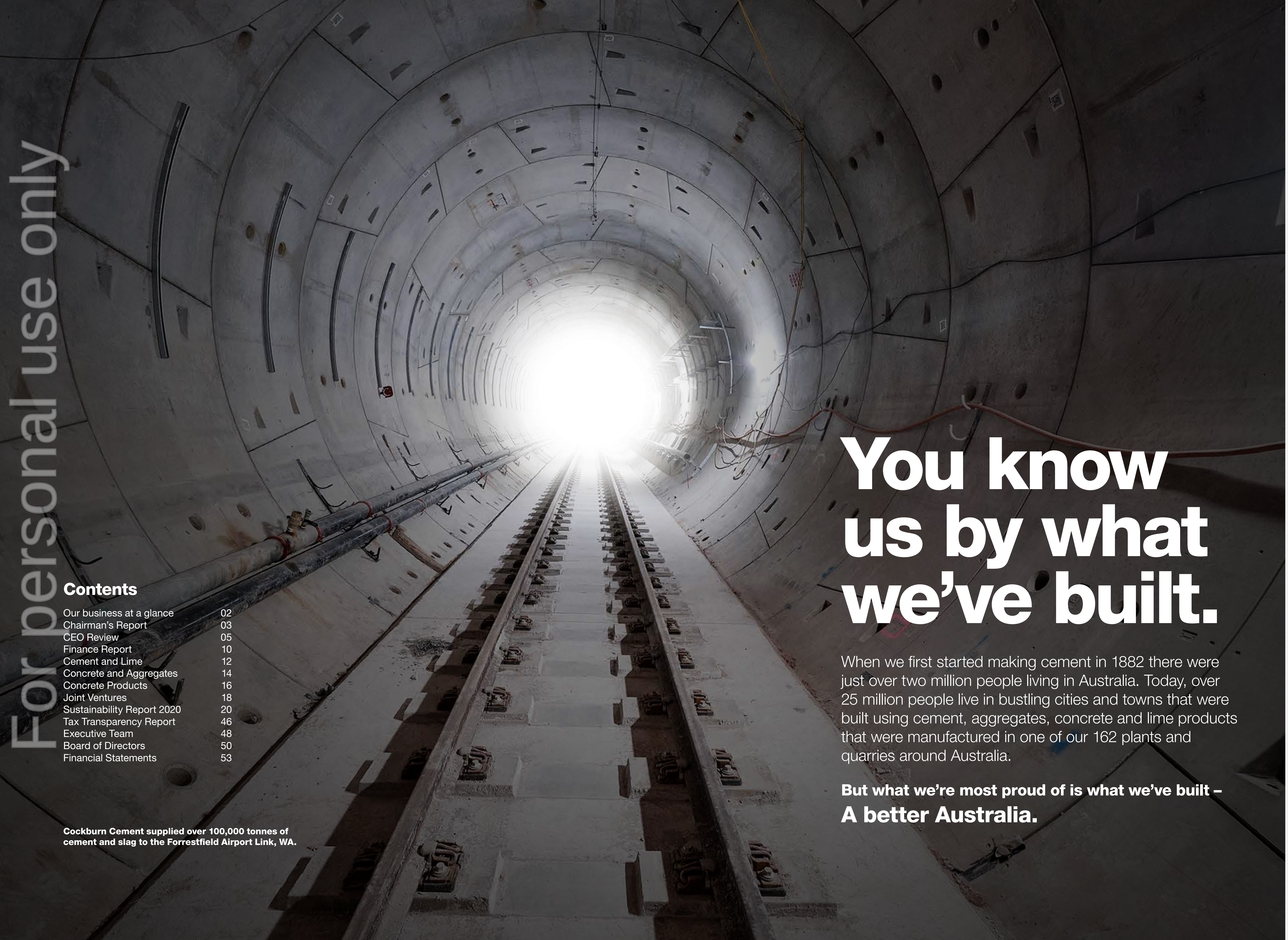
ADBRI
Building Australia since 1882

Building a better Australia

Annual Report 2020

alwaysready



You know us by what we've built.

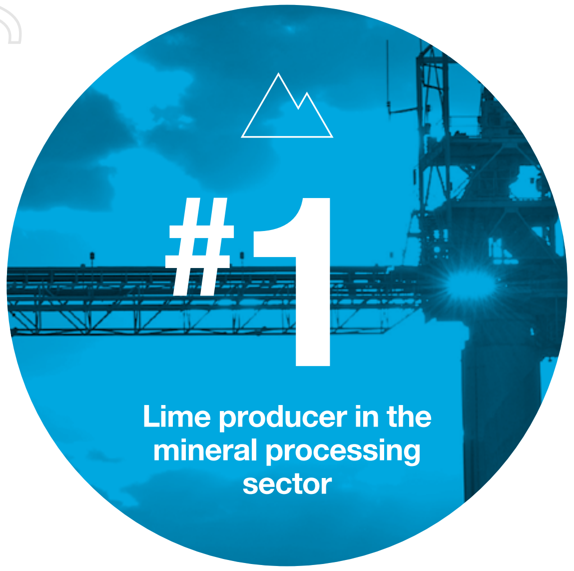
When we first started making cement in 1882 there were just over two million people living in Australia. Today, over 25 million people live in bustling cities and towns that were built using cement, aggregates, concrete and lime products that were manufactured in one of our 162 plants and quarries around Australia.

But what we're most proud of is what we've built – A better Australia.

Contents

Cockburn Cement supplied over 100,000 tonnes of cement and slag to the Forrestfield Airport Link, WA.

Our business at a glance



44	93	16	9
Quarries	Concrete plants	Cement and lime facilities and depots	Concrete product facilities

Chairman's Report

I am pleased to report to our shareholders a robust 2020 performance, particularly in the context of the COVID-19 pandemic. The Company delivered pleasing financial results, significantly improved safety and reduced carbon emissions, despite facing one of the most challenging years in its history as a result of the global health and economic crisis.

In August 2020, we launched our new company name, Adbri Limited. This was also an opportunity to reflect on our long and proud history and look to our future. Building a better Australia – our purpose as a Company – drives all our work, as we deliver for our customers, community and our people. Our promise – Always Ready – underpins the way we work across the Company.

Challenging operating conditions

Our CEO, Nick Miller provides information of Adbri's response to the COVID-19 pandemic in his report. However, I wanted to personally commend all of our employees, contractors, customers and suppliers for their support and ongoing efforts during 2020 and into 2021. During the year, employees went to extraordinary lengths, whether at their usual work location or at home, to continue working throughout the period, safely keeping Adbri running and delivering for its stakeholders.

The Company was able to satisfy customer demand for our products throughout the year while maintaining social distancing, hygiene and other protocols to manage the risk of COVID-19 infections. One employee tested positive for COVID-19 during 2020, who recovered from the infection and returned to work on full duties. These instances were handled in accordance with protocols Management had in place for this situation.

For much of 2020, we saw the continuation of softness in the east coast residential construction market, impacting demand for our products. Following several years where annual dwelling approvals were in excess of 200,000, approvals started to decline in 2019, continuing into late 2020 to levels not seen since mid-2013. In the last few months of the year, approvals increased due to the Federal Government's HomeBuilder and other State Government stimulus measures.

Looking forward, the improvement in housing approvals, combined with the announcement of significant Government spending on infrastructure projects will provide a foundation for construction materials demand, complementing the strong demand from the mining sector.

Shareholder returns

Reported profit increased from $47.3 million in 2019 to $93.7 million in 2020 primarily as a result of lower impairment charges. Underlying net profit of $115.6 million declined 6.0% on 2019, however the result exceeded Adbri's withdrawn guidance set in early 2020 by 4.4%. This result demonstrates the benefits of the Company's balanced exposure to the Australian construction and mining sectors, with both sectors successfully managing the challenges associated with COVID-19 to continue to operate throughout the year, largely uninterrupted.

Underlying earnings of 17.7 cents per share were 6.3% below 2019, while return on funds employed of 10.9% was generally stable.

The Company has maintained a strong balance sheet, with net debt of $372.1 million representing leverage of 1.4 times underlying EBITDA and gearing of 30.5%, both within the Board's target range. This has placed the Company in a position to continue to pay dividends, with a fully franked final dividend for 2020 of 7.25 cents per share having been approved, bringing total dividends for the year to 12.0 cents per share.

The Board maintains a sustainable dividend policy, targeting a payout ratio of 65-75% of earnings. The 2020 full year dividend of 12.0 cents per share represents a 68% payout ratio, towards the middle of this target range, reflecting prudence in an uncertain COVID-19 market

> "Looking forward, the improvement in housing approvals, combined with the announcement of significant Government spending on infrastructure projects will provide a foundation for construction materials demand, complementing the strong demand from the mining sector.
>
> **Raymond Barro**
> Chairman

environment and the higher anticipated capital expenditure outlook as a result of the Kwinana Upgrade Project.

This $199.0 million project is anticipated to be operational in mid-2023, providing significant operational and cost savings, reducing future capital expenditure requirements and creating long-term shareholder value.

Board composition and governance

Your Board is committed to the Australian Securities Exchange Corporate Governance Principles and Recommendations, including a majority of independent directors. Vanessa Guthrie has taken responsibility as the Lead Independent Director following the departure of Zlatko Todorcevski in June 2020, and in August 2020, Vanessa was also appointed to the Deputy Chair position, in addition to continuing as the Lead Independent Director.

The Board acknowledges that following the resignation of Zlatko, there has been a period without a majority of independent directors, with any conflicts managed in line with the Board Protocol governing potential conflicts and interests that has been in place since 2005 and amended as required since then.

The Company is actively seeking an additional independent director with suitable skills and experience to complement the existing Board.

Sustainability

The Group recognises its social licence to operate is intrinsic to creating long-term value to all stakeholders – keeping our people, customers and members of the public safe, providing employment to local communities, taxes to Local, State and Federal Governments, and materials that are essential to building a better Australia – in addition to providing shareholders a return for the use of their capital.

We are continuing to progress initiatives against our 5-year sustainability targets. Our Sustainability Report provides full details, and I am pleased to report an improvement in safety outcomes, with the total recordable injury frequency rate (TRIFR)[1] reducing 47.2% and a decline in total scope 1 and 2 carbon emissions of 2.3%.

Stakeholder engagement

Stakeholder engagement changed in 2020 as a result of COVID-19, with restrictions on travel and face-to-face meetings. The year saw the first virtual Annual General Meeting for many companies including Adbri, with ever-changing social distancing and lockdown measures being experienced across all states and territories. While this displaced the normal physical meeting which typically provides an opportunity for shareholders to meet with Directors and Management, virtual meetings provide the benefit of broader participation by shareholders.

Arrangements for the 2021 Annual General Meeting are underway, with the Company planning a hybrid meeting, with both physical and virtual participation, subject to circumstances at the time of the meeting.

1. Adbri aligned TRIFR to be in accordance with the Office of the Federal Safety Commissioner methodology for 2020. Comparative information for 2019 was restated.

I look forward to welcoming you to that meeting and I thank shareholders for their patience and understanding as arrangements are finalised, subject to ongoing restrictions due to COVID-19.

Acknowledgements

On behalf of the Board, I would like to acknowledge our CEO Nick Miller and the Executive team for their commitment, dedication and resolve to deliver for our stakeholders during some extraordinarily challenging circumstances.

We also thank our shareholders, employees, customers and the communities in which we operate, for their continued support.

The entire Adbri team is focused on achieving our vision, executing our strategy and creating long-term value for our shareholders.

Financial summary

	2020 $M	2019 $M
Revenue	**1,454.2**	1,517.0
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**262.7**	271.6
Depreciation, amortisation and impairments	**(115.1)**	(189.7)
Earnings before interest and tax ("EBIT")	**147.6**	81.9
Net finance cost[1]	**(20.4)**	(18.5)
Profit before tax	**127.2**	63.4
Tax expense	**(33.6)**	(16.2)
Net profit after tax	**93.6**	47.2
Non-controlling interests	**0.1**	0.1
Net profit attributable to members	**93.7**	47.3
Underlying EBITDA	**272.3**	280.0
Underlying EBIT	**178.9**	186.4
Underlying net profit after tax	**115.6**	123.0
Underlying net profit after tax excluding property	**114.9**	123.0
Basic earnings per share ("EPS") (cents)	**14.4**	7.3
Underlying EPS (cents)	**17.7**	18.9
Ordinary dividends per share - fully franked (cents)	**12.0**	5.0
Net debt[2] ($ million)	**372.1**	423.3
Leverage ratio[3] (times)	**1.4**	1.5
Gearing[4] (%)	**30.5**	35.4
Return on funds employed[5] - underlying (%)	**10.9**	11.2

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

I have the pleasure of presenting the 2020 Annual Report, my third as Chief Executive Officer, and the first report under our new Company name, Adbri Limited.

While the year has proved incredibly challenging given the impact of the COVID-19 pandemic and a slowing construction market, it is pleasing to report that Adbri has responded to these challenges strongly to deliver a financial and non-financial performance that exceeded expectations.

At Adbri, our purpose – Building a better Australia – drives everything that we do. Our promise – Always Ready – underpins how we work. We are dedicated to delivering high performance products on time, every time. Our decisions are guided by our four pillars: safety, customer focus, inclusivity and sustainable growth and I will address our key operational progress in 2020 through the lens of these four pillars.

Proactive COVID-19 response

In a year in which the COVID-19 pandemic brought an incredible level of disruption to many parts of the economy, the performance of the business has been pleasing and is testament to the efforts of all employees. The Group took a proactive approach to managing the impact of COVID-19 on our business and our employees, establishing cross-functional crisis management teams that met regularly throughout 2020, co-ordinating measures to respond to the pandemic.

Our non-operational staff were moved quickly to remote working in order to protect their wellbeing and assist in limiting the potential risk of infection at production sites, with up to a third of our staff located off-site. Implementation of social distancing protocols, contactless loading and delivery, control room duplication, increased security and testing for site entry, the use of video conferencing and remote commissioning, deep cleaning and sanitising, along with increased COVID-19 awareness training, introduction of pandemic leave and rollout of COVID-19 mock audits were all key elements of our success in keeping our operations open during this challenging period.

The Group incurred $6.5 million in additional operational costs as a result of managing the impact of COVID-19. However, importantly all our sites were able to remain open for business and provided continuity of supply to our customers throughout the period - a testament to the efforts and diligence of the entire Adbri team.

