0.3	(2.7)
	16.2	65.8
[b] Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly (credited)/debited to equity		
Current tax	(1.0)	(0.9)
Net deferred tax expense/(benefit)	1.1	0.1
	0.1	(0.8)
[c] Tax expense relating to items of other comprehensive income		
Actuarial (loss)/gain on retirement benefit obligation	(0.6)	0.2
Changes in the fair value of cash flow hedges	0.2	(0.5)
	(0.4)	(0.3)
[d] Tax losses		
Unused tax losses for which no deferred tax asset has been recognised:		
Revenue losses	0.6	0.6
Capital losses	11.2	11.2
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]

CONSOLIDATED

19	18
\$ M	\$ M

(e) Non-current deferred tax assets		
The balance comprises temporary differences attributable to:		
Share-based payment reserve	0.1	1.1
Provisions	40.0	30.8
Lease liabilities	26.2	-
Other assets	0.9	1.8
Deferred tax assets – before offset	67.2	33.7
Offset deferred tax liability [Note 7(f)]	(67.2)	(33.7)
Net deferred tax assets – after offset	-	-
Movements:		
Opening balance at 1 January – before offset	33.7	37.8
Recognised in the income statement	36.3	(3.9)
Recognised in other comprehensive income	(1.8)	0.5
Under/(over) provision in prior year	(1.0)	(0.7)
Closing balance at 31 December – before offset	67.2	33.7
(f) Non-current deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	86.5	97.4
Right-of-use assets	25.4	-
Inventories	13.2	12.9
Other	16.7	12.6
Deferred tax liabilities – before offset	141.8	122.9
Offset deferred tax assets [Note 7(e)]	(67.2)	(33.7)
Net deferred tax liabilities – after offset	74.6	89.2
Movements:		
Opening balance at 1 January – before offset	122.9	122.5
Recognised in the income statement	18.8	0.4
Recognised in equity	(0.7)	0.1
(Over)/under provision in prior year	0.8	(0.1)
Closing balance at 31 December – before offset	141.8	122.9

8 NOTE TO STATEMENT OF CASH FLOWS

(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 and 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Current		
Cash at bank and on hand	113.9	91.0
Term deposits	2.9	2.9
Cash and cash equivalents	116.8	93.9

(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 all overdrafts at 31 December 2019 was \$nil [2018: \$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	
	19	18
	\$ M	\$ M
Profit for the year	47.2	185.2
Doubtful debts	1.3	1.0
Impairment of goodwill	8.8	-
Depreciation, amortisation and other impairment	180.9	87.4
Share-based payments	(2.7)	(1.1)
Finance charges on remediation provision	(0.9)	1.1
Interest on right-of-use assets	3.0	-
[Gain] / loss on sale of non-current assets	(0.4)	0.2
Share of profits of joint ventures, net of dividends received	(10.5)	(11.7)
Non-cash retirement benefits expense	0.4	0.5
Non-cash remediation obligation / [asset increase]	(20.2)	1.2
Capitalised interest	(0.8)	(1.1)
Other	1.2	(0.9)
Net cash provided by operating activities before changes in assets and liabilities	207.3	261.8
Changes in operating assets and liabilities, net of effects from purchase of business combinations:		
(Increase) / decrease in inventories	(3.2)	(2.1)
(Increase) / decrease in prepayments	(0.8)	(0.8)
Decrease / (increase) in receivables	3.0	16.9
Increase / (decrease) in trade creditors	11.1	(12.7)
Increase / (decrease) in provisions	21.1	(3.3)
(Decrease) / increase in taxes payable	(22.9)	(15.4)
(Decrease) / increase in deferred taxes payable	(14.0)	3.8
(Decrease) / increase in other operating assets and liabilities	(8.4)	(3.5)
Net cash inflow from operating activities	193.2	244.7

(iii) Net debt reconciliation

Cash and cash equivalents	116.8	93.9
Borrowings – repayable within one year (including overdraft)	-	-
Borrowings – repayable after one year	(540.1)	(518.7)
Net debt	(423.3)	(424.8)

8 NOTE TO STATEMENT OF CASH FLOWS (continued)

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

\$ MILLION	OTHER ASSETS		LIABILITIES FROM FINANCING ACTIVITIES						TOTAL
	CASH/BANK OVERDRAFT	LIQUID INVESTMENTS	FINANCE LEASES DUE WITHIN 1 YEAR	FINANCE LEASES DUE AFTER 1 YEAR	BORROWINGS DUE WITHIN 1 YEAR	BORROWINGS DUE AFTER 1 YEAR	LEASES DUE WITHIN 1 YEAR	LEASES DUE AFTER 1 YEAR	
Net debt as at 1 January 2018	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]
Recognised on adoption of AASB16 [refer note 1(ii)]							[7.5]	[83.7]	[91.2]
Cash flows	22.9	-	-	-	-	[19.7]	7.5	-	10.7
Acquisition - leases					-			[0.3]	[0.3]
Other non-cash movements	-	-	-	-	-	[1.7]	[5.7]	2.1	[5.3]
Net debt as at 31 December 2019	116.8	-	-	-	-	[540.1]	[5.7]	[81.9]	[510.9]
Lease liabilities									87.6
Net debt excluding lease liabilities									[423.3]

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 holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate.

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	
	19	18
	\$ M	\$ M
Current		
Trade receivables	185.2	189.0
Loss allowance provision	(19.1)	(19.1)
	166.1	169.9
Amounts receivable from joint ventures	32.5	34.8
Prepayments	7.5	7.3
Other receivables	12.6	12.8
Total current	218.7	224.8
Non-current		
Loans to joint ventures	42.5	38.4
Other non-current receivables	1.1	1.5
Total non-current	43.6	39.9
Movement in loss allowance provision		
Opening balance at 1 January	19.1	19.5
Amounts written off during the year	(0.6)	(1.4)
Loss allowance provision recognised during the year	0.6	1.0
Closing balance at 31 December	19.1	19.1

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(b).

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

BALANCE SHEET ITEMS

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	
	19	18
	\$ M	\$ M
Current		
Finished goods	60.8	69.7
Raw materials and work-in-progress	61.3	63.4
Engineering spare parts stores	33.1	43.3
	155.2	176.4

Inventory expense

Inventories recognised as expense during the year ended 31 December 2019 and included in cost of sales amounted to \$909.9 million [2018: \$981.7 million].

Write-downs of inventories to net realisable value amounted to \$24.5 million [2018: \$nil]. These were recognised as an expense during the year ended 31 December 2019 and included in cost of sales.

11 PROPERTY, PLANT AND EQUIPMENT

Accounting policy – property plant and equipment

Property, plant and equipment is 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.