Market demand in 2020

Demand in 2020 was initially slow as a result of the impact of extreme events on the east coast. This included bushfires, with the associated disruption to construction in metropolitan areas due to smoke, followed by significant rain that resulted in flooding.

Construction and mining, two key end markets for Adbri, remained robust against the impact of COVID-19 throughout the year as these industries were regarded by Government as 'essential services' and continued to operate largely uninterrupted. This was offset by a slowing of overall demand from construction in 2020, due to the decline in residential and multi-residential construction and delayed spending on infrastructure projects despite the large Government stimulus proposed in the future.

Housing approvals were subdued for much of 2020, lifting later in the second half following the announcement of the Government HomeBuilder stimulus. Approvals for 2020 were 5.2% higher than 2019, buoyed by activity in the four months to December 2020, increasing 17.0% over the same period in 2019, with detached housing offsetting lower approvals for apartments.

Both Federal and State Governments engaged directly with business in the design of appropriate stimulus measures to respond to the impact of COVID-19. Measures were focused on the creation of jobs, including significant Government stimulus for infrastructure projects and residential housing. As a result of the gestation period between announcement and physical construction activity actually commencing, these measures only impacted demand toward the end of 2020.

> "Adbri's earnings exceeded expectations despite the challenging conditions during the year from COVID-19, competitive pressures in slowing markets and rising input costs.
>
> **Nick Miller**
> Chief Executive Officer

Demand in Western Australia improved during 2020 as a result of a recovery in residential construction on the back of a robust mining market, supported by buoyant iron ore and gold prices.

Construction in South Australia was subdued for much of the year following the completion of infrastructure projects in 2019, notably the Northern Connector. The Group benefitted from a number of projects during the year, with spending on Defence and road projects, combined with residential subdivision work curtailing the decline in volumes.

Victorian demand remained stronger than anticipated for much of the year, moderating when stage 4 Government restrictions were implemented as customers navigated staffing limitations on construction sites. Volumes recovered late in the year following the lifting of restrictions, with second half concrete volumes only 4.4% lower than the prior corresponding period despite the extended period of restrictions.

New South Wales demand was subdued as residential construction, particularly multi-residential activity, continued to decline in the Sydney market before some improvement late in the year as the HomeBuilder stimulus program lifted housing starts.

Construction in Queensland moderated as a result of lower residential construction. The market was further disrupted by the expansion of downstream concrete capacity and increased competition in cement supply.

The Northern Territory experienced subdued market conditions as major project works in the Defence and airport sectors concluded. Demand from resources remained robust.

$63.0M

improvement in operating cash flow.

Financial performance

Adbri's earnings exceeded expectations despite the challenging conditions during the year from COVID-19, competitive pressures in slowing markets and rising input costs. Underlying net profit after tax (NPAT) declined 6.0% to $115.6 million, a favourable result compared to our withdrawn guidance of an expected reduction of 10%. Conditions in the second half of 2020 were favourable despite the impact of stage 4 restrictions in Victoria and economic slowdown due to COVID-19, with underlying NPAT growth over 2019 on a modest 1.0% decline in revenue.

Group earnings for the year did not benefit from the receipt of Government support from the JobKeeper program, with Adbri repaying the small amount received from this COVID-19 measure, in the second half of 2020.

Earnings benefitted from lower costs delivered through the Group's cost-out and business improvement program, as well as improving demand in the Western Australian market which offset slowing demand in east coast markets and some moderation in selling prices. The financial result highlights the benefit of the Group's balanced geographic and sector exposure.

Western Australian margins improved due to robust demand, while cement and lime margins declined in other states due to the lower volumes, partially offset by lower costs.

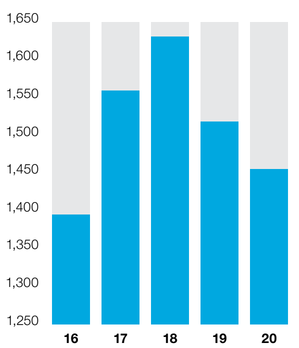
Concrete and aggregates margins improved due to delivery of cost reduction initiatives and residential subdivision work that drove aggregate volumes higher in the second half of the year, more than offsetting the impact of lower concrete volumes and prices.

The Concrete Products division benefitted from higher retail demand for masonry products during the pandemic, driven by increased home renovation and landscaping improvement activities, implementation of cost reduction initiatives, with earnings increasing 33.3%.

The uncertainty in operating conditions during the year as a result of COVID-19 intensified efforts to maintain tight financial discipline. Operating working capital reduced by $48.2 million, contributing to an improvement in operating cash flow by $63.0 million to $256.2 million.

Revenue*

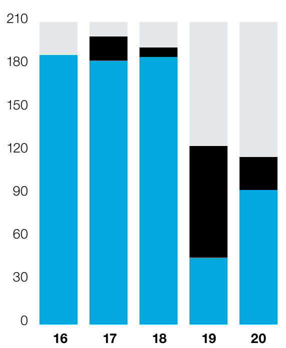
$M



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

Net profit after tax

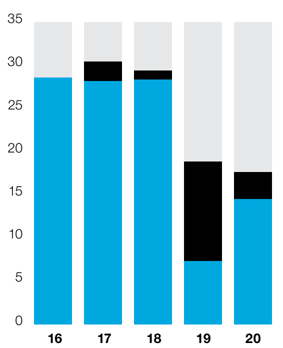
$M



Reported
Underlying

Earnings per share

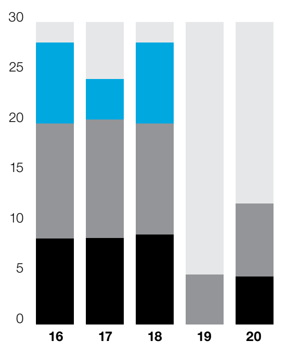
Cents



Reported
Underlying

Dividends approved

Cents per share



Ordinary interim dividend
Ordinary final dividend
Special dividend

Progress toward building a better Australia

Despite the unprecedented challenges, we made substantial progress across our four pillars, helping us contribute to our overarching purpose of building a better Australia.

Our Pillars

We are Always Ready to be the best in everything we do. Our decisions are guided by our four pillars.

Safety

We put safety first
We care about each-other's wellbeing
We live by our Life Saving Rules
Work Safe, Home Safe

Customer Focus

We deliver on our promises
We are agile in meeting our customers' needs
We build long-term partnerships that add value
We act with integrity

Inclusivity

We work together
We embrace differences
We respect and listen to each other
We empower our people

Sustainable Growth

We create value for our investors and our communities
We contribute to a sustainable future
We learn and innovate
We invest in our people

Safety

- The health and safety of our people has always been Adbri's first priority and, following the initial improvement in safety outcomes reported for 2019, it is pleasing to see the continued focus by employees in 2020 result in an even better safety record across the Group.
- The Group's Total Recordable Injury Frequency Rate (TRIFR) decreased from 10.6 at December 2019 to 5.6 by 2020, a 47.2% reduction that reflects the impact of the Group's four-part 'step change' program. Initiatives in 2020 have focused on visible leadership, critical risk management, musculoskeletal care and safe transport.
- The Group continues to look to technology to play a role in improving the management of safety and the environment, with the implementation in 2020 of enhanced monitoring of environmental performance, and the trial of safety proximity devices and truck driver monitoring systems.

Customer Focus

- Meeting our customers' needs is critical to the continuity of our business.
- We build partnerships that deliver long-term value for our customers and continue to develop our footprint, products and facilities to better meet the needs of customers.
- The Birkenhead dry-mix upgrade was commissioned in 2020. The upgrade of equipment producing bagged product for the South Australian market will lower production costs and introduce improved packaging to the market.
- Following commissioning of the Scotchy Pocket quarry in mid-2019, sales volumes exceeded the target set for the quarry of 350,000 tonnes in the first full year of operation. The quarry supplies material to the Group's concrete plants on the Sunshine Coast as well as third-party customers and is well located to participate in the upgrade of the Bruce Highway at the northern end of the Sunshine Coast.

Inclusivity

- The Group provided pandemic leave as an additional leave entitlement, with 115 people utilising this leave in 2020, ensuring our employees had the confidence to self-isolate if there was a risk of a COVID-19 infection.
- Initiatives focused on the physical and mental health of our employees were implemented, including technologies to ensure communication was maintained with all employees throughout the year.
- Delivery of our first Reconciliation Action Plan (RAP) including interactive cultural training for our Management, which will help us further develop Adbri's relationship with Aboriginal and Torres Strait Islander peoples.

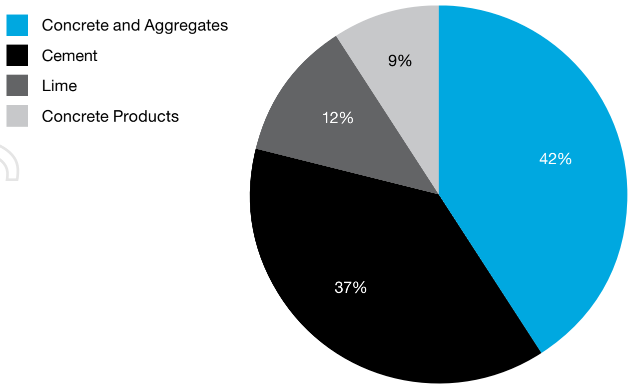
Sustainable Growth

- We increased our exposure to infrastructure projects during 2020 including construction of schools, upgrades to the Melbourne tram network and Defence projects. As a result of the longer lead-time for infrastructure projects, the improved exposure to the infrastructure sector provides a foundation for earnings in future periods.
- Adbri acquired land at Badgerys Creek for the planned development of a concrete plant to supply into construction projects at the Western Sydney Aerotropolis.
- The Board approved the $199.0 million Kwinana Upgrade Project. Following construction and commissioning, the facility is expected to be operational by mid-2023, consolidating the Group's Western Australian cement grinding operations onto one site.
- The Group received approval from the South Australian Environment Protection Authority to increase the usage rate of Refused Derived Fuel (RDF) at the Birkenhead plant to 25 tonnes per hour (tph). RDF usage improves the carbon footprint of the plant as a low emission fuel source that displaces fossil fuel in the form of natural gas, used in the kiln at the site. The use of RDF will also lower operational unit costs.

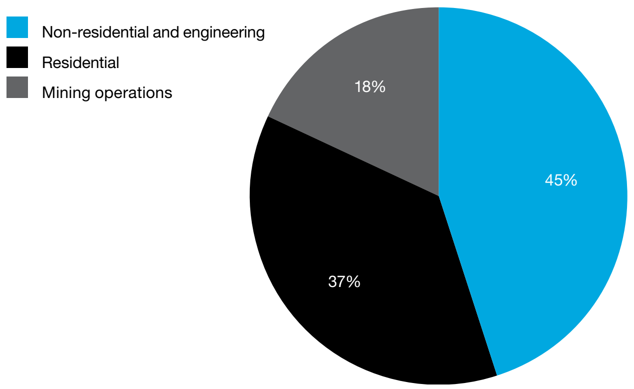
33.3%

increase in earnings in the Concrete Products division, driven by increased home renovation and improvement activities during the pandemic.

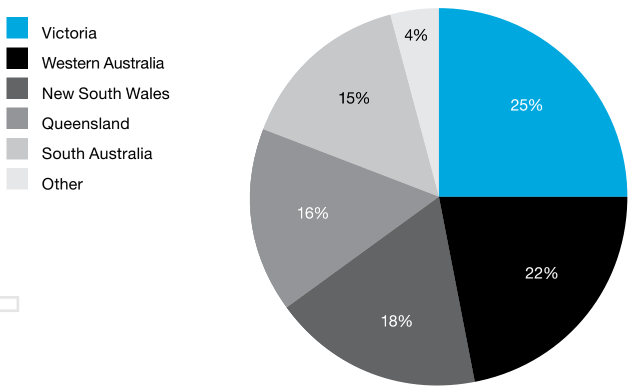
Revenue by product group



Revenue by market



Revenue by state



Strategic initiatives

Cost reduction and operational improvement

Remaining cost-competitive in the manufacture of products for customers is an ongoing focus of Management given the increased threat of imported products to the domestic market.

The Group initiated a cost reduction program in late 2019 targeting the delivery of $30.0 million of gross savings in 2020. The focused efforts throughout the year have delivered actual cost savings of $35.5 million, exceeding the target by $5.5 million, through reduced contracted road freight including in-sourcing specialised transport services, consolidation of back-office functions into a shared service environment, reduced fuel and natural gas costs, plant efficiency improvements and workforce planning.

The Kwinana Upgrade Project is an important component of retaining our cost-competitive position. In addition to reducing the requirement for future capital spending and providing enhanced sustainability benefits through reduced truck movements, lower carbon emissions and efficient equipment, the project is anticipated to deliver annualised cash cost savings of circa $19.0 million in the first full year of operation.

Vertical integration

The Group continues to identify opportunities to grow the business, expanding its vertically integrated footprint in the construction materials market. Growth through acquisition, as well as greenfield or brownfield opportunities are considered as part of the strategic review process to identify potential attractive investments that enhance the Group's vertically integrated model.

In 2020, growth activities focused on the operational performance of recent capital investments such as the Pinkenba concrete plant commissioned in 1H20 and the Scotchy Pocket quarry commissioned in 2H19. Planning for a new concrete plant has commenced for the Badgerys Creek site, acquired early in 2020.

Land development

Land ownership is a central part of the manufacturing operations of the Group. However, as sites become surplus to operational requirements, the Group has a strategy of maximising value to shareholders through development or divestment. An active list of land opportunities is monitored by the Executive team and individual strategies developed to maximise value.

Land development activities in 2020 have been focused on two holdings in the Geelong region.

Remediation works at the Hilltop site, previously part of the Geelong cement works in Fyansford, consisted of the demolition of silo structures and environmental rehabilitation of the site. Opportunities for development of the site are being considered, including discussions with potential partners.

Adbri's land holdings at the Batesford Quarry operations are located in the Western Geelong Growth Area (WGGA), an area to the west of Geelong which has been identified for future residential and related development. Framework plans and precinct structure plans for the WGGA are progressing with Geelong City Council and the Victorian Government.