BALANCE SHEET ITEMS

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(iv) Other fixed assets

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

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

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

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

	FREEHOLD LAND \$ M	BUILDINGS \$ M	LEASEHOLD PROPERTY \$ M	PLANT & EQUIPMENT \$ M	MINERAL RESERVES \$ M	ASSET RETIREMENT COST \$ M	IN COURSE OF CONSTRUCTION \$ M	TOTAL \$ M
CONSOLIDATED AT 31 DECEMBER 2019								
At cost	190.5	153.0	9.7	1,500.5	205.2	56.5	50.7	2,166.1
Accumulated depreciation and impairment	–	(73.0)	(5.0)	(988.6)	(52.0)	(13.7)	(0.1)	(1,132.4)
Net book amount	190.5	80.0	4.7	511.9	153.2	42.8	50.6	1,033.7
Reconciliation								
Carrying amount at 1 January 2019	193.0	83.7	5.2	531.7	178.4	24.0	45.7	1,061.7
Additions	1.1	1.8	0.1	48.0	0.6	22.2	41.3	115.1
Disposals	(2.2)	–	–	(2.2)	–	–	–	(4.4)
Reclassification	–	1.4	–	32.2	–	–	(33.7)	(0.1)
Impairment loss	(1.4)	(2.3)	–	(25.0)	(21.6)	(2.0)	(2.7)	(55.0)
Depreciation/amortisation	–	(4.6)	(0.6)	(72.8)	(4.2)	(1.4)	–	(83.6)
Carrying amount at 31 December 2019	190.5	80.0	4.7	511.9	153.2	42.8	50.6	1,033.7
CONSOLIDATED AT 31 DECEMBER 2018								
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
Reconciliation								
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

Leased assets

From 2019, leased assets are presented as a separate line item in the balance sheet, see Note 12. Refer to Note 1 [a] for details about changes in the accounting policies.

12 LEASES

Accounting policy – leases

The Group leases 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. There are a small number of leases that extend beyond the 10-year lease period including one lease with a lease term of 50 years. Many leases also have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. At the inception of a contract the Group assesses whether the contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- Makes adjustments specific to the lease term.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Each lease payment is allocated between the liability and finance cost. 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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The standard specifically excludes leases to explore for or use minerals and non-regenerative resources, therefore any leases of quarry assets continue to be accounted for consistently with prior periods.

BALANCE SHEET ITEMS

12 LEASES (continued)

Accounting policy – finance leases 2018

Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See note 1[a] for further information about the change in accounting policy for leases. The value of finance leases at 31 December 2018 was nil.

From 1 January 2019, the Group has recognised right-of-use assets for operating leases, except for short-term and low-value leases.

	CONSOLIDATED	
	19	18
	\$ M	\$ M
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
Later than one year but not later than five years	-	12.5
Later than five years	-	124.4
	-	141.3

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	CONSOLIDATED 1 JANUARY	
	19	19
	\$ M	\$ M
Right-of-use assets		
Property	52.4	57.2
Plant and equipment	32.2	34.0
	84.6	91.2
Lease liabilities		
Current	5.7	9.0
Non-current	81.9	82.2
	87.6	91.2

Additions to the right-of-use assets during the 2019 financial year were \$274,000.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Depreciation charge of right-of-use assets		
Property	4.2	-
Plant and equipment	3.4	-
	7.6	-
Interest expense (included in finance cost)	3.0	-
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	0.2	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	44.5	-
	55.3	-

The total cash outflow for leases in 2019 was \$43,283,570.

12 LEASES (continued)**(iii) Lorry owner-drivers**

The Group has contracts with a number of lorry owner-drivers who are used for delivering concrete in an operationally flexible manner that supplement the Company's owned fleet. The contracts include the supply of a vehicle and driver with terms of up to 10 years. These contracts are treated as embedded leases, as the arrangements convey the right to control the use of the lorry in exchange for consideration. In circumstances where these contracts contain minimum or fixed payments relating to the underlying asset, these amounts would be used to calculate the valuation of the lease liability and right-of-use asset.

As the payments made under these agreements are wholly variable, they are not reflected in the measurement of lease liabilities or right-of-use assets and are expensed when incurred. The amounts are dependent on deliveries made and services performed with no minimum fixed payments. The following amounts are the estimated future cash outflows the Group will pay to contracted lorry owner-drivers based on the current fleet under existing terms.

AS AT 31 DECEMBER		19 \$M
Estimated cash outflows payable to lorry owner-drivers under existing contract terms, but not recognised as liabilities:		
Within one year		35.6
Later than one year but not later than five years		105.8
Later than five years		19.1
		160.5

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In cases where these options exist they are exercisable only by the Group and not by the respective lessor.

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 (CGUs) which are expected to benefit from the business combination for the purpose of impairment testing. Each of those CGUs 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.

BALANCE SHEET ITEMS

13 INTANGIBLE ASSETS (continued)

(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.

31 DECEMBER 2019	CONSOLIDATED			
	GOODWILL \$M	SOFTWARE \$M	OTHER INTANGIBLES \$M	TOTAL \$M
Cost	281.3	20.1	11.4	312.8
Accumulated amortisation and impairment	(8.8)	(15.9)	(4.8)	(29.5)
Carrying amount at 31 December 2019	272.5	4.2	6.6	283.3
Opening balance at 1 January 2019	281.3	7.7	10.5	299.5
Reclassification	-	-	(0.6)	(0.6)
Impairment charge	(8.8)	(1.7)	(2.7)	(13.2)
Amortisation charge	-	(1.8)	(0.6)	(2.4)
Closing balance at 31 December 2019	272.5	4.2	6.6	283.3

31 DECEMBER 2018	CONSOLIDATED			
	GOODWILL \$M	SOFTWARE \$M	OTHER INTANGIBLES \$M	TOTAL \$M
Cost	281.3	20.1	12.1	313.5
Accumulated amortisation and impairment	-	(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

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 it 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 (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 is allocated to the Group's CGUs identified according to business segments.

A segment level summary of the goodwill allocation is presented below.

	CONSOLIDATED	
	19 \$ M	18 \$ M
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 2020 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.

BALANCE SHEET ITEMS

14 IMPAIRMENT TESTS (continued)

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

	GROWTH RATE ¹		DISCOUNT RATE ²	
	19	18	19	18
	%	%	%	%
Cement, Lime, Concrete and Aggregates	1.3	1.4	10.2	10.8
Concrete Products	1.4	1.2	10.7	11.6

1 Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period of 7 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 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 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. Goodwill of \$8.8 million (2018: nil) was impaired in the Concrete Products CGU.

Following a review across the Group, specific assets were also identified as no longer supporting strategy and were impaired. An impairment charge of \$58.0 million was recognised against items of property, plant and equipment (2018: nil) and \$4.4 million was recognised against intangible assets (2018: nil). Total impairment charged by segment is disclosed in Note 2.