Transform lime business

Adbri has low cost lime production facilities, strategically located to supply the mining sector in Western Australia, South Australia and the Northern Territory. Given the Group's proven ability to reliably supply lime product to Alcoa over nearly 50 years, it was disappointing that Alcoa advised in July 2020 that the contract would not be renewed past the current contract, that ends on 30 June 2021. The loss of the Alcoa volumes to import competition will reduce sales volumes, impacting production and workforce requirements at our Munster site. The Alcoa contract represented annual revenue of $70.0 million.

In January 2021, we announced a 5-year extension to our supply contract for lime to South32, extending the term from 2024 to 2029.

The Group announced a pre-tax impairment charge of $21.7 million primarily as a result of the decision to mothball Munster kiln 5 following completion of the Alcoa contract in June 2021. The Group undertook a strategic review of its lime business following the notice from Alcoa. In addition to cost mitigation initiatives, the strategic review explored a range of options and opportunities, with the objective of increasing shareholder value.

The Group's preferred strategy is to increase our exposure to the growing quicklime market and to remain a key supplier to the mining and infrastructure sectors. At its core, this would involve expanding the Group's current strong local manufacturing footprint, providing customers with enhanced product options, whilst remaining competitive with imports. In strengthening our manufacturing footprint, we expect to achieve superior customer outcomes through stable and reliable local manufacturing, decreasing supply chain disruption risk. This should drive improved shareholder value through long-term customer relationships.

Management are pursuing the development of feasibility studies for several exciting prospects for our lime business including:

- the development of a lime kiln operation in Kalgoorlie with raw material supply to be drawn from our high quality Rawlinna deposit, currently in care and maintenance;
- increasing production capacity at our Dongara site;
- exploring limestone supply options for the reactivation of a lime kiln operation at our Kwinana site; and
- the development of our various associated land holdings.

I look forward to presenting you with further information on these opportunities, which have the potential to secure long-term demand and to grow our lime business, when the plans are sufficiently developed.

Sustainability

Operating a sustainable business is a fundamental part of who we are. Societal expectations to maintain a social licence to operate, are increasing, including managing the risk of climate change.

During 2020, Adbri built on the initial work conducted in 2019 on consolidating Group efforts into a sustainability framework and an initial report as part of the Task Force on Climate-related Financial Disclosures (TCFD). We made progress against our 5-year sustainability targets, with key results reflected in an improvement in safety with Adbri's TRIFR reducing by 47.2% to 5.6 and a decrease in total scope 1 and scope 2 greenhouse gas emissions by 2.3% through increased usage of RDF and higher rates of natural gas usage displacing coal as a fuel.

The Group is active in reducing its carbon footprint through investment in renewable energy, the use of alternate fuels and alternate cementitious materials, although emissions from the production of cement and lime are considered difficult to abate. Despite this, Adbri is looking to participate in research that would assist in reducing process emissions as part of its action on climate change.

Further details are set out in the Sustainability Report.

2021 outlook

Government stimulus measures are anticipated to benefit demand for construction materials in 2021, as the improvement in housing approvals in 2H20 translate to commencements and planned infrastructure projects move to the construction phase. January 2021 trading was ahead of expectations and February has commenced strongly, with the exception of Victoria during the government-imposed lockdown period. However, trading conditions are expected to remain challenging as the stimulus measures do not completely offset underlying weakness in east coast construction markets. The production outlook for gold, nickel, iron ore and alumina remains strong.

Earnings in the second half will be negatively impacted by the expected completion of the Alcoa lime contract on 30 June 2021 and the anticipated commencement of a competing cement import terminal in New South Wales, partially offset by continued cost reduction.

Pressure from input cost inflation is expected to continue in 2021, with the Group continuing cost reduction and operational improvement initiatives as part of our ongoing program. As part of this, Adbri announced in December 2020 the streamlining of our operational model, reducing our three divisions into two from 1 January 2021. Incremental cost savings in 2021 are expected to be circa $20.0, million however are likely to be partially offset by headwinds in the order of $10.0 million.

Capital expenditure is anticipated to be elevated in 2021 due to the commencement of the Kwinana Upgrade Project and planned refurbishment of the MV Accolade, the Group's ship that transports limestone from the Klein Point quarry to Birkenhead as part of clinker production, with total capital expenditure anticipated to be circa $200.0 million.

Subject to the completion of satisfactory sales processes, surplus land sales are expected to crystallise $20.0 - 30.0 million in proceeds over the next 2 years.

Due to the inherent market uncertainty, it is difficult to provide more specific guidance at this time.

Conclusion

Our performance during a difficult year demonstrates the quality of the Group's vertically integrated business model and balanced geographic and sector exposure. While COVID-19 continues to impact the world in the early stages of 2021, the Company remains confident of the longer-term fundamentals for growth in the Australian economy that will drive value for Adbri shareholders.

Finally, I would like to sincerely thank our Directors, employees, contractors, customers, suppliers and joint venture partners for their significant effort, flexibility and support that contributed to a robust result for the year.


Artist's impression of Kwinana Upgrade Project

Finance Report

Full year reported NPAT increased from $47.3 million to $93.7 million in 2020. Reported profit includes non-cash impairment charges totalling $15.2 million after tax and non-recurring significant items totalling $6.7 million after tax resulting in an underlying NPAT of $115.6 million.

Sales and profit

Revenue declined 4.1% to $1.45 billion, with improved sales of lime and concrete products offset by the impact of lower residential construction activity on cement and concrete volumes. Improvements in the average pricing for cement, lime and concrete products, offset moderate reductions in aggregate and concrete selling prices. Bagged products and retail masonry products (e.g. pavers, retaining walls) experienced strong demand, while demand for low grade aggregate also increased.

Western Australian demand for construction materials and lime improved as a result of a recovery in residential and commercial construction, as well as strong demand in the mining sector, lifting volumes for both cement and lime. Pricing for cement improved, although average prices for lime decreased marginally.

Residential demand in New South Wales continued to decline compared to 2019, with total annual dwelling approvals to December 2020 declining 2.2% compared to 2019, with continuing weakness in the over-supplied multi-residential market offsetting growth in detached housing. The reduction in demand led to lower volumes across concrete, cement and concrete products in the state.

Demand in South Australia was subdued following completion of supply to infrastructure projects in 2019, principally the Northern Connector Project. Concrete and cement volumes declined, however, infrastructure project work and residential subdivisions supported demand for aggregates.

Despite limitations on personnel numbers at construction sites during stage 4 lockdown restrictions in Victoria, revenue was largely in line with 2019, while slowing residential demand and the completion of infrastructure projects in 2019 reduced demand in the Northern Territory.

Underlying NPAT declined 6.0% to $115.6 million, as a result of lower revenue, partially offset by the benefit from cost savings.

Operational cost initiatives exceeded the Group's initial forecast, delivering pre-tax cost savings of $35.5 million. Net of $20.0 million in input costs increases, the benefit to 2020 of $15.5 million was in excess of the targeted $10.0 million in net savings for the period.

Cost savings were delivered across a range of areas including road freight, fuels, consolidation of back office functions into a shared services environment, investment in production plant to improve efficiencies and workforce planning.

Additional operational costs due to the impact of COVID-19 of $6.5 million were incurred during 2020 as a result of spending on consumables such as sanitiser and site security, and inefficiencies in major shut downs due to social distancing restrictions, as well as establishment costs to support working from home for approximately 400 employees.

Cash flow

Operating cash flow increased 32.6% to $256.2 million due to improved working capital and lower payment of income tax, offsetting lower distributions from joint ventures and higher interest payments.

A focus on production efficiencies and lower revenue led to an improvement in operating working capital of $48.2 million, while a reduction in tax instalments and a higher refund of income tax due to overpayments in prior periods reduced net income tax payments by $34.6 million.

Cash distributions from joint ventures declined in line with the reduction in earnings, while interest payments increased as a result of higher cash and gross debt holds during the year as part of measures taken to ensure the Company maintained liquidity as the impact of COVID-19 on financial markets was being assessed.

Investment in capital increased $44.8 million to $136.4 million. Stay-in-business capital of $78.9 million represented 84% of depreciation, and development capital projects totalled $57.5 million. Development projects included the purchase of land at Badgerys Creek in line with the vertical integration strategy for a future concrete plant to service the Western Sydney Aerotropolis, completion of the Pinkenba concrete plant, the Birkenhead dry-mix upgrade, the purchase of long-term aggregate reserves and a project to improve dust efficiencies at the Birkenhead site.

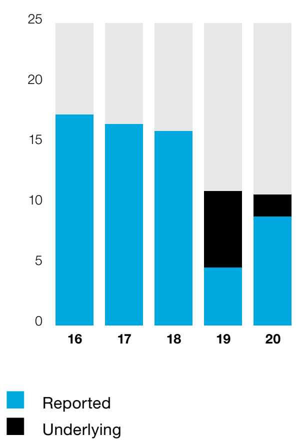
Dividend payments of $63.6 million represent the final dividend for 2019 of 5.0 cents per share and the interim dividend for 2020 of 4.75 cents per share, a reduction of 5.25 cents per share on the dividend payments during 2019.

$35.5M

in pre-tax cost savings, $5.5 million in excess of target.

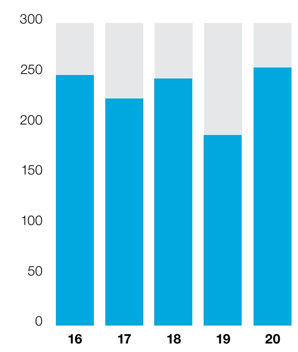
Return on funds employed

%



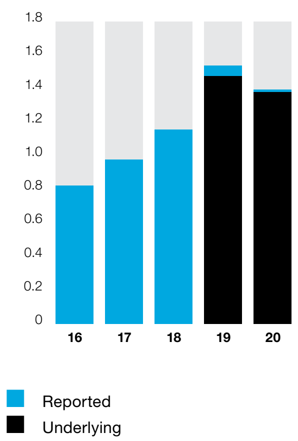
Cash flow from operations

$M



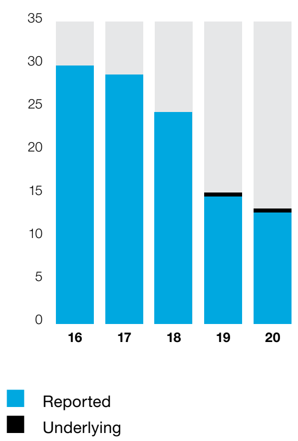
Leverage

Times



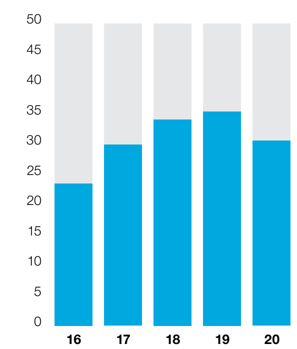
Interest cover

Times



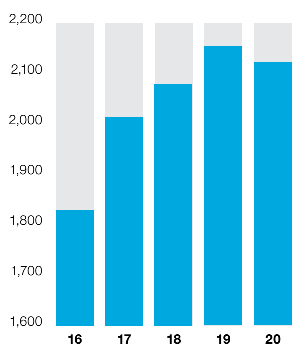
Net debt to equity

%



Total assets

$M



$51.2M

reduction in net debt to $372.1 million at 31 December 2020.

Balance sheet and capital management

Adbri maintained its strong balance sheet through good cash flow and capital management. Net debt reduced by $51.2 million to $372.1 million at 31 December 2020, representing a leverage ratio of 1.4 times underlying EBITDA and gearing of 30.5%, while interest cover was 13.3 times underlying EBITDA. These metrics remain within the Board's target of 1-2 times underlying EBITDA for leverage and 25-45% for gearing.

Liquidity, representing the undrawn component of the Group's $900.0 million debt facilities and cash balances, is strong at circa $525.0 million. Tenor for borrowing facilities provides flexibility, with the weighted average term of 4.6 years.

The Company has complied with its bank agreement terms and maintains significant headroom within its banking covenants.

Shareholder returns

Total fully franked dividends approved for 2020 of 12.0 cents per share represent a 68% payout ratio on underlying net profit after tax. Adbri's capital management objectives are to:

- ensure an efficient balance sheet to optimise the cost of capital and thereby shareholder returns through the use 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.

Approved dividends of 12.0 cents per share for 2020 is a reduction from approved dividends for 2019 of 15.0 cents per share and is towards the middle of the Board's target range of 65-75% of earnings. Approved dividends at the middle to lower end of the Board's target range reflect elevated capital requirements over the next three years as a result of the recently announced $199.0 million Kwinana Upgrade Project and ongoing volatility and uncertainty in the outlook due to COVID-19. The Kwinana Upgrade Project is anticipated to be completed in mid-2023, providing long-term value to shareholders by reducing costs and reducing future stay-in-business capital requirements.

Underlying return on funds employed declined marginally from 11.2% to 10.9% due to lower profits during the year, however remains above the Company's cost of capital. Capital management and cost reduction were key priorities, allowing the Company to deliver relatively stable returns in an otherwise challenging year for the construction materials sector.

Cement and Lime

Adbri carries a broad range of packaged products for our retail customers.

Our business

Market conditions

Demand for cement remained challenging in 2020 outside of Western Australia, where demand improved with the mining sector remaining robust despite the challenges from the COVID-19 pandemic. Construction activity in other markets was lower, resulting in cement volumes declining 7.1% compared to the prior comparative period and clinker volumes reducing by 23.0%. Federal and State Government stimulus measures targeted at the construction sector were welcomed but did not significantly improve demand during the year.

Western Australian cement volumes increased as the State's economy recovered, with an improving residential construction market, increased infrastructure spend and growth in mining demand. Demand in other states was subdued due to declining residential construction activity and slower demand from infrastructure. Slowing demand was most significant in South Australia, with the prior comparative period including the balance of the Northern Connector Project which concluded early in the period, and in New South Wales on the back of a subdued multi-residential market. Clinker volumes were impacted by demand dynamics of Sunstate Cement in the Queensland market, with lower offtake from our joint venture partner.

Lime volumes improved 4.2%, with strong demand from Western Australian customers led by the non-alumina market as the gold sector remained buoyant, offsetting lower demand in South Australia and the Northern Territory.

In mid-2020, the Company announced that Alcoa had advised the contract to supply lime to their Western Australian alumina refineries would not be extended beyond the end of the existing contract on 30 June 2021. The Group announced an impairment to Munster kiln 5 which will be mothballed following completion of the contract, and a strategic review of the lime operations as discussed earlier in this Annual Report.