As at 31 December 2019, the recoverable amount of the CGUs were:

- Cement, Lime, Concrete and Aggregates \$2,643 million; and
- Concrete Products \$129 million.

Following the impairment recognised at the half year 2019, the carrying amount of the Concrete Products CGU has been written down to the recoverable amount.

(d) Impact of possible changes in key assumptions

The values assigned to the key assumptions are based on management's assessment of future performance in each of the CGU's with reference to historical experience, future estimates and internal and external factors. The estimated recoverable amounts are highly sensitive to changes in key assumptions.

While the estimated recoverable amount of each of the CGU's is greater than the carrying values at 31 December 2019, adverse changes in certain key assumptions would result in an impairment of goodwill as set out below:

IMPAIRMENT CHARGE (PRE-TAX)	CHANGES TO ASSUMPTIONS			
	MARKET GROWTH RATE ¹ -1%	LOWER PRICING ² -1%	DISCOUNT RATE ³ +1%	LOWER VOLUME ⁴
31 DECEMBER 2019	\$ M	\$ M	\$ M	\$ M
Cement, Lime, Concrete and Aggregates	23.3	17.8	42.8	16.1
Concrete Products	9.0	–	7.7	–

1 Market growth rate adjustments apply as a reduction from the assumed CGU growth rates for the internal forecast period, being the initial seven years of cash flow modelling.

2 Lower pricing adjustments assume pricing of goods and services bought and sold are less than estimated over the internal forecast period.

3 Discount rate adjustments assume the rate is higher than those used in cash flow model.

4 A further 10 percentage point reduction in forecast growth rates for 2021 and 2022.

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. These are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

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

(iii) Workers' compensation

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

(iv) Provisions for close-down and restoration costs

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

Estimated 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.

BALANCE SHEET ITEMS

15 PROVISIONS [continued]

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 land as part of the quarrying process. Cost estimates are evaluated at least annually, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provision for close-down and restoration costs at the end of the year was \$61.9 million (2018: \$40.0 million).

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Current		
Employee benefits	26.2	26.8
Restoration provisions	2.0	1.5
Other provisions	5.6	2.1
	33.8	30.4
Non-current		
Employee benefits	6.8	6.7
Restoration provisions	59.9	38.5
	66.7	45.2

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	
	19	18
	\$ M	\$ M
Current leave obligations expected to be settled after 12 months	3.1	4.2

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

	RESTORATION PROVISIONS	OTHER PROVISIONS
	\$ M	\$ M
Opening balance at 1 January 2019	40.0	2.1
Additional provision recognised – charged to income statement	–	5.1
Additional provision recognised – charged to asset retirement cost	22.1	–
Charged to income statement – unwind of discount	0.9	–
Payments	[1.1]	[1.6]
Closing balance at 31 December 2019	61.9	5.6

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CAPITAL STRUCTURE AND RISK MANAGEMENT

16 BORROWINGS

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.

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Current		
Bank loans – unsecured	–	–
Non-current		
Bank loans – unsecured	540.1	518.7

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(iii). Due to the short-term fixed interest rates of the borrowings, the carrying value is the fair value.

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	
	19	18
	\$ M	\$ M
[a] Share capital		
Issued and paid up capital		
651,723,127 [2018: 650,610,606] ordinary shares, fully paid	739.0	734.4
[b] Movements in ordinary share capital		
Opening balance at 1 January	734.4	733.1
887,363 shares issued under Executive Performance Share Plan [2018: 338,111] ¹	3.5	1.3
225,158 shares issued under employee share plan [2018: nil]	1.1	–
Closing balance at 31 December	739.0	734.4

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

[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.

CAPITAL STRUCTURE AND RISK MANAGEMENT

17 SHARE CAPITAL [continued]

(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 while maintaining the flexibility to grow.

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 leverage ratio. Adelaide Brighton's target leverage ratio is 1.0 to 2.0 times underlying EBITDA.

The leverage ratio at 31 December 2019 and 31 December 2018 was as follows:

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Total borrowings (excluding lease liabilities)	540.1	518.7
Less: cash and cash equivalents	(116.8)	(93.9)
Net debt	423.3	424.8
Underlying EBITDA	280.0	360.9
Leverage ratio	1.5	1.2

(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

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Dividends paid during the year		
2018 final dividend of 15 cents (2017: 16 cents) per fully paid ordinary share, franked at 100% (2018: 100%) paid on 15 April 2019	97.8	104.0
2019 interim dividend of nil cents (2018: 13 cents) per fully paid ordinary share, franked at 100% (2018: 100%)	-	84.6
Total dividends – paid in cash	97.8	188.6
Dividend not recognised at year end		
Since the end of the year the Directors have recommended the payment of a final dividend of 5.0 cents (2018: 15 cents) per fully paid share, franked at 100% (2018: 100%). The aggregate amount of the proposed final dividend to be paid on 28 April 2020, not recognised as a liability at the end of the reporting period, is:	32.6	97.6
Franked dividend		
The franked portion of the dividend proposed as at 31 December 2019 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 2020.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%)	115.1	123.4

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 \$14.0 million (2018: \$41.8 million).

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19 RESERVES AND RETAINED EARNINGS

(a) Reserves

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Reserves		
Foreign currency translation reserve	2.1	1.7
Share-based payment reserve	[1.4]	1.4
Cash flow hedge reserve	[0.5]	1.1
	0.2	4.2
Foreign currency translation reserve		
Opening balance at 1 January	1.7	[0.3]
Currency translation differences arising during the year	0.4	2.0
Closing balance at 31 December	2.1	1.7
Share-based payment reserve		
Opening balance at 1 January	1.4	2.2
Awards expense	0.5	1.2
Deferred tax	[1.1]	[1.4]
Reallocation to liabilities ¹	-	[0.2]
Issue of shares to employees	[2.2]	[0.4]
Closing balance at 31 December	[1.4]	1.4
Cash flow hedge reserve		
Opening balance at 1 January	1.1	-
Revaluation – gross	[0.7]	1.7
Reclassified to the carrying amount of inventory	[1.1]	[0.1]
Deferred tax on movement in reserve	0.2	[0.5]
Closing balance at 31 December	[0.5]	1.1

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

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 effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges as described in Note 20. The accumulated amount of a hedging instrument is transferred to the carrying value of inventory on recognition or, for hedges of items that are not non-financial assets or non-financial liabilities, to the income statement at the time of recognising the item in the income statement.

(b) Retained earnings

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Opening balance at 1 January	504.5	508.2
Net profit for the year	47.3	185.3
Actuarial gain/(loss) on defined benefit obligation net of tax	1.7	[0.4]
Dividends	[97.8]	[188.6]
Closing balance at 31 December	455.7	504.5

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 at 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, price caps to hedge the price risk related to certain electricity purchases and swaps to hedge the interest rate risk related to the long-term borrowings at variable rates.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will result in the recognition of interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

[a] Market risk**[i] Foreign exchange risk**

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

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

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

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

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

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Forward foreign exchange contracts:		
Buy foreign currency	77.5	55.0
Sell Australian Dollar (cash flow hedges)	[76.6]	[56.7]
Net exposure – liability / (asset)	0.9	[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.

20 FINANCIAL RISK MANAGEMENT (continued)

(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, debt facilities have been on terms of one to three years, with fixed bank lending margins associated with each term. During 2019, debt facilities were renegotiated with terms of five to ten years. 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. In addition, cash advances on long-term ten-year facilities are drawn at fixed rates for the term of the facility.

During both 2019 and 2018, the Group's borrowings 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				
	19		18	
	WEIGHTED AVERAGE INTEREST RATE	BALANCE \$ MILLION	WEIGHTED AVERAGE INTEREST RATE	BALANCE \$ MILLION
Variable rate instruments:				
Cash at bank, on hand and at call	1.2%	116.8	2.0%	93.9
Bank facilities	2.1%	440.1	3.1%	518.7
Fixed rate instruments:				
Bank facilities	3.7%	100.0	–	–

(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.

Recognised liabilities for electricity purchases are not impacted by price movements due to the prices being fixed at the time of consumption of the electricity.

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				
	19		18	
	IMPACT ON POST TAX PROFIT \$ M	IMPACT ON EQUITY \$ M	IMPACT ON POST TAX PROFIT \$ M	IMPACT ON EQUITY \$ M
Interest rates – increase by 1%	(2.3)	(2.3)	(3.6)	(3.6)
Interest rates – decrease by 1%	2.3	2.3	3.6	3.6

(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 an 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.

CAPITAL STRUCTURE AND RISK MANAGEMENT

20 FINANCIAL RISK MANAGEMENT (continued)

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 2019 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						
	19			18		
	EXPECTED LOSS RATE	GROSS CARRYING AMOUNT	PROVISION	EXPECTED LOSS RATE	GROSS CARRYING AMOUNT	PROVISION
	%	\$ M	\$ M	%	\$ M	\$ M
Current	0.11	129.9	0.1	0.11	115.6	0.1
More than 30 days past due	0.21	55.7	0.1	0.21	73.6	0.2
More than 60 days past due	2.03	7.0	0.1	2.03	10.1	0.2
More than 90 days past due	74.90	25.1	18.8	75.92	24.5	18.6
Total		217.7	19.1		223.8	19.1

The gross carrying amount includes external receivables of \$185.2 million (2018: \$189.0 million) and joint venture receivables of \$32.5 million (2018: \$34.8 million).

(c) Liquidity risk

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

During the year the Group extended the maturity of its debt and increased its committed borrowing limits.

CONSOLIDATED		
	19	18
	\$ M	\$ M
FINANCING ARRANGEMENTS		
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	900.0	590.0
	904.0	594.0
Used at balance date		
Bank overdrafts	-	-
Bank facilities	545.0	520.0
	545.0	520.0
Unused at balance date		
Bank overdrafts	4.0	4.0
Bank facilities	355.0	70.0
	359.0	74.0
Maturity profile of bank facilities. Maturing on:		
6 January 2021	-	330.0
7 January 2022	-	260.0
21 November 2024	750.0	-
21 November 2026	50.0	-
21 November 2029	100.0	-
	900.0	590.0

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					CARRYING AMOUNT [ASSETS] / LIABILITIES
	< 6 MONTHS \$M	6-12 MONTHS \$M	1-2 YEARS \$M	> 2 YEARS \$M	TOTAL \$M	
31 December 2019						
Non-derivatives						
Trade payables	144.9	-	-	-	144.9	144.9
Bank facilities	7.9	7.9	31.8	595.9	643.5	540.1
Lease liabilities	3.5	3.2	5.6	154.0	166.3	87.6
Bank guarantees	4.0	0.2	2.5	26.4	33.1	-
	160.3	11.3	39.9	776.3	987.8	772.6
Derivatives						
Gross-settled forward foreign exchange contracts (cash flow hedges):						
- (inflow)	(58.2)	(19.3)	-	-	(77.5)	-
- outflow	57.4	19.2	-	-	76.6	-
	(0.8)	(0.1)	-	-	(0.9)	0.9
31 December 2018						
Non-derivatives						
Trade payables	133.0	-	-	-	133.0	133.0
Bank facilities	8.5	8.5	316.6	220.1	553.7	518.7
Finance leases	-	-	-	-	-	-
Bank guarantees	6.2	6.5	4.2	23.7	40.6	-
	147.7	15.0	320.8	243.8	727.3	651.7
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	(1.7)

(d) Financial instruments, derivatives and hedging activity

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

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)

Accounting policy – derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment [fair value hedges]; or
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probably forecast transaction [cash flow hedges].

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed below. Movements in the hedging reserves in shareholders' equity are shown in Note 19(a). The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within other comprehensive income (OCI).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings, is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivative instruments that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

20 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency options

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, qualify for hedge accounting.

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

	CONSOLIDATED	
	19	18
<i>Hedging instrument – forward foreign exchange contracts</i>		
Carrying amount (liability)/asset – \$ million	(0.8)	1.7
Notional amount US Dollars – \$ million	67.6	53.4
Notional amount Yen – \$ million	8.8	1.2
Notional amount EURO – \$ million	1.1	0.4
Maturity date	Jan – Sep 2020	Jan – Jul 2019
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\$0.694	A\$1 : US\$0.7281
– Yen	A\$1 : Yen 74.5	A\$1 : Yen 82.5
– Euro	A\$1 : EURO 0.6146	A\$1 : EURO 0.6438

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 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, interest rate risk and electricity price risk at fair value on a recurring basis. The Group held liabilities in relation to forward exchange contracts of \$0.8 million (2018: assets of \$1.7 million) at the end of the reporting period. There were no interest rate swaps or electricity price caps in place at 31 December 2019 or 31 December 2018. 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 to these financial statements.

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 provides summarised financial information for the joint ventures and associate which are individually immaterial and accounted for using the equity method.