Cement prices increased 1.4% on the prior comparative period, benefitting from improved volumes in the Western Australian market. Prices moderated in South Australia and the Northern Territory, while improving in New South Wales and Western Australia.

Lime prices declined 1.8%. Higher pricing in the alumina sector as a result of contractual price adjustments were more than offset by the mix impact of lower volumes in South Australia and the Northern Territory and a decline in prices to the non-alumina sector in Western Australia.

Margins

Margins improved in the Western Australian market as a result of higher cement and lime volumes, coupled with improved pricing and cost savings. However, this was offset by lower margins in South Australia and New South Wales, which were impacted by lower volumes, resulting in earnings for the division declining during the period.

The Group's cost reduction program delivered cost savings to the Cement and Lime division, across a range of areas including fuel prices, production efficiencies, resource recovery and reduced administration costs. These savings were partially offset by the impact of COVID-19 on operations which resulted in higher costs for consumables, security, pandemic leave and the reduced efficiency of maintenance shutdowns as a result of social distancing requirements.

Building a better Australia

In December 2020, the Adbri Board approved the Kwinana Upgrade Project, which will consolidate the Group's Western Australian cement grinding operations onto one site. Following an estimated two-year construction period, the $199.0 million project will improve efficiency of the operations, with reduced maintenance and transport costs, and lower energy requirement through state-of-the-art equipment.

The project is anticipated to deliver annual cash operating cost savings of circa $19.0 million in the first full year following commissioning, as well as reducing the need for ongoing capital expenditure that would have been required for the existing aging plant. Non-financial benefits delivered by the project will include reduced truck movements through the local community and lower carbon emissions as a result of the improved efficiency.

The Birkenhead dry-mix packing plant upgrade was commissioned during 2020, a challenging process due to the travel restrictions placed on technicians from overseas and major equipment suppliers that required innovative solutions to maintain project timelines. The upgraded plant provides state-of-the-art equipment to meet demand for packaged products in the South Australian market, providing improvements to health and safety, in addition to operational flexibility. As part of the upgrade, new packaging provides customers with better product storage durability.

Our brands

Adelaide Brighton Cement Ltd | MCI | Cockburn Cement | Swan Cement | Northern Cement

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Concrete and Aggregates

Exposed aggregate driveways are a popular choice for homeowners.

Our business

Market conditions

The concrete and aggregates market remained challenging in 2020, driven largely by the downturn in east coast residential building activity coupled with the economic and operational disruption caused by the COVID-19 pandemic. In addition, the first quarter of the year was negatively impacted by bushfires which were followed by floods across the eastern seaboard.

Fiscal stimulus measures announced in 2020 by State and Federal Governments included a strong focus on actions to increase spending in the construction sector to boost employment and generate economic activity. Improved demand as a result of the Government stimulus measures only became evident during the final quarter and had limited impact on the overall year's performance. The outlook remains positive based on the current order book and the various Governments' forward pipeline of proposed infrastructure spend.

Lower demand from the already slowing residential construction market and impact of COVID-19 disruptions led to an 8.3% reduction in concrete volumes compared to 2019, with the most significant impact felt in New South Wales. The completion of key infrastructure projects in South Australia and the Northern Territory also contributed to lower volumes during the period.

Conversely, aggregate sales volumes increased by 5.0% reflecting strong demand for our quarry products across infrastructure, road maintenance and civil projects, combined with an improvement in residential subdivision in the second half driven in part by the Federal Government's housing stimulus program, particularly in the Queensland market. Slowing demand increased competitive pressures and reduced volume in higher priced markets such as New South Wales and the Northern Territory, and led to an overall reduction in concrete selling prices by 2.4%. Concrete selling prices in the Victorian and South Australian markets were relatively stable. Underlying prices for our clean aggregates remained stable during the period, however the higher demand for lower grade and fill products resulted in a 5.1% reduction in average aggregate selling prices.

Margins

Underlying earnings before interest and tax improved significantly compared to 2019. The benefits from the Group's cost-out and operational improvement program including the insourcing of targeted transport services, and higher aggregate volumes, offset the impact of lower concrete volumes and subdued concrete and aggregate prices.

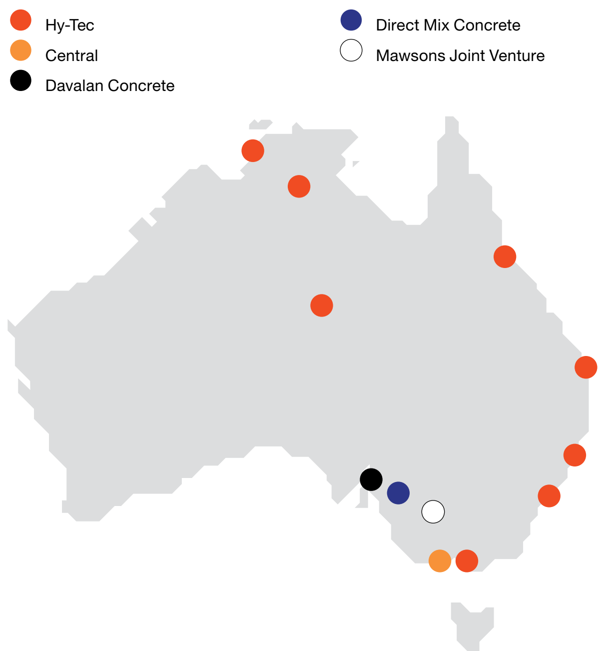
Building a better Australia

The scale-up of the Scotchy Pocket quarry supported the Group's vertical integration strategy, following commissioning in the second half of 2019. In addition to providing aggregates to the Group's Sunshine Coast concrete plants, the quarry provides a platform for the Group to participate in infrastructure projects in the region. The supply of quarry products into the upgrade of the Bruce Highway, as part of the Cooroy to Curra project near Gympie at the northern end of the Sunshine Coast, commenced in late 2020 with demand for quarry products from this project expected to continue through to the end of 2022.

The vertical integration strategy was further enhanced with the acquisition of land in the Badgerys Creek area, situated within the Western Sydney Aerotropolis, with planning underway for the construction of a concrete plant.

The Group continues to review acquisitions, joint ventures and greenfield developments in attractive markets which broaden our operational footprint and improve our product offering to customers as we continue to grow our Concrete and Aggregates business across Australia.

Concrete and Aggregates footprint



Our brands

HY-TEC · DIRECT MIX CONCRETE · SOUTHERN QUARRIES · Penrice Quarry & Mineral · CENTRAL PRE-MIX CONCRETE · Davalan Concrete

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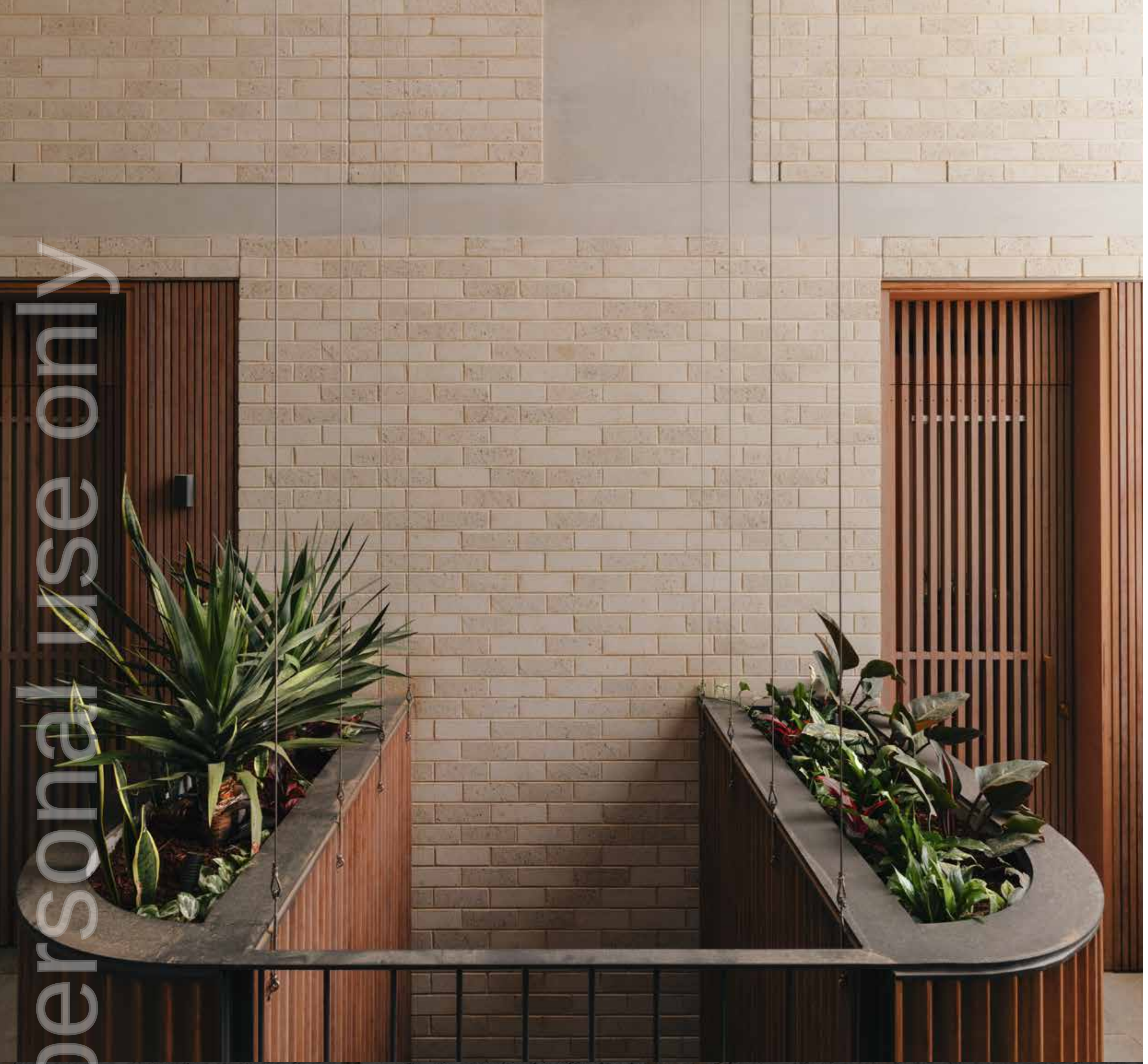

Concrete Products

The Napier Street Apartments which feature Adbri's concrete architectural bricks won a 2020 Think Brick Award.

Our business

Market conditions

The Concrete Products business saw solid demand in the retail sector through much of the year following a slow start to 2020 due to bushfires and flooding impacting demand. Demand for masonry products was robust for much of the year as the retail products sector demand offset the impact of lower commercial volumes.

Our concrete products became a focus of residential consumer spend as COVID-19 restrictions and lockdowns hindered spending on other items such as hospitality, restaurants and tourism. Demand was strong across all retail channels and regions for much of the year as consumers directed discretionary household spend towards home renovations and landscape improvements.

Sales to the commercial and residential construction sectors remained challenging, however second half performance improved following a fire and flood impacted first quarter. Increased second half demand was aided by increased residential demand in North Queensland and commercial demand in New South Wales and south east Queensland.

Margins

Underlying EBIT increased year on year, from $6.0 million in 2019 to $8.0 million in 2020. Demand from the higher margin retail sector and the benefit from cost initiatives offset the impact of lower demand from the commercial and residential construction sectors. Underlying EBITDA margins increased from 8.8% in 2019 to 9.7% in 2020.

Sales volumes supported cost efficient production processes at manufacturing sites, with operational sites continuing to implement cost-out initiatives, optimise working capital and improve manufacturing efficiencies. With these initiatives, Concrete Products achieved a year-on-year cost reduction and reduced working capital compared to the previous corresponding period.

Building a better Australia

Concrete Products maintains its commitment to sustainability matters such as the environment, diversity and inclusion.

In 2020, the business invested $0.6 million to install solar panels across its major facilities in Victoria, New South Wales and Queensland, expected to generate 600kW of electricity representing up to 22% of our energy requirements at these sites and reducing our greenhouse emissions by 574 tonnes annually.

Our brand

adbri MASONRY

The business progressed with its concrete brick initiative and while sales were lower due to lower residential demand, a number of key projects were delivered including Victorian school projects which used over 500,000 bricks and the award-winning Napier Street project (pictured). In 2020, these new bricks were successfully produced for the first time in New South Wales and Queensland, adding to the existing capability in Victoria and Tasmania and providing full coverage across the attractive east coast market. A strong focus on building the market as well as the continued development of the product and its inherent environmental benefits provides a positive outlook for 2021.

Victorian School Building Authority's (VSBA) schools project

Adbri Masonry is helping build better schools and improved education facilities one brick at a time.

In 2020, we supplied over 500,000 Architectural Concrete Bricks to the Victorian School Building Authority (VSBA) to help transform schools into leading edge learning environments and neighbourhood facilities.

For the first stage of this project, Adbri delivered premium locally produced concrete bricks to eight schools as a part of the Victorian Government's $7.2 billion investment in education and training facilities. The bricks were selected by the consulting architects for their contemporary design that features multiple colours and textures including the highly detailed honed finish.

With the support of four skilled bricklaying contractors, Adbri's architectural bricks have brought to life these new state-of-the-art learning environments, where the next generation of students in Merrifield, Thoroughbred, Truganina, Wollahra, Rockbank, Pakenham, Cranbourne and Pascoe Vale can thrive.

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ICL is building a new dry-mix bagging plant at Yarraville, Victoria.

Joint Ventures

Our joint venture businesses

Our joint venture businesses enable access to important markets and products whilst providing vertical integration for our fully owned operations.

Earnings from Adbri's joint venture businesses decreased from $31.5 million in 2019 to $26.9 million in 2020. Volumes in the Victorian market were strong, despite the challenges of COVID-19. However, cement volumes in New South Wales and Queensland were impacted by slower market conditions and in Queensland lower shareholder offtake by our Sunstate joint venture partner. The Sunstate result was the major driver of the lower overall contribution from our joint ventures. Offshore, the effects of COVID-19 were more pronounced, impacting our Malaysia-based Aalborg Portland joint venture with lockdown periods affecting production and sales during the course of the year.