	JOINT VENTURES		ASSOCIATE		CONSOLIDATED	
	19	18	19	18	19	18
	\$ M	\$ M	\$ M	\$ M	\$ M	\$ M
Investment in joint ventures and associate	142.5	133.9	42.3	40.0	184.8	173.9
Profit from continuing operations	29.9	36.6	1.6	0.8	31.5	37.4
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	29.9	36.6	1.6	0.8	31.5	37.4

GROUP STRUCTURE

21 JOINT ARRANGEMENTS AND ASSOCIATE [continued]

(b) Interests in joint arrangements and associate

NAME	PRINCIPAL PLACE OF BUSINESS	OWNERSHIP INTEREST		ACTIVITIES
		19	18	
		%	%	
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 the Mawsons joint venture. On exercise, the enterprise value is calculated with reference to 7 times average EBITDA (based on preceding two financial years' performance) less debt. 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 \$32.5 million [2018: \$32.1 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	
			19	18
			%	%
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

GROUP STRUCTURE

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 Industries (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 Industries (Northern Territory) Pty Ltd was added to the "Closed Group" during 2018.

Set out below is a consolidated balance sheet as at 31 December 2019 of the Closed Group.

	19 \$ M	18 \$ M
Current assets		
Cash and cash equivalents	112.6	86.6
Trade and other receivables	218.3	226.7
Inventories	154.4	175.8
Current tax assets	28.6	5.6
Other financial assets	0.2	-
Total current assets	514.1	494.7
Non-current assets		
Receivables	42.6	39.9
Retirement benefit asset	4.5	2.5
Joint arrangements and associate	102.0	98.6
Other financial assets	21.4	21.4
Property, plant and equipment	997.3	1,024.6
Right-of-use asset	84.3	-
Intangible assets	277.0	293.2
Total non-current assets	1,529.1	1,480.2
Total assets	2,043.2	1,974.9
Current liabilities		
Trade and other payables	143.8	131.7
Lease liabilities	5.6	-
Provisions	32.8	29.9
Other liabilities	8.5	15.8
Total current liabilities	190.7	177.4
Non-current liabilities		
Borrowings	540.1	518.7
Deferred tax liabilities	75.5	90.1
Lease liability	81.7	-
Provisions	66.6	45.1
Other non-current liabilities	0.1	0.1
Total non-current liabilities	764.0	654.0
Total liabilities	954.7	831.4
Net assets	1,088.5	1,143.5
Equity		
Contributed equity	739.0	734.4
Reserves	[2.0]	2.2
Retained earnings	351.5	406.9
Total equity	1,088.5	1,143.5

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 2019 of the Closed Group.

	19 \$ M	18 \$ M
Profit before income tax	57.2	242.6
Income tax expense	(16.5)	[65.9]
Profit for the year	40.7	176.7
Retained earnings 1 January	406.9	414.1
Retained earnings – newly added entities	–	5.1
Profit for the year	40.7	176.7
Other comprehensive income	1.7	[0.4]
Dividends paid	(97.8)	[188.6]
Retained earnings 31 December	351.5	406.9

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.

24 PARENT ENTITY FINANCIAL INFORMATION [continued]**(iv) Share-based payments**

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

(a) Summary financial information

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

	19 \$ M	18 \$ M
Balance sheet		
Current assets	2,586.2	2,534.8
Total assets	2,949.8	2,932.3
Current liabilities	1,584.9	1,445.9
Total liabilities	2,126.3	1,999.5
Net assets	823.5	932.8
Shareholders' equity		
Share capital	731.9	727.3
Reserves		
Share-based payments	(1.5)	1.4
Retained earnings	93.1	204.1
Total shareholders' equity	823.5	932.8
[Loss] / profit for the year	(13.2)	208.9
Total comprehensive [loss]/income	(13.2)	208.9

(b) Guarantees entered into by the parent entity

Bank guarantees	4.4	5.4
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(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2019 or 31 December 2018 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.

25 RETIREMENT BENEFIT OBLIGATIONS (continued)

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 balances of these obligations are sensitive to changes in these assumptions.

(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 2019, all new employees, who are members of this fund, have become members of the accumulation category of the Plan.

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

- Investment risk – the risk that investment returns will be lower than assumed and the Company will need to increase contributions to offset this shortfall;
- Salary growth risk – the risk that wages and salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions;
- Legislative risk – the risk that legislative changes could be made which increase the cost of providing the defined benefits; and
- 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.

25 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Balance sheet amounts

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

	PRESENT VALUE OF OBLIGATION \$ M	FAIR VALUE OF PLAN ASSETS \$ M	NET OBLIGATION/ [ASSET] \$ M
At 1 January 2019	43.6	(46.1)	[2.5]
Current service cost	1.2	-	1.2
Interest expense/[income]	1.1	[1.2]	[0.1]
	2.3	[1.2]	1.1
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/[income]	-	[5.7]	[5.7]
Loss from change in financial assumptions	1.5	-	1.5
Experience loss	1.9	-	1.9
	3.4	[5.7]	[2.3]
Contributions:			
Employers	-	[0.8]	[0.8]
Plan participants	0.8	[0.8]	-
Payments from Plan:			
Benefit payments	[5.7]	5.7	-
At 31 December 2019	44.4	[48.9]	[4.5]
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/[out]	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]

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 DECEMBER 2019 UNQUOTED		31 DECEMBER 2018 UNQUOTED	
	\$ M	%	\$ M	%
Australian equity	13.7	28%	12.9	28%
International equity	16.6	34%	16.1	35%
Fixed income	6.4	13%	6.5	14%
Property	6.8	14%	6.5	14%
Cash	2.0	4%	0.9	2%
Other	3.4	7%	3.2	7%
Total	48.9	100%	46.1	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.

25 RETIREMENT BENEFIT OBLIGATIONS (continued)**(d) Actuarial assumptions and sensitivity**

The significant actuarial assumptions used were as follows:

	19	18
Discount rate – % p.a.	1.9	3.0
Future salary increases – % p.a. – first year	1.6	2.5
Future salary increases – % p.a. – second year	1.6	2.5
Future salary increases – % p.a. – thereafter	3.0	2.5

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

	CHANGE IN ASSUMPTION	IMPACT ON DEFINED BENEFIT OBLIGATION	
		INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
31 December 2019			
Discount rate	0.50 ppts	Decrease by 1.5%	Increase by 1.6%
Future salary increases	0.50 ppts	Increase by 1.0%	Decrease by 1.0%
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%

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 \$nil [2018: \$0.7 million].

The weighted average duration of the defined benefit obligation is 5 years [2018: 5 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 benefits 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 Group operate two general employee share plans:

- The Adelaide Brighton Employee Share Plan (ES Plan) established in 1997; and
- The Adelaide Brighton Limited Tax Exempt Employee Share Plan (TEES Plan) established in 2018.

Subject to the Board approval of grants, employees that meet the eligibility criteria can participate in the Plan.

In 2019 the Board approved the issue of 225,158 shares under the TEES Plan [2018: Nil], while no shares were issued under the ES Plan [2018: Nil]. In subsequent years, the Board will decide whether, considering the profitability of the Company, and demands of the business, further invitations to take up grants of shares should be made.

26 SHARE-BASED PAYMENT PLANS [continued]**(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 58-71.

The exercise price for each Award is \$nil.

	CONSOLIDATED	
	19	18
MOVEMENT IN NUMBER OF AWARDS OUTSTANDING		
Outstanding at beginning of the year	1,678,766	2,767,452
Granted	560,887	142,357
Forfeited	-	(554,824)
Exercised	(887,363)	(338,111)
Expired	(288,690)	(338,108)
Outstanding at the end of the year	1,063,600	1,678,766
Exercisable at the end of the year	-	-

The average value per share at the earliest exercise date during the year was \$4.33 (2018: \$6.42). 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 is 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 has been incorporated into the valuation through the use of a discount for lack of marketability and TSR vesting conditions. Volatility of the Company's share price has been considered in valuing the Awards. However, the independent valuer has reached the conclusion that the volatility is not a factor in assessing the fair value of the Awards.

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

Awards granted in 2019 – weighted average pricing model inputs

2019 AWARDS	
Share price at grant date – per share	\$3.27
Expected future dividends – per share	\$0.44
Risk-free interest rate – % p.a.	0.83
Lack of marketability discount – % p.a.	4.30
TSR condition discount	50%
Earliest exercise date	1 May 23

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

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 \$340,331 during the year (2018: \$1,399,867).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 2.3 years (2018: 1.4 years).

OTHER

27 RELATED PARTIES

(a) Compensation of Key Management Personnel

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Short-term employee benefits	7.4	9.0
Post-employment benefits	0.2	0.1
Share-based payments	0.5	1.2
	8.1	10.3

(b) Other transactions with Key Management Personnel

RD Barro, a Director of Adelaide Brighton Limited, is Managing Director of Barro Group Pty Ltd. RR Barro, a director of Adelaide Brighton Limited, is a Director of the 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.

Martin Brydon, the former CEO and Managing Director, Nick Miller, the CEO, and Brad Lemmon, a senior Executive of Adelaide Brighton Limited, were Directors of Sunstate Cement Ltd for at least a portion of the reporting period. Nick Miller, the CEO of the Company, and Brad Lemmon, a senior Executive, were directors of Independent Cement and Lime Pty Ltd for at least a portion of the reporting period. Brett Brown and Michael Miller, both senior Executives of Adelaide Brighton Limited were Directors of the Mawson Group.

During the year, the Group traded significantly with Independent Cement and Lime Pty Ltd, Sunstate Cement Ltd, the Mawson Group and Aalborg Portland Malaysia Sdn. Bhd., which are all joint ventures or associates of the Group.

(c) Controlled entities

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

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

	CONSOLIDATED	
	19	18
	\$	\$
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director-related parties	81,626,641	84,622,252
Purchases from Director-related parties	25,962,003	34,204,918

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:

	19 \$ 000	CONSOLIDATED 18 \$ 000
Sales of goods		
Joint venture entities	285,058	328,134
Purchases of materials and goods		
Joint venture entities	118,459	116,080
Associate entities	6,837	10,362
Interest revenue		
Joint venture entities	664	742
Dividend and distribution income		
Joint venture entities	20,984	25,670
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	12,541	13,337
Loans advanced to:		
Joint venture entities	3,459	2,958

(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:

	19 \$ 000	CONSOLIDATED 18 \$ 000
Current receivables		
Joint venture entities (interest)	664	394
Joint venture entities (trade)	31,838	34,375
Non-current receivables		
Joint venture entities (loans)	41,803	38,032
Current payables		
Joint venture entities (trade)	5,813	8,847

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 \$664,833 [2018: \$742,491].

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2019 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	
	19	18
	\$ M	\$ M
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Within one year	18.1	11.1

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	
	19	18
	\$	\$
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements	751,356	769,416
(b) Non-audit services		
PricewaterhouseCoopers Australian firm		
Other assurance services	154,694	65,900

31 CONTINGENCIES

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

(a) Guarantees

	CONSOLIDATED	
	19	18
	\$ M	\$ M
Bank guarantees	33.2	40.6

(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 72 to 120 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 2019 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 CEO and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Raymond Barro
Chairman

Dated 26 February 2020

AUDITOR'S INDEPENDENCE DECLARATION



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

A handwritten signature in blue ink, appearing to be 'M. T. Lojszczyk'.

M. T. Lojszczyk
Partner

Adelaide 26 February 2020
PricewaterhouseCoopers

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



REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 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 2019
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial report, 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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

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

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

Materiality

- For the purpose of our audit we used overall Group materiality of \$6.3 million, which represents approximately 4% of the Group's profit before tax and impairments. We utilised a 4% threshold based on our professional judgement.
- 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 also adjusted for impairments as they are unusual or infrequently occurring items impacting profit and loss.

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 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 2019. 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 review 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 2019 to (and as at) 31 December 2019, 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 2019 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. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

KEY AUDIT MATTER

Recoverability of goodwill and property, plant and equipment [Refer to Notes 2, 11, 13 & 14]

The financial report of the Group includes goodwill of \$272.5 million and property, plant and equipment of \$1,033.7 million as at 31 December 2019.

In order to assess the recoverable amount of these assets, the Group prepared financial models [hereafter, "the models"] at 30 June 2019 and again at 31 December 2019 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 Group recognised a pre-tax impairment charge of \$96.1 million for the year ended 31 December 2019.

The recoverability of these assets was a Key Audit Matter given the financial significance of the impairment charge recognised during the year ended 31 December 2019, significance of the Group's recorded goodwill and property, plant and equipment balances to the financial position of the Group, and the judgements and assumptions required in assessing the assets' value-in-use [including budgeted cash flows, growth rates and discount rates].

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our procedures to address the identified Key Audit Matter included, but were not limited to:

- Assessed the appropriateness of the Cash Generating Units (CGUs) identified by the Group and the assets and liabilities allocated to them.
- Obtained the models prepared by the Group and considered the appropriateness and reasonableness of future earnings estimates, including assessment against external rates and factors for the industry.
- Compared actual results achieved to previous years' forecasts to assess the ability of the Group to accurately budget and forecast future results.
- Compared the 2020 cash flow forecast with Board approved budgets.
- 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.
- We engaged an expert to assess the discount rates applied within the models. Performed sensitivity analysis over key assumptions included in the models including specific growth and discount rates applied.

We have also evaluated the disclosures included in the Financial Statements against the requirements of Australian Accounting Standards.

Estimation of close down and restoration provision [Refer to Note 15]

The Group recognised restoration provisions of \$61.9 million in relation to the rehabilitation of currently disturbed areas, such as quarries and concrete plants.