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

ICL is a joint venture between Adbri and Barro Group Pty Ltd. It is a major supplier of bulk and packaged cementitious products throughout Victoria and New South Wales and remains the exclusive distributor for Adbri in these states.

Bulk volumes remained resilient in Victoria, despite COVID-19 related restrictions for the construction industry, while packaged product sales benefitted from an increase in retail activity over the period. In New South Wales, lower volumes were largely offset by cost-out initiatives. This solid demand profile saw ICL earnings largely stable year-on-year.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate is a joint venture between Adbri and Boral Limited. With a leading cement milling, storage, packaging and distribution capability, Sunstate is a key supplier to Queensland's construction industry.

As expected, sales volumes to our joint venture partner decreased in 2020, whilst competition in the south east Queensland construction materials market increased. The dry-mix and package markets remained robust assisted by strong retail demand. Continued manufacturing efficiency efforts assisted in offsetting some of the lower volume, however earnings contribution to Adbri reduced by $6.9 million compared to 2019.

Mawson Group (Mawsons) (50%)

Mawsons is a joint venture between Adbri and BA Mawson Pty Ltd. The largest regional premixed concrete and quarry operator in northern Victoria, Mawsons also operates in southern New South Wales. Traditional positions have been bolstered by further acquisitions over recent years, reinforcing Mawsons position as a key aggregates and premixed concrete supplier in the region, with leading positions in many of the markets it serves.

Strong regional construction demand in Victoria during 2020 saw the earnings contribution from Mawsons grow by 32.1% compared to 2019. The outlook for regional construction in Victoria continues to look positive into 2021, underpinned by infrastructure projects including safety improvements, improved housing demand in regional Victoria and high agricultural yields as rainfall returned after a period of prolonged drought. Fiscal stimulus through the HomeBuilder scheme is also expected to provide demand support during the first half of 2021.

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

Aalborg manufactures white cement and clinker from its plant at Ipoh, located in northern Malaysia. Its bulk and packaged white cement products are sold domestically in Malaysia and exported to other markets across south east Asia and Australia.

Although an operational improvement program continued to provide efficiencies, 2020 earnings were severely impacted by the effects of COVID-19 across Malaysia and the broader south east Asian region. The plant itself was forced to shut down for several weeks during a nationwide lockdown, and several key markets such as Singapore and the Philippines saw demand reduce due to their own restrictions. The net impact was a reduction in earnings contribution to Adbri of $0.2 million over the year.

Burrell Mining Services (Burrell) (50%)

Burrell is an unincorporated joint venture between Adbri and Burrell Mining Products. It manufactures a range of concrete products exclusively for the coal mining industry at its production facilities in Queensland and New South Wales.

Burrell earnings contribution to Adbri for 2020 was $0.1 million lower than 2019, impacted by demand and price headwinds affecting the coal market.

Batesford Quarry (50%)

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

Batesford Quarry earnings were steady. Demand for agricultural lime products is expected to remain stable into 2021 off the back of positive sentiment from Victorian agricultural markets.

32.1%

growth in earnings contribution from Mawsons, driven by strong regional construction demand in Victoria.

Our joint venture brands

Sustainability Report 2020

Overview

A sustainable future

At Adbri we are committed to a sustainable future. A future where all our people go home safely, our customers are at the heart of what we do, our people and workplaces are inclusive, and where we grow value for our investors and communities whilst taking care of our environment and addressing climate-related impacts. This future is supported by our strategic pillars of safety, customer focus, inclusivity and sustainable growth that we introduced during the year to build a common culture and values across the Group.

Approach

Adbri's sustainability strategy focuses on assessing risk and identifying opportunities to improve social, environmental and economic outcomes. We are respectful of our social licence to operate and we recognise that contributing to a sustainable future is essential for our long-term business success. We will achieve this by fostering responsible business practices and engaging our people and communities in 'Building a better Australia'.

Global alignment

The United Nations defined 17 Sustainable Development Goals (SDGs) that address important challenges facing the world as part of the United Nations 2030 Agenda for Sustainable Development. Adbri's purpose, pillars and Sustainability Framework are aligned to the SDGs, of which four SDGs represent the material areas where Adbri contributes to a sustainable future.

SDG	SDG objective	Adbri's commitment
DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Adbri is committed to enhancing our diverse and inclusive culture, and our aim of *'Work Safe, Home Safe'* for the protection of our people and the environment, every day.
INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	We continue to develop and invest in product quality and research low carbon technologies to build sustainable and resilient products and manufacturing processes for a future low carbon industry.
RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns.	We are committed to reducing our impact on the environment and local communities from our activities, products and services. Adbri assesses our climate risk exposure and adopts measures to achieve improved social and environmental outcomes, including supporting a circular economy and reducing waste to landfill.
CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	We continue to take action to reduce carbon emissions for a low carbon future through our production processes, building resilience and ensuring our people, local communities and other stakeholders are engaged on our sustainability journey.

Governance

Adbri's Board and Management are committed to the highest standards of corporate governance: actively managing our risks and opportunities which is essential for long-term sustainable performance and value creation for all stakeholders.

Board approach

In 2020, the Safety, Health, Environment and Community Committee was renamed to the Safety, Health, Environment and Sustainability (SHES) Committee to better reflect the Company's focus on sustainability.

The SHES Committee charter sets out its role to monitor and oversee, on behalf of the Board, the effectiveness of safety, health and environment practices, and to assist and advise the Board in relation to corporate social responsibility and sustainability. The SHES Committee works within the Group's risk framework to identify, manage, and report risks and opportunities through oversight of:

- Management and employee roles and accountabilities, and expectations of contractors;
- resources and processes to identify, manage, report and reduce SHES risks;
- consultation and communication with employees, contractors, suppliers and customers on SHES matters;
- processes for complying with our legislative obligations;
- protection of the health, safety and wellbeing of employees, contractors and visitors;
- provision of an early injury intervention program, return to work opportunities for injured employees, effective rehabilitation and equitable claims management; and
- avoidance, reduction and control of waste and pollutants to reduce adverse environmental impacts.

Management approach

The Management team recognises that sustainability is an important component of the Company's purpose of 'Building a better Australia' by managing our operations in a safe and sustainable manner. SHES key performance indicators are embedded into Executive remuneration, with non-financial performance components of short-term incentives including a range of metrics to drive performance in the areas of leadership, people, diversity, health, safety and environment.

> "
> **Our integrated HSE System provides standards and a framework for achieving our SHE objectives, whilst the Sustainability Framework priorities and targets provide the foundation for environmental sustainability performance, including taking action on climate change.**

Continuous improvement in sustainability is driven through Management working groups:

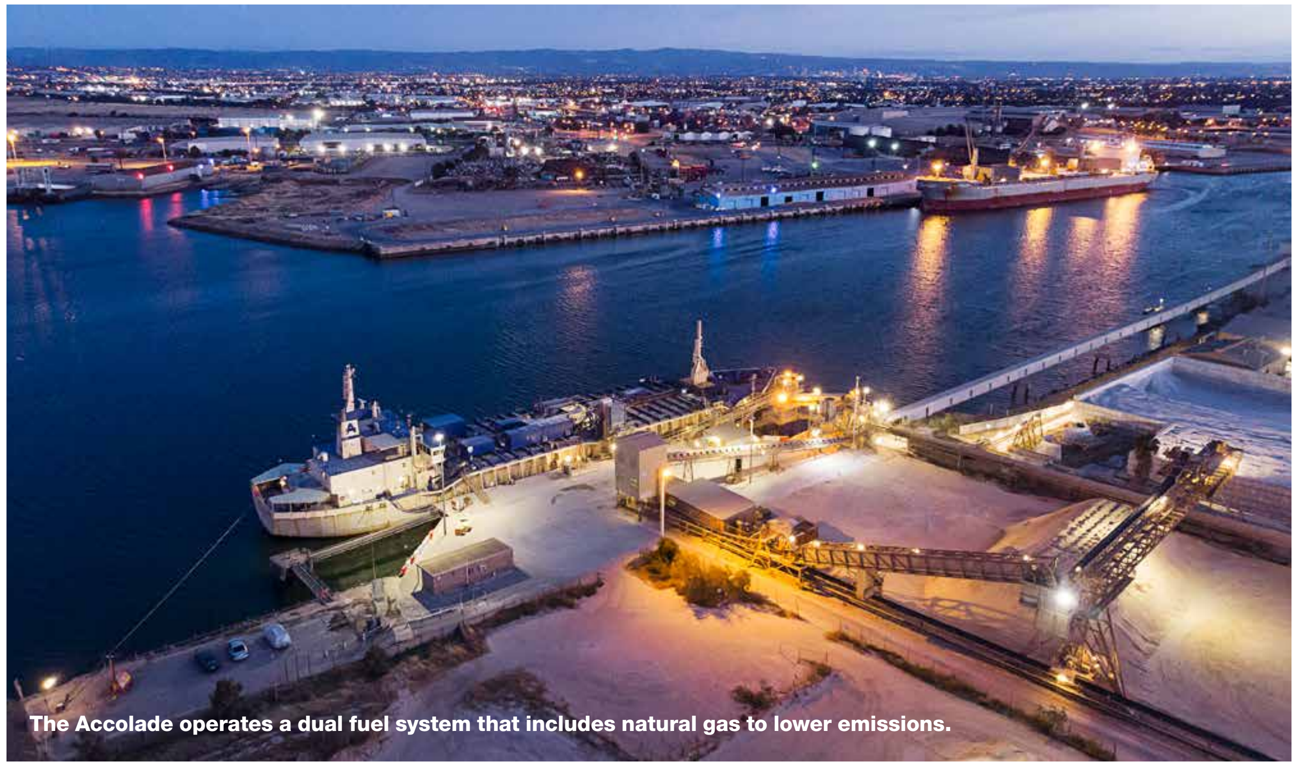
- the Safety, Health, Environment Committee (SHEC) oversee the implementation and execution of Adbri's Health, Safety and Environment (HSE) Strategy and make decisions related to associated risks;
- the Executive Sustainability Steering Committee (ESSC), which focuses on environmental sustainability including climate change; and
- the Executive Management Team, which provides oversight for the effective management of our business.

Challenges and opportunities

Sustainability presents both challenges and opportunities for Adbri. Our response to these has helped us increase revenue through development of new products, reduction of our carbon footprint, reduce costs and better management of risks. It is our intent to extend on our current efforts by continuing to drive sustainable development and innovation to improve long-term value for our stakeholders.

Key challenges / opportunities

Climate action	We assess and report climate change risks and opportunities to stakeholders and continue to reduce our impact by taking action to set a path to a low carbon future, contributing to net zero carbon emissions by 2050. Adbri works with Governments and stakeholders to support climate change regulation and policies that provide for a sustainable future.
Environmental stewardship	We are committed to the protection of the environment. We seek continual improvement in our performance through assessment and management of environmental risk, operational compliance and integrating environmentally sustainable practices into all areas of the business. This includes pollution management, reduction of waste and consumption of natural resources as part of promoting a circular economy, improve water and land management practices to protect biodiversity and ecosystems, and rehabilitation of land under our care.
Health, safety and wellbeing	We strive to continually improve the health and safety performance of our sites. Adbri's HSE Management System, training and business culture help to protect the wellbeing of our workers and minimise the health, safety and environmental risks, hazards and impacts associated with our activities, products and services.
Diversity and inclusion	Adbri is committed to an inclusive workplace, one of the Company's four pillars, promoting and valuing diversity. We know that a diverse and inclusive culture enhances our working environment and results in better business outcomes.
Community	We are committed to being a socially responsible member of the communities in which we operate, valuing our stakeholders and continue to seek ways to improve outcomes and engagement with our local communities.
Technology	We invest in technology and innovation to enhance the efficiency, productivity, quality and sustainability of our business. We also participate directly, or through partnerships and collaboration, in research to develop technologies for the production of construction materials.
Economic vitality	Our social licence to operate is built on our commitment to sustainability. Integral to this is providing local employment opportunities, producing necessary goods and services, and payment of taxes to Local, State and Federal Governments. We operate the business efficiently and responsibly manage our risks, supporting Australia's economy with a diverse and vertically integrated business that supports economic growth.



The Accolade operates a dual fuel system that includes natural gas to lower emissions.

Sustainability framework

Adbri's Sustainability Framework, adopted in 2019, provides a focus for prioritising our efforts in alignment with SDGs that are material to the Company to drive measurable performance for the long-term success of the business.

The framework covers two strategic goals:

1. fostering a sustainable and responsible business; and
2. enhancing engagement with people and communities.

Within the framework we have set focus areas to drive action within the company:

- reducing adverse environmental impacts;
- developing low carbon products;
- engaging our people in sustainability initiatives; and
- building strong relationships with local communities.

Priorities are set for each focus area with 5-year targets that use 2019 as a baseline. Beyond these 2025 targets, Adbri is considering our longer-term risks and opportunities relating to climate change and increasing demand for sustainable production.

	Strategic Goals	Challenges and opportunities	Current initiatives	Future priorities	5-Year Targets	Alignment to SDGs
Sustainable and responsible business	Reduce adverse environmental impacts	• Emission intensive core products • Waste (excess concrete, packaging, use of recycled materials) • Plant design not all to current best practice	• 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 • Improving environmental compliance through technology	• 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	• 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	• Regulatory impediments to replacing Portland clinker cement • Lack of scalable demand for greener products • Produce cement with 20% limestone capability	• Developing geopolymer capability • Recycle cement packaging • Environmental product disclosure • Creating products to customer specifications at Birkenhead, including production of low carbon products	• 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	• 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	• Reduce harm to our people (physical and mental health) • Workforce diversity and inclusion • Establish brand identity • Access to information	• 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	• 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	• 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	• Reduce the negative impact and contribute positively to the communities in which we operate • Investor engagement	• Developing cohesive messaging and branding for communities and investors i.e. sustainability strategy and reporting • Strategic community engagement initiatives • Supporting local employment	• Enhance external communications • Community engagement strategy • Visible community partnerships • Local employment focus	• Community investment aligned with the community engagement strategy • Maintain regular external communications	SDG 8: Decent work and economic growth

Performance highlights

Reduce environmental impacts

2.3% reduction in GHG carbon emissions

initial climate change scenario analysis completed

9.1% reduction in mains potable water usage

Low carbon products

4,896T increase in alternative raw material usage

17.3% reduction in coal usage at Munster

Engaged people

47.2% reduction in total recordable injury frequency rate

724 critical risk control self-assessments completed

28% proportion of female new hires

Engaged communities

3 Aboriginal and Torres Strait Islander organisation sponsorships

55+ organisations supported

Sustainability priorities

Reduce adverse environmental impacts

In our continuing journey to reduce environmental and climate-related impacts, we have developed a range of initiatives as part of our strategic goal to reduce environmental impacts, including materials and energy efficiency improvements through the use of raw material substitutes and alternative fuels.