The estimation of rehabilitation provisions was a key audit matter because rehabilitation provisions are a critical accounting estimate and involve significant judgement to estimate future costs and to assess rehabilitation requirements.

The rehabilitation provision for sites being actively remediated is based on tendered cost estimates for future works 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.

Our procedures to address the Key Audit Matter included, but were not limited to:

- Obtaining the models prepared by the Group and assessing the reasonableness of inflation and discount rates used to determine the present value of the provision. We also assessed whether all sites that have been disturbed and required rehabilitation were included in the models.
- Assessed the nature, timing and extent of rehabilitation work to be performed by inspecting rehabilitation plans.
- Agreeing the nominal cost to rehabilitate for each respective provision within the model to surveys completed by Managers and Engineers at each site. We also considered the appropriateness of the information included in the surveys against significant contracts and agreements in the current year and other information.
- Enquiries with Site Managers and Site Engineers to obtain an understanding of how nominal costs to rehabilitate are determined for a sample of rehabilitation sites. Additional enquiries were also performed as to any significant changes during the period that would impact the estimates made.
- Considered the appropriateness and consistency of methods used to estimate each site's specific provision.
- Compared actual costs incurred to rehabilitate, to what was previously provided to assess the ability of the Group to accurately determine future costs to rehabilitate similar sites.
- We also checked the mathematical accuracy of the calculations of the individual site provisions within the models.



KEY AUDIT MATTER

Measurement of stockpiled inventory**[Refer to Note 10]**

The Group has \$61.3 million of raw material and work-in-progress inventory on hand as at 31 December 2019.

Raw materials and work-in-progress inventory is typically stockpiled prior to consumption or sale. The Group relies on 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. The measurement of these inventories is a key audit matter as the measurement of inventory quantities for stockpiled inventory is complex.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our procedures to address the identified Key Audit Matter included, but were not limited to:

- Assessing the surveyors as Group experts, and for each expert considering the surveyor's method, competency and objectivity.
- Obtaining and inspecting the survey results for material stockpiled inventory locations.
- Reperforming the Group's conversion of the quantities identified from the surveyors' reports, to tonnes using the Group's density factors.

Comparing the density factors used to prior year density factors for the same raw material. Given the nature of the inventory, the density factors do not usually vary significantly year on year.

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 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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.

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 58 to 71 of the Directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Adelaide Brighton Limited for the year ended 31 December 2019 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 26 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757

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FINANCIAL HISTORY

YEAR ENDED [A\$ MILLION UNLESS STATED]	DEC 2019	DEC 2018	DEC ¹ 2017	DEC 2016	DEC 2015	DEC ² 2014	DEC 2013	DEC ³ 2012	DEC 2011	DEC 2010
Statements of financial performance										
Sales revenue	1,517.0	1,630.6	1,559.6	1,396.2	1,413.1	1,337.8	1,228.0	1,183.1	1,100.4	1,072.9
Depreciation, amortisation and impairments	[189.7]	[87.4]	[82.5]	[78.1]	[77.8]	[75.0]	[70.6]	[65.2]	[57.8]	[52.8]
Earnings before interest and tax	81.9	265.4	267.6	266.1	298.6	247.5	222.7	222.1	219.83	216.2
Net interest earned [paid]	[18.5]	[14.4]	[12.1]	[11.5]	[13.0]	[15.0]	[14.1]	[14.6]	[17.0]	[14.0]
Profit before tax	63.4	251.0	255.5	254.6	285.6	232.5	208.6	207.5	206.4	202.2
Tax expense	[16.2]	[65.8]	[72.7]	[68.4]	[77.8]	[59.9]	[57.5]	[54.6]	[58.0]	[50.8]
Non-controlling interests	0.1	0.1	[0.1]	0.1	0.1	0.1	-	0.1	-	0.1
Net profit after tax attributable to members	47.3	185.3	182.7	186.3	207.9	172.7	151.1	153.0	148.4	151.5
Group balance sheet										
Current assets	519.2	500.6	474.8	390.1	403.1	387.4	390.2	363.7	307.8	274.1
Property, plant and equipment	1,033.7	1,061.7	1,037.2	978.4	986.1	994.2	889.7	902.5	851.0	760.6
Receivables	43.6	39.9	37.3	34.4	32.9	32.7	31.4	29.6	27.2	30.4
Investments	184.8	173.9	160.3	151.2	142.2	139.9	138.5	129.0	97.2	87.7
Intangibles	283.3	299.5	299.9	270.3	272.9	266.4	183.9	184.8	183.0	179.1
Right-of-use assets	84.6	-	-	-	-	-	-	-	-	-
Other non-current assets	4.5	2.5	3.5	2.3	1.3	0.0	0.0	3.5	0.0	0.0
Total assets	2,153.7	2,078.1	2,013.0	1,826.7	1,838.5	1,820.6	1,633.7	1,613.1	1,466.2	1,331.9
Current borrowings and creditors	149.4	144.7	159.2	117.4	123.9	122.7	105.4	115.0	99.2	106.4
Current provisions	37.9	34.6	49.0	50.6	55.4	44.2	105.8	78.5	34.5	52.6
Current lease liabilities	5.7	-	-	-	-	-	-	-	-	-
Non-current borrowings	540.1	518.7	428.9	309.6	329.5	390.1	259.1	299.3	258.7	150.2
Deferred income tax and other non-current provisions	141.4	134.5	130.1	129	122.4	126.9	101.6	114.4	116.7	88.4
Non-current lease liabilities	81.9	-	-	-	-	-	-	-	-	-
Total liabilities	956.4	832.5	767.2	606.6	631.2	683.9	571.9	607.2	509.1	397.6
Net assets	1,197.3	1,245.6	1,245.8	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9	957.1	934.3
Share capital	739.0	734.4	733.1	731.4	729.2	727.9	699.1	696.6	694.6	692.7
Reserves	0.2	4.2	1.9	2.9	1.2	3.3	4.3	2.1	2.3	2.6
Retained profits	455.7	504.5	508.2	483.3	474.3	402.8	355.6	304.4	257.3	236.0
Shareholders' equity attributable to members of the Company	1,194.9	1,243.1	1,243.2	1,217.6	1,204.7	1,134.0	1,059.0	1,003.1	954.2	931.3
Non-controlling interests	2.4	2.5	2.6	2.5	2.6	2.7	2.8	2.8	2.9	3.0
Total shareholders' funds	1,197.3	1,245.6	1,245.8	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9	957.1	934.3
Share information										
Net tangible asset backing (\$/share) ⁴	1.40	1.45	1.46	1.46	1.44	1.34	1.38	1.29	1.22	1.19
Return on funds employed %	4.9	16.1	16.7	17.5	19.8	17.7	17.0	18.0	19.4	20.0
Basic earnings per share (¢/share)	7.3	28.5	28.1	28.7	32.0	26.9	23.7	24.0	23.3	23.9
Diluted earnings (¢/share)	7.2	28.4	28.0	28.6	31.9	26.8	23.4	23.8	23.2	23.7
Total dividend (¢/share) ⁵	5.0	28.0	24.5	28.0	27.0	17.0	19.5	16.5	16.5	21.5
Interim dividend (¢/share) ⁵	-	9.0	8.5	8.5	8.0	7.5	7.5	7.5	7.5	7.5
Final dividend (¢/share) ⁵	5.0	11.0	12.0	11.5	11.0	9.5	9.0	9.0	9.0	9.0
Special dividend (¢/share) ⁵	-	8.0	4.0	8.0	8.0	-	3.0	-	-	5.0
Gearing %	35.4	34.1	29.8	23.6	24.6	31.6	23.4	30.9	26.0	15.9

1 Restated for changes to accounting policies (Note 1 (b) to the 2018 Financial Statements)

2 Restated for final acquisition accounting values for businesses purchased in 2014

3 Restated for changes to accounting policies (Note 42 to the 2013 Financial Statements)

4 Assets for the purposes of net tangible assets, includes right-of-use assets associated with leases recognised in accordance with AASB 16

5 Fully franked

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The annual general meeting of shareholders will be held at the Pullman Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Tuesday 19 May 2020 at 10.00 am.

SECURITIES EXCHANGE LISTING

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

REGISTERED OFFICE

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

ENQUIRIES ABOUT YOUR SHAREHOLDING

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

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

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

ONLINE SERVICES

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

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

DIRECT CREDIT OF DIVIDENDS

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

DIVIDEND REINVESTMENT PLAN (DRP)

Adelaide Brighton's DRP is currently suspended until further notice. In future, if the DRP is reactivated, it will be notified by way of an ASX announcement.

CHANGE OF ADDRESS

Shareholders who are Issuer Sponsored should notify any change of address to the share registry, Computershare Investor Services Pty Limited, by telephone or in writing quoting your SRN, previous address and new address. Broker Sponsored [CHESS] holders should advise their sponsoring broker of the change.

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

General Manager Corporate Finance and Investor Relations
Adelaide Brighton Ltd
Level 9 Aurora Place
88 Phillip Street
Sydney NSW 2000
Telephone: 02 8248 9903
Email: adelaidebrighton@adbri.com.au

INFORMATION FOR SHAREHOLDERS

COMMUNICATIONS

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

SUBSTANTIAL SHAREHOLDERS

Barro Properties Pty Ltd, by a notice of change of interests of substantial shareholder dated 30 May 2019, informed the Company that it or an associate had a relevant interest in 279,710,424 ordinary shares or 43.0% of the Company's issued share capital.

ON-MARKET BUY BACK

At 26 February 2020 there is no on-market buy back of the Company's shares being undertaken.

TWENTY LARGEST SHAREHOLDERS SHOWN IN THE COMPANY'S REGISTER OF MEMBERS AS AT 3 FEBRUARY 2020

SHAREHOLDER	NUMBER OF ORDINARY SHARES HELD	% OF ISSUED CAPITAL
Barro Properties Pty Ltd	215,285,359	33.03
HSBC Custody Nominees (Australia) Limited	86,474,849	13.27
JP Morgan Nominees Australia Limited	51,923,503	7.97
Barro Group Pty Ltd	32,412,619	4.97
Citicorp Nominees Pty Limited	25,642,607	3.93
Carltonbridge Pty Ltd	11,416,000	1.75
National Nominees Limited	11,337,163	1.74
Argo Investments Ltd	7,681,385	1.18
Cloverdew Pty Ltd	6,580,000	1.01
Australian Foundation Investment Company Limited	6,300,000	0.97
Churchbridge Pty Ltd	5,040,000	0.77
Ageflow Pty Ltd	3,630,000	0.56
Rayonbridge Pty Ltd	3,574,000	0.55
UBS Nominees Pty Ltd	3,230,585	0.50
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	2,988,018	0.46
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,521,787	0.39
BNP Paribas Nominees Pty Ltd <DRP>	2,378,456	0.36
Sunstone Finance Pty Ltd	2,000,000	0.31
HSBC Custody Nominees (Australia) Limited - A/C 2	1,828,880	0.28
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,621,128	0.25
Total top 20 shareholders	483,866,339	74.25
Total remaining shareholders balance	167,856,788	25.75

VOTING RIGHTS

All shares at 3 February 2020 were of one class with equal voting rights being one vote for each shareholder and, on a poll, one vote for each fully paid ordinary share.

SHARES HELD AS AT 3 FEBRUARY 2020

	NUMBER OF SHAREHOLDERS	% OF ISSUED CAPITAL
1 - 1,000	4,749	0.35
1,001 - 5,000	9,510	4.08
5,001 - 10,000	4,022	4.60
10,001 - 100,000	3,344	11.93
100,001 - over	137	79.04
Total shareholders	21,762	100.00
Less than a marketable parcel of 143 shares	962	

UNQUOTED SECURITIES

Unquoted securities consist of 1,063,600 Awards issued to the senior Executive team under the Adelaide Brighton Ltd Executive Performance Share Plan as part of the Company's long-term incentive program. The Awards are not quoted and do not participate in the distribution of dividends and do not have voting rights. The total number of participants in the Adelaide Brighton Ltd Executive Performance Share Plan and eligible to receive the Awards, is eight.

The Adelaide Brighton logo, the MCI logo, the Cockburn Cement logo, the Swan Cement logo, the Northern Cement logo, the Hy-Tec logo, the Adbri Masonry logo, the Southern Quarries logo, the Direct Mix logo, the Penrice Quarry & Mineral logo, the Central Pre-Mix logo, the Central Quarries logo and the Davalan logo are trade marks of Adelaide Brighton Ltd or its related bodies corporate. The Sunstate Cement logo is a registered trade mark of Sunstate Cement Ltd used with permission. The I logo is a registered trade mark of Independent Cement and Lime Pty Limited used with permission. The Mawson logo is a registered trade mark of E. B. Mawson & Sons Pty Ltd used with permission. Batesford Quarry logo is a trade mark of Adelaide Brighton Cement Ltd and Geelong Lime Pty Ltd. The Burrell logo is a trade mark of Burrell Mining Products, Inc used with permission. The Aalborg Portland logo is a trade mark of Cementir Holding N.V. used with permission.



**THE GROUP CONTINUES TO INVEST
TO ENSURE WE MAINTAIN A
SUSTAINABLE BUSINESS MODEL.**



Adelaide Brighton Ltd

ALWAYS READY

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