UP TO 22% expected reduction in electricity usage at four key Adbri Masonry sites with the installation of solar arrays.

Reduce adverse environmental impacts - Performance metrics, targets and progress

Material topics	Measure	2020	2019	Targets	Progress
Total GHG emissions (scope 1 and 2)[1]	tCO_2e	2,332,553	2,387,020	5-year target of 7% GHG emission reduction from 2019 baseline	Improvement - 2.3% reduction
Scope 1 GHG emissions[1]	tCO_2e	2,125,121	2,156,481		Improvement - 1.5% reduction
Scope 2 GHG emissions[1]	tCO_2e	207,432	230,539		Improvement - 10.0% reduction
Total energy consumption[1]	GJ	14,286,867	14,782,120		Improvement - 3.4% reduction
Alternative fuel use in SA[2]	%	25%	23%	5-year target of 50% kiln fuel to be sourced from alternative fuel in SA from 2019 baseline	Improvement - 2 percentage point increase representing an increase of 2.5% tonnage of alternate fuel use
Process waste to landfill[3]	Tonnes	177,703	204,723	5-year target of 25% reduction in process waste to landfill from 2019 baseline	Improvement - 13.2% reduction
Mains potable water usage	ML	1,206	1,327	N/A	Improvement - 9.1% reduction
Reportable environmental incidents	Number	1	1	N/A	Stable - No change
Incidents with environmental consequences	Number	181	325	N/A	Improvement - 44.3% reduction

1. Greenhouse gas (GHG) emissions and energy consumption are measured and reported in line with the *Australian National Greenhouse and Energy Reporting Act 2007*. GHG is reported in tonnes of carbon dioxide equivalent (tCO_2e).
2. Alternate fuels used at clinker and lime production facilities, sourced from recovered materials that displace a portion of traditional virgin fossil fuels and reduce waste to landfill. The emissions calculation methodology was adjusted in 2020 to provide a more precise figure, with 2019 comparative figure revised to enable a like-for-like comparison.
3. Process wastes are wastes produced through clinker and lime production that are sent to a final disposal destination. Additional waste streams have been included in current period. 2019 comparative revised to enable a like-for-like comparison.

We closely monitor the impacts of our operations to ensure we are a good neighbour.

Reduce adverse environmental impacts - Achievements

Initiatives	Progress
Using alternative fuels	• Alternative fuels use in SA increased by 2 percentage points from 23% in 2019 to 25% in 2020, an increase in energy from all alternative fuel types used of 32,831 GJ. • In 2020, 105,792 tonnes of RDF, an engineered fuel that is recovered from waste that would otherwise go to landfill, was used to substitute a portion of our fuel needs from natural gas at the Birkenhead plant. Regulatory approval was received to increase throughput of RDF from 15 tonnes per hour (tph) to 25 tph. • Angaston and Mataranka plants utilised 5,143 kilolitres (kL) of recycled waste oil as a fuel replacement for traditional fossil fuels.
Responsible sourcing and screening of products	• Our procurement policy addresses a range of factors to help Adbri select the best fit-for-purpose products and services for our business using best practice principles. Three key principles in our policy include: - maintain competitive and transparent bidding processes; - maintain accountability and probity; and - consider and mitigate financial, environmental, health and safety risks.
Diverting waste from landfill to beneficial uses	• Waste diversion activities during 2020, in addition to the alternative fuels and raw materials initiatives outlined above, included: - lime kiln dust re-use projects including agricultural applications and road construction material; - increased recycling of cement kiln dust and commitment to a $6.0 million recycling project to reduce waste production from the Birkenhead kiln; and - onsite recovery and recycling of solid and liquid concrete wastes for beneficial re-use back into the production process or for manufacture of new product lines.
Progressive rehabilitation (and responsible use of buffer land)	• Progressive rehabilitation of land, particularly at our quarries, reduces the impact of these activities at the site at any one time. As activities shift from extraction of resources in older areas, proactive rehabilitation is undertaken through landscaping and planting to rejuvenate the natural landscape. For example, at our Austen quarry, we have been undertaking progressive rehabilitation since 2004, with over 15,000 trees, shrubs and ground covers planted, including planting of vulnerable species.
Developing TCFD disclosures and implementing roadmap to deliver on recommendations	• Adbri has committed to reporting in line with TCFD recommendations. In our TCFD program we continue to progress all four streams of work: - governance and oversight; - climate change policy, strategy and metrics; - climate risk management supporting projects; and - scenario analysis. • Adbri is undertaking a scenario analysis exercise where climate models are used to assess physical and transition risks.
Use of renewable energy sources including wind and solar	• Adbri increased its usage of renewable energy, installing solar panels with capacity of 500kW at sites in our Concrete Products division, reducing electricity consumption by up to 22% at the four sites. This initiative complements the Group's electricity purchase agreement with a renewable energy generator, that provides over 55% of Adbri's electricity needs from renewable sources. • Our Concrete Products division has reduced natural gas consumption by between 50% and 80% at three sites by upgrading product curing systems. • A solar analysis calculator was developed to allow staff to conduct energy reviews. This calculator is used to evaluate the potential and capacity for solar panels at individual sites, promoting the benefits of green energy.
Improve efficiency of operations (energy efficiency and plant upgrades)	• Our Sustainability Framework identifies plant upgrades and energy efficiency as a future priority. This is an ongoing initiative as we invest in the long-term sustainability of the business. • The majority of our clinker and lime is produced using energy efficient dry-process kilns, with state-of-the-art technology including staged preheaters and precalciners. • Over the past three years we have also completed energy audits on our key operations, resulting in the upgrade of two large process fans at the Birkenhead site in 2020 to improve energy efficiency.
Reduce the use of potable water in industrial processes	• A range of initiatives have also been ongoing to increase water use efficiency including the use of treated recycled water from vehicle wash stations and increasing fresh water capture and containment. • Potable mains water consumption decreased from 1,327 ML in 2019 to 1,206 ML in 2020 (down 9.1% across Adbri).
Improving environmental compliance through technology	• A centralised compliance management and review system was developed during 2020 to improve management activities across environmental obligations. This assists sites to manage and centrally report environmental compliance against licence conditions, providing up-to-date performance information. • A summary of our environmental performance is included on page 60 of the Directors' Report.

Water savings at Sellicks Hill quarry

Sellicks Hill quarry has reduced its reliance on mains water for dust suppression with the completion of water infrastructure upgrades during the year. The initiative consisted of entering into a supply agreement to access recycled water for the site, investing in associated infrastructure to support the connection and extension to the existing off-site supply network, on-site water and pumping infrastructure, and the installation of a large capacity holding tank. This has resulted in an 80% improvement in pumping efficiency, with recycled water providing between 60% and 70% of water required at the site, reducing use of potable water by 51 ML since November 2019.

Protecting the pied oystercatcher

For the past three years the team at our Dunbogan sand quarry has created and maintained a breeding ground for a pair of threatened pied oystercatchers who call the quarry home.

With around 200 oystercatcher breeding pairs remaining in New South Wales, the team has erected a predator-proof fence around the nest to allow the family of pied oystercatchers to flourish within the operating quarry site.

Task Force on Climate Related Financial Disclosure (TCFD)

Adbri committed to phase in reporting in accordance with the TCFD. The disclosures are based around the TCFD recommendations within four areas of Governance, Strategy, Risk Management and Metrics.

TCFD governance

Adbri's governance processes for sustainability set out in this report, incorporates climate change risk.

TCFD strategy

Adbri's Sustainability Framework provides the Group's sustainability strategic goals that include climate change, setting out details of initiatives, priorities and near-term targets. Key climate change issues that were used to guide the development of the strategy present both risks and opportunities to Adbri as set out below:

Short-term (<5 years)	Medium-term (5-20 years)	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	• Material specifications for construction projects are changed, reducing demand for the Company's products, reducing volumes and profitability	• Rising sea levels adversely impact operations in coastal areas. Significant operations associated with the Cement and Lime division are situated in coastal locations
• Transition to renewable energy – higher costs and potential for disruption to production due to intermittent supply	• A substitute for Portland clinker-based cement becomes commercially viable, stranding current cement production assets	

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's Australian-based manufacturing facilities compete with suppliers of clinker, cement and lime located throughout the Asia Pacific region while the Group also sources cementitious products from suppliers in the region.

A move to lower emission products has improved the conversion of waste streams to either inputs into the production of construction materials or as an energy source. The International Energy Agency (IEA) has developed a technology roadmap for the cement industry, building on a long-standing collaboration between the IEA and the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD). The main element of the roadmap is the decoupling of cement production from direct GHG emissions through initiatives such as:

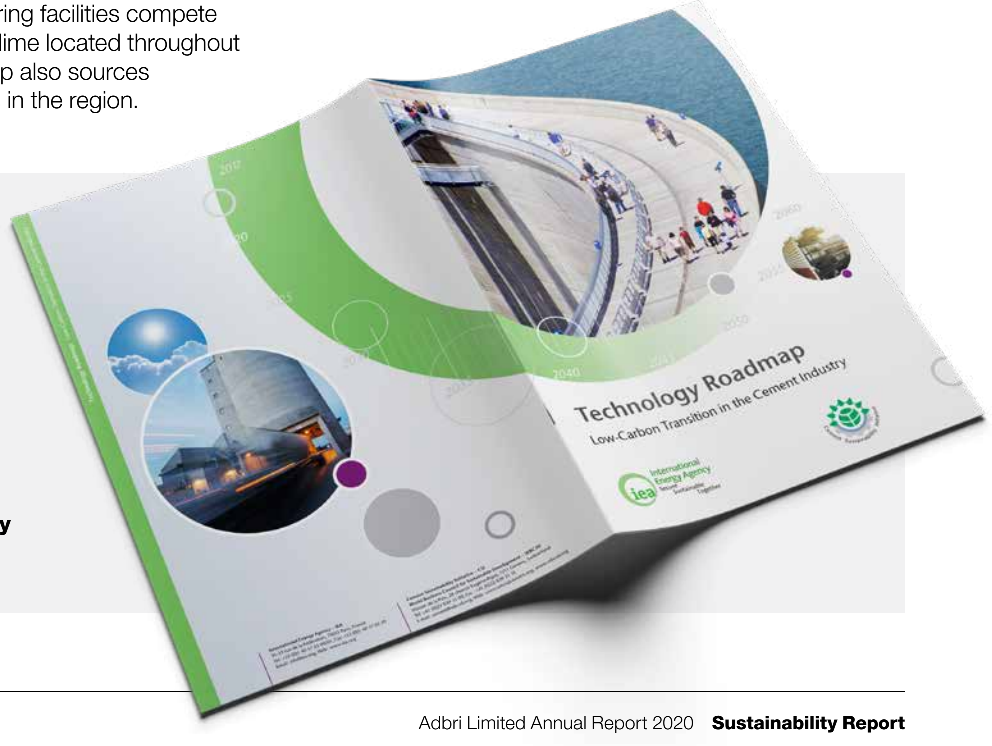
- improving energy efficiency;
- switching to fuels that are less carbon intensive;
- reducing the clinker to cement ratio; and
- implementing emerging and innovative technologies such as carbon capture.

The Group's sustainability strategy, initiatives and priorities as outlined in our framework are aligned to the IEA roadmap.

TCFD scenario analysis

Scenario analysis provides an insight into the resilience of an organisation's strategy to different climate-related scenarios. Scenarios are a hypothetical view of the future, allowing an assessment of the impact on Adbri under different climate scenarios that may occur as a result of global emissions, and also what might occur as a result of global and local trends and initiatives in policy and technology advancement. These 'What if…' scenarios then help Adbri refine business strategies.

Adbri completed a climate change scenario analysis for the first time in 2020, looking at both physical and transitional risks associated with climate change. Three scenarios were included in the analysis, developed using climate scenarios from the Intergovernmental Panel on Climate Change (IPCC) and sector impacts utilising IEA scenarios. Utilising these external sources leverages recognised inputs to aid comparison of the data.



Our sustainability strategy is aligned to the International Energy Agency Technology Roadmap for the cement industry.

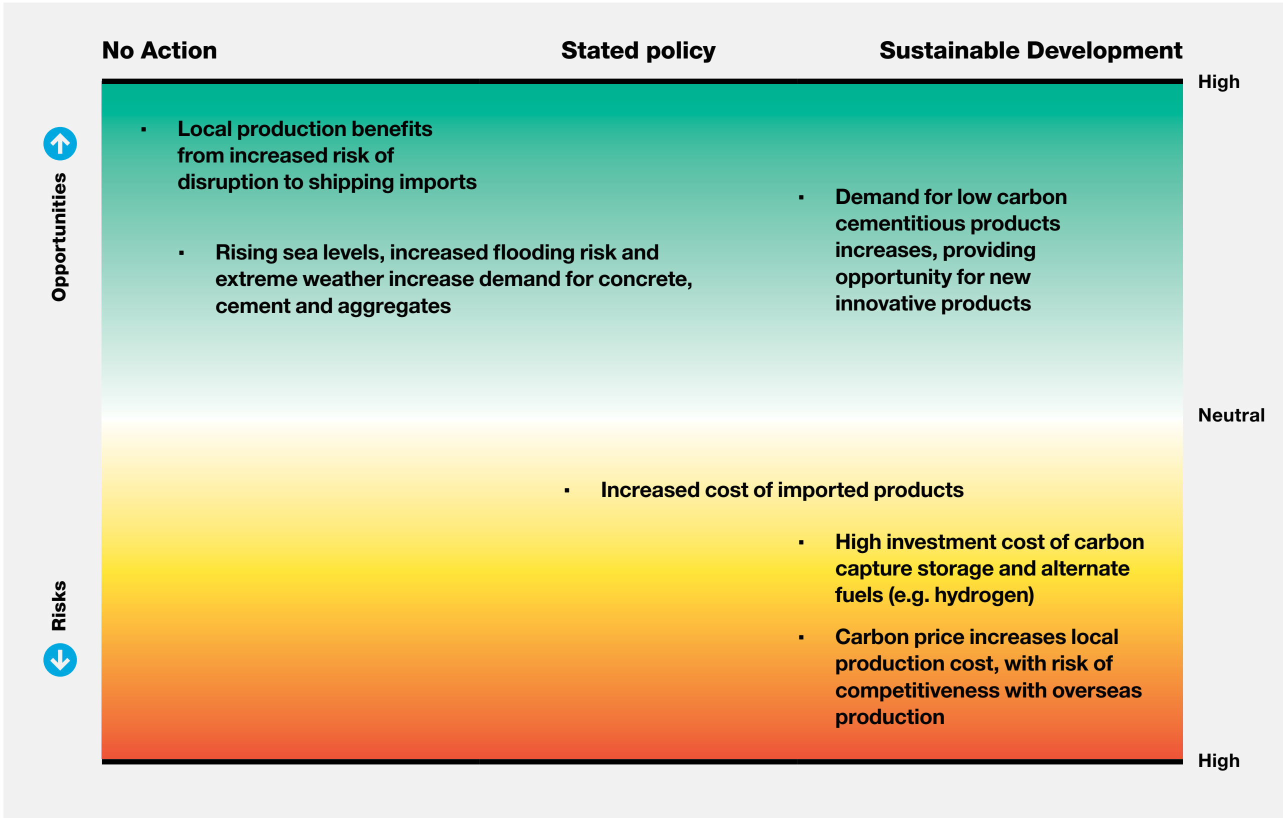
The 3 scenarios are summarised below:

Scenario name	No action	Stated policy	Sustainable development
Temperature target	4.0°C	2.7°C	1.7°C
IPCC / IEA reference	IPCC RCP 8.5 / IEA 6DS	IEA Stated policy	IEA sustainable development
Summary	This scenario represents emissions trend in recent years, with an absence of efforts to stabilise GHG, global temperature rises 4°C this century. High risk of extreme weather events, coastal flooding, lower crop yields and the continued use of fossil fuels.	Represents scenario based on current stated policy ambitions. Achieving country net-zero target is not automatically assumed.	Limits impact of physical risk from climate change, however, requires a rapid and wholesale change in energy markets.
2040 carbon price	US$0/t	US$24-44/t	US$125-140/t
Reason for using scenario	This is considered a worst-case climate scenario. Provides a basis for assessing high impact physical risks.	Scenario based on current plans and policies, aligning to Australian commitments and current policies.	Scenario meets Paris target of "well below 2°C", representing effective action on climate change. Provides a basis for assessing high impact transition risks.

These scenarios consider trends and factors such as carbon intensity, energy prices and sourcing, water stress, extreme weather events and underlying demand for the Company's products.

Provided below is a summary of the key opportunities and risks identified through the scenario analysis process. Opportunities and risks have been rated between neutral to high based on the impact to Adbri earnings.

As this is our first experience of working with climate scenarios, we will continue to assess the opportunities and risks identified. This assessment will inform our ongoing response to climate change.



TCFD risk management

As part of the Group's risk management process, climate change has been identified as a strategic risk on the basis that Adbri's core products of cement and lime are energy and GHG emissions intensive, potentially impacting future operating and financial performance. The Group operates a risk management framework which includes reporting of strategic risks to the Board's Audit, Risk and Compliance Committee and the Board. In addition, specific risks associated with sustainability, including climate change, are included in the SHES 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.

The Group seeks to manage climate change risk in the short-term through improved efficiency of production processes, switching to low emissions fuels including the use of biomass, and leveraging the use of clinker substitutes. To manage long-term climate change risk, the Group is also investing in the development of non-clinker-based substitute products, advancing research in low carbon cement and lime through participation in cooperative research centres (CRC) including the Heavy Industry Low-carbon Transition CRC, and monitoring the commercialisation of carbon capture use / storage technology.

TCFD Metrics

	20	19	% Change
CO_2-e emissions by product[1]			
Cement	1,038	1,129	(8.1)
Lime	1,196	1,174	1.9
Other	99	84	17.9
Total Group	2,333	2,387	(2.3)
Emission intensity by product[2]			
Cement[3]	0.62	0.68	(8.8)
Lime	1.14	1.06	7.5

1. Scope 1 and scope 2 in thousand tonnes CO_2-e
2. Tonnes CO_2-e /tonne
3. Emissions intensity of cement from locally produced clinker

Adbri's progress compared to the IEA key indicators

	IEA 2°C scenario low-variability case		Adbri	
	2030	2014	20	19
Clinker to cement ratio	0.64	0.65	0.77	0.79
Thermal efficiency – Gj/t clinker	3.30	3.50	4.30	4.80
Electricity intensity – kWh/t cement	87.00	91.00	114.00	119.00
Alternate fuel usage (% of thermal energy)[1]	17.50	5.60	25.00	23.00
Direct CO_2 intensity of cement – tCO_2-e/t cement	0.52	0.54	0.62	0.68

1. Integrated clinker / cement facilities

2.3% ↓

in emissions across the Group.

Low Carbon Products

Adbri recognises that low carbon products will play a critical role in addressing climate change and allow us to add value for our customers. We are investing in the development of new innovative products, as well as collaborating with industry partners to meet our customers' changing needs.

Low carbon products - Performance metrics, targets and progress

Material topics	Measure	20	19	Targets	Progress
Alternative raw materials[1]	Tonnes	1,287,403	1,282,507	5-year target of 20% increase in tonnage from 2019 baseline	0.4% increase

1. Alternative raw materials are wastes or by-products from other industrial processes that are diverted for re-use as beneficial feedstock. The 2019 value has been adjusted to provide the financial year value – previously provided as calendar year value.

Low carbon products - Achievements

Initiatives	Progress
Using raw material substitutes	• Total alternative raw materials use has increased from 2019 by 4,896 tonnes. • Alternative raw materials used in cement production processes involves diverting secondary materials of industrial by-products from landfill for beneficial use in production, including cementitious substitutes of blast furnace slag, used foundry sand and mill scale. • Trials of manufactured sand produced from recycled glass to reduce the volume of river sand used in the process to manufacture concrete products at the Townsville plant.
Developing geopolymer capability	• Adbri has a well-developed pipeline of low carbon and other innovative products including development of alternative binders and new supplementary cementitious materials. The Company has built internal capability to innovate in the low carbon products space, leveraging expertise and developments outside of Adbri through strategic partnerships, research support and working with industry on the development standards.
Recycle cement packaging	• Adbri partnered with Mondi Frantschach (PEFC and FSC certified) and Pope Packaging to produce rain resistant bags for cement and lime products. Product advantages include durability, rain resistance and water repellence, and support for the Australian National Packaging Covenant 2025 Targets. Sustainability benefits include improved efficiency of plant and material usage, reduced product wastage, and improved recycling.
Environmental product disclosure	• Adbri Management is progressing the development of Environmental Product Disclosures for a range of products.
Grow portfolio of carbon-neutral / low carbon products via R&D investment and strategic initiatives	• Detailed product development work has been conducted to identify the potential to use an alumina silicate by-product material, derived from the refining of lithium, as a suitable supplementary cementitious material. Work conducted includes extensive laboratory and field trials. This work will continue into 2021, providing a further circular economy opportunity that provides low carbon and waste reduction benefits. • Adbri participates in cooperative research centres to improve performance of products, including the Heavy Industry Low-carbon Technology CRC and the Smartcrete CRC.
Maintaining supply of key supplementary cementitious materials	• As the global supply of fly ash and slag as key supplementary cementitious materials tightens, Adbri remains a leader in identifying new and reliable sources of these established construction materials and ensuring robust supply chains are in place to ensure our customers' needs are managed.

Green star concrete

During the year, Hy-Tec has been supplying low carbon concrete to customers in the Greater Sydney area. The use of up to 50% slag and fly ash, a by-product of iron and steel making and power generation respectively, is helping reduce the amount of Portland Cement used in the Group's concrete.

This concrete provides green credit points as outlined by Green Building Council of Australia and is currently being utilised on Australian infrastructure projects, including the Sydney Opera House accessibility works.

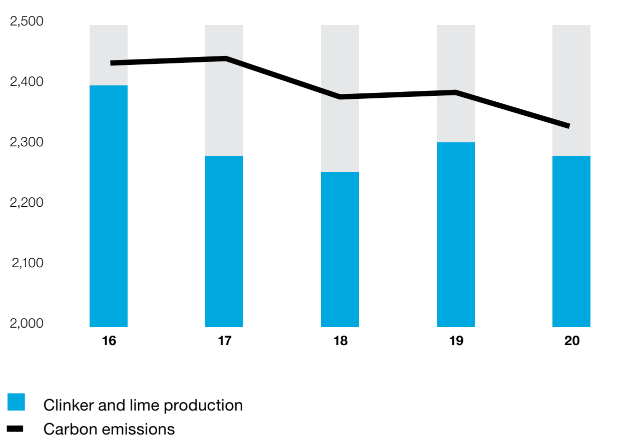
Low carbon future

Taking action to address our carbon emissions is a key part of our sustainability journey to address the shared global challenge of climate change. In a carbon constrained world, we strive to further reduce our carbon footprint and forge a path to our low carbon future and contributing to the UN SDG #13 *Climate Action* and Paris Agreement 2050 net zero carbon ambitions.

The process of calcination of limestone to produce lime and clinker accounts for approximately 60% of our carbon emissions. In order to achieve the transition that aligns with carbon neutral 2050 ambitions, step change technology advances will be a necessary component. Consequently, in addition to further evolving current circular economy initiatives in the alternative fuels and low carbon product space, priority areas beyond 2025 as part of a low carbon future include tracking the feasibility and development of carbon capture storage and engagement in research and development partnerships.

Total group carbon emissions

000 Tonnes



Our carbon emissions reduction initiatives in the nearer term are focused on investments to expand the use of alternative fuels, continuing technological efficiency optimisation and expansion of low carbon production with the use of alternative materials in support of a circular economy and life cycle thinking. To progressively reduce our emissions, we have set a 5-year target of 7% carbon emission reduction from a 2019 baseline. Since 2010, Adbri's carbon footprint from our scope 1 emissions (process emissions, kiln fuels, vehicle fuel, and stationary plant fuel), and scope 2 emissions (electricity purchased from the grid used at our sites) has reduced circa 1 million t CO_2-e or 31%, of which 8.7% was in the last 5 years.

Adbri's total scope 1 and 2 emissions reduced by 2.3% compared to 2019 which is equivalent to:

- taking nearly 11,800 cars off the road; or
- powering nearly 6,300 homes for a year.

Adbri's total emissions vary with production volumes as a result of the process emissions from clinker and lime production being the main contributors to the Group's total carbon emissions. Over time, the Group's production footprint has changed, with closure of low efficiency clinker production facilities to concentrate production at more energy-efficient sites. Adbri's emissions reduction is further improved with a range of initiatives underway across the business.

At Adbri's 2020 Annual General Meeting, the Company announced the transition away from using coal at the Munster plant in Western Australia. Significant progress has already been made with coal usage as a kiln fuel at the Munster site reducing by 17.3% in 2020, displaced by natural gas and reducing emissions by 17,182 tCO_2-e. The complete transition from coal has been delayed on account of cessation of the Alcoa lime supply contract. Further reductions in coal usage are anticipated in 2021 and 2022.

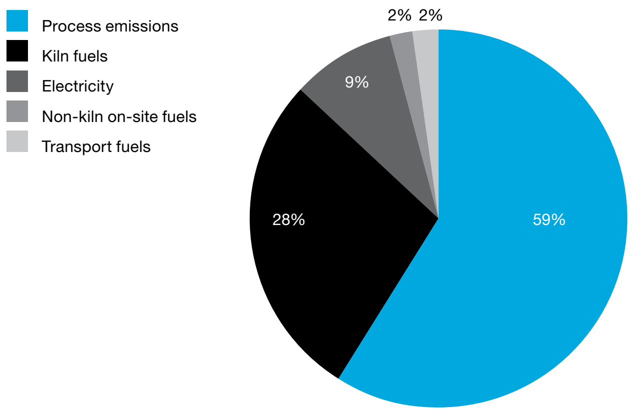
In addition, while not captured in these emission reduction figures, the Group continues to support renewable energy via supply agreements for the provision of electricity from renewables.

As the emissions profile for our business varies across our operations, each area can contribute to Adbri's emissions reduction efforts in different ways. Cement and lime production is dominated by process emissions and kiln fuel usage, whilst emission from concrete and aggregates operations are dominated by fuel usage and concrete products manufacturing by electricity use.

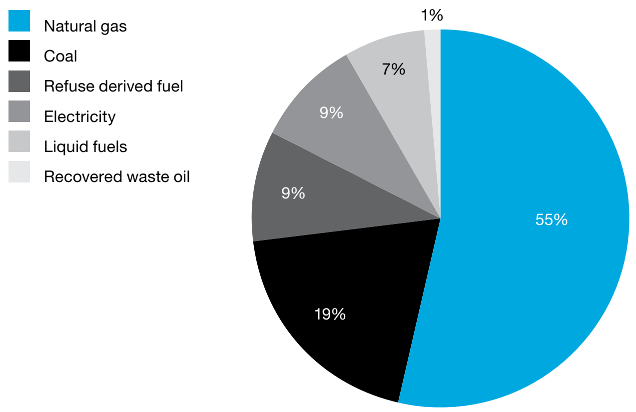
Scope 3 emissions

Adbri has commenced collecting 'scope 3' emissions representing indirect carbon emissions created by third parties 'on our behalf' so that we can continue to operate. For example, purchased goods / imports, transport of raw materials such as clinker and slag, fuel extraction such as natural gas, electricity transmission and business air travel. This helps to better account for our entire carbon impact beyond what the NGER legislation requires and forms part of our disclosure in line with TCFD recommendations. We have commenced with scope 3 emissions that are considered most material to our business. We will continue to assess scope 3 reporting with reviews to refine and define materiality boundaries during 2021.

NGER scopes 1 & 2 emissions



Energy by source



Engaged people

Our people are our most important asset, with safety and inclusivity representing two of Adbri's pillars which guide the Company's decisions. Adbri is committed to providing a safe and inclusive workplace that values and promotes diversity.

Creating a culture that embraces difference and is inclusive will ensure Adbri continues to be a great place for everyone to work. We measure our performance in this regard through employee engagement surveys. Our aim is to reduce harm to our people both now and into the future, supported by our vision, 'Work Safe, Home Safe'.

In 2019, the Adbri Executive together with the Board, endorsed Adbri's Safety 'Step Change' program, setting out a cultural change initiative that has continued throughout 2020 despite disruptions due to the COVID-19 pandemic, resulting in a 47.2% reduction in our people injured on our worksites, the lowest recorded in Adbri's history.

Health and Safety performance is evaluated based on historical (lagging) performance metrics, 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), and forward looking indicators, such as High Potential Incidents (HPIs), near misses and hazards, and employee engagement. As a Company we are increasing our focus on lead indicators in order to prevent injuries. Employee wellbeing is also considered by evaluating the utilisation of the Employee Assistance Program (EAP) and proactive training.

Compliance is monitored by the Executive and the Board SHES Committee to determine effectiveness of risk management processes and to ensure controls are working as intended, including interactions with regulators. Internal audit function is a key component of governance and audits and inspections are conducted on a regular basis and the results of these audits and inspections reported to both the Executive and the Board SHES Committee with management plans to rectify any improvements identified.

Engaged people - Performance metrics, targets and progress

Material topics	Measure	20	19	Targets	Progress
Total recordable injury frequency rate Adbri methodology	HRS[1]	7.4	16.2	Set a 5-year target of 10% reduction in TRIFR every year	Improvement - 54.3% reduction
Total recordable injury frequency rate (TRIFR) OFSC[2] methodology	HRS	5.6	10.6	Set a 5-year target of 10% reduction in TRIFR every year	Improvement - 47.2% reduction
Lost time injury frequency rate	HRS[1]	1.7	2.5	N/A	Improvement - 32.0% reduction
High potential incidents	Number	54	37	N/A	Improvement - 45.9% increase
HSE near misses	Number	486	874	N/A	Improvement - 44.4% reduction
HSE hazards	Number	2,922	3,211	N/A	Improvement - 9.0% reduction
Female Non-executive Directors (NEDs)	%	50%	43%	Maintain a 5-year target of 30% female NEDs	Exceeded target
Female employees	%	15%	15%	Set a 5-year target of 20% female employees from 2019 baseline	No change

1. Measured as per million person-hours worked.
2. Office of the Federal Safety Commissioner.

Women make up 15% of Adbri's workforce.

Engaged people - Achievements

Initiatives	Achievements
Safety step change program - critical risk management	• Adbri's Critical Risk Program was introduced in 2019 as a strategic priority to ensure our systems and standards are designed and maintained to eliminate or minimise critical HSE risks across Adbri operations and activities. Self-assessments tools were implemented during 2020, to build on the program, verifying critical controls are in place and effective for managing critical risks. • 724 critical risk control self-assessments were undertaken in 2020, supporting increased risk awareness and recognition of compliance to critical risk controls to keep our people safe.
Safety step change program - musculoskeletal care and wellbeing	• Adbri's InitialCare program (early intervention program) was introduced with the goal to address variable medical treatment / intervention provided following a workplace injury. The InitialCare program provides employees immediate phone access to specialised triage nurses for advice and support as soon as a workplace injury occurs, as well as up to four medical and physiotherapy appointments, if required. • 63 employees participated in the program for musculoskeletal injuries, with 48% of cases resulting in a 'self-management' outcome requiring no physiotherapy or medical treatment.
Safety step change program - safe transport	• Following Adbri's Professional Driver Forums conducted in 2019, a key focus in 2020 was to further consult with our professional drivers to deliver training programs to support greater knowledge on important vehicle operational systems and defensive driving practices. Examples include the 'Driving Down Hill, Managing Steep Descents' training program. • The increase in skill level is showing a definitive reduction in both minor and severe road accidents, with a 32% reduction in heavy vehicle accidents recorded.
Safety step change program - visible leadership	• The Visible Leadership Observations, which includes our Ride with a Driver Observations, continue to foster a culture of recognition of safe behaviours, sharing lessons learnt and best practice initiatives across teams. • 216 Visible Leadership discussions were reported in 2020.
Review of diversity and inclusion policy	• An updated Diversity and Inclusion Policy was launched to staff during 2020. The Policy outlines Adbri's commitment to being an inclusive workplace that values and promotes diversity. For us diversity encompasses gender, marital and family status, sexual orientation, gender identity, ethnicity, age, disabilities, religious beliefs, cultural background, socio-economic background, perspective and experience. • A Diversity and Inclusion Strategy to achieve our commitment was finalised during the year with five focus areas of culture, communication, capability, connection and community. • Quantitative data from the annual review of company culture revealed that Adbri is making a substantial effort to adhere to inclusion principles in line with the communicated importance of "embracing differences" under the Company's inclusivity pillar. • Recruitment data highlights an improvement in gender diversity in hiring activities, with females representing 30% of applicants (2019: 18%) and 28% of new hires (2019: 20%). • The Executive team participated in externally facilitated "Conscious Inclusion" workshops.
Developing Reflect Reconciliation Action Plan (RAP)	• As part of Reconciliation Action Week, Adbri launched its inaugural Reflect RAP. A number of milestones have been achieved within the RAP including: - cultural learning program provided to 248 employees responsible for managing people, including Directors, the Executive team and Management; - Acknowledgement of Country incorporated into key external meetings including the 2020 Annual General Meeting and 2020 Half Year Results; and - financial support to Aboriginal and Torres Strait Island organisations with a strong focus on education of $60,000.
Implementing graduate program	• Three graduates participated in Adbri's inaugural Graduate Program in 2020, with each graduate partaking in three rotations within the business. Graduates were supported by mentors as part of our investment in developing talent.
Inaugural modern slavery statement	• Adbri released a Modern Slavery Policy in 2020, with associated analysis of key risks across the supply chain and engagement with suppliers to complete a declaration on their processes. • The Group is committed to eliminating modern slavery within our operations and supply chain by: - within our operations: ensuring employees work voluntarily, paying at-least the minimum wage, training staff on modern slavery and assessing modern slavery risks annually; and - within our supply chain: engage contractors and suppliers that uphold Adbri's commitment of eliminating modern slavery, due diligence of suppliers and assisting suppliers to identify modern slavery within their operations and supply chain. • 672 suppliers completed modern slavery declarations, a 100% completion rate. • Employees and suppliers can access an external Whistleblower Program to report suspected breaches of the Modern Slavery Policy.
Common values and goals	• As part of the rebrand of Adbri, we commenced embedding a common purpose, promise, story and pillars across the Group. • Our 2020 staff engagement survey included questions on culture to provide base level data to track our progress.
Digital strategy	• In August 2020 an internal communication tool called 'Cooee' was launched to foster engagement with staff.

Protecting against COVID-19

The health and wellbeing of our people and customers was paramount as we responded to COVID-19. With less than a few days' notice, 400 employees transitioned to remote working, to minimise COVID-19 risks to our operational staff whilst keeping our manufacturing facilities safely "open for business".

The strong governance approach adopted by our Crisis Management Team and Pandemic Co-ordination Team allowed us to adapt our processes as we introduced social distancing and increased hygiene measures at all our sites, while upgrading our systems to facilitate working remotely. COVID Safe Plans were developed for all Adbri sites with 2,678 COVID hygiene audits, and 374 mock scenario COVID-19 emergency response scenario tests completed.

To support our people in helping keep our communities safe, Adbri created a special leave arrangement, 'Isolation Leave' that enabled employees and Lorry Owner Drivers (LODs) to continue to be paid their normal wages while waiting on test results for COVID-19. 103 employees and 12 LODs accessed a total of 374 days Isolation Leave, with only one employee contracting COVID-19 from a family member and no downtime to our operations.

R U OK?

In 2020, Adbri sites participated in a 'R U OK?' Day morning tea with Kit Kats to remind everyone that any day is the day to ask, "Are you OK?" and support those struggling with life.

To strengthen the support Adbri provides to its people, we trained mental health first aiders and conducted online mental health awareness training.

374

mock scenario COVID-19 emergency response scenario tests completed.

28%

of employees transitioned to remote working with less than a few days' notice.

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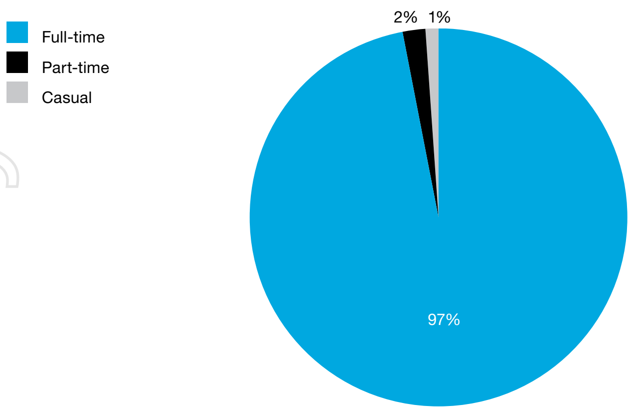
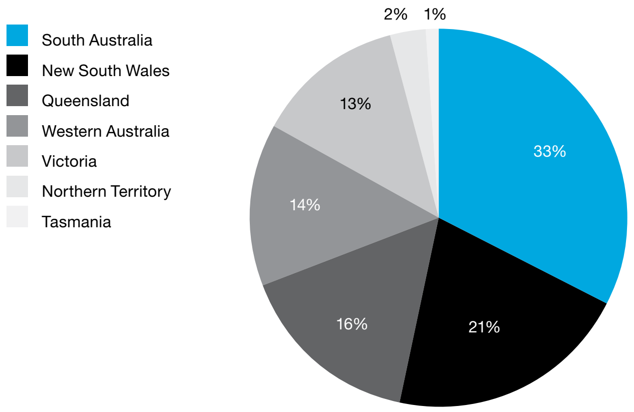
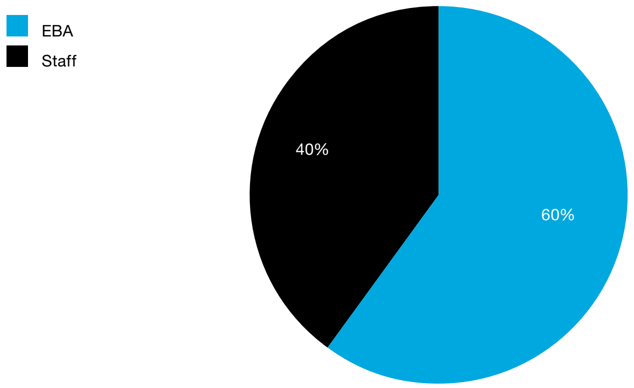
Employment by employment status



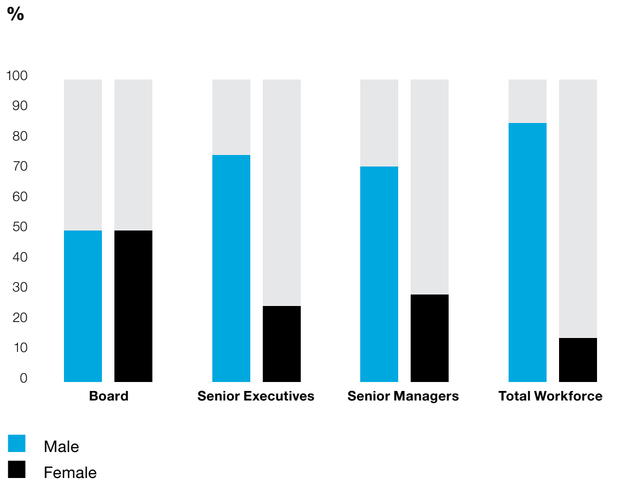
Employment by geography



% Employees on EBA vs staff

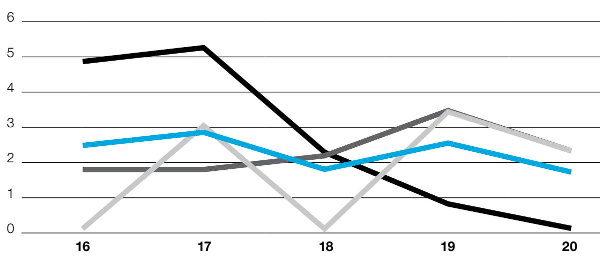


Gender diversity



Lost time injury frequency rate

Total lost time injuries per million hours worked

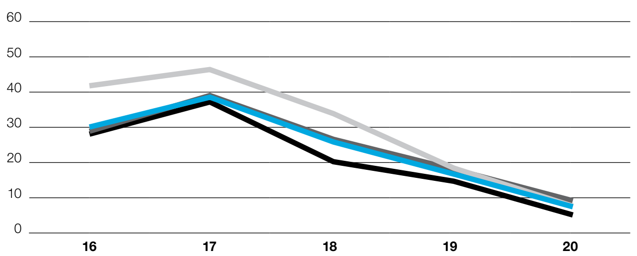


Cement and Lime
Concrete and Aggregates
Concrete Products
Total

32.0%

Total reportable injury frequency rate

Total recorded injuries per million hours worked



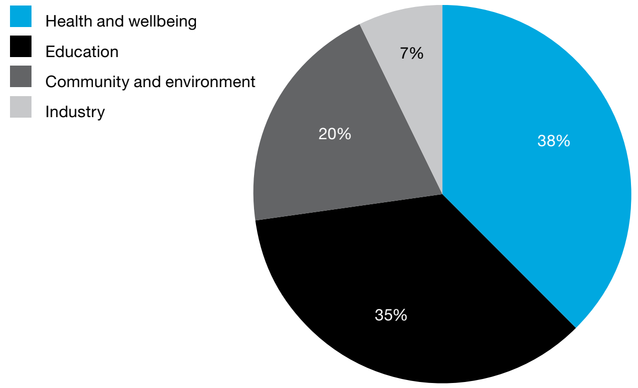
Cement and Lime
Concrete and Aggregates
Concrete Products
Total

47.2%

Engaged communities

Adbri strives to be a good neighbour and to be a part of the communities in which we operate. Our people are local people, people who are part of the community and understand where we can make the most difference. Wherever possible we look locally to build economic prosperity in our towns and cities. We work with local community groups, providing financial support to schools, sporting clubs and community groups.

Community investment spend by focus area



Engaged communities - Performance metrics, targets and progress

Material topics	Measure	20	19	Targets	Progress
Community investment	$	203,204	263,221	Community investment aligned with strategy	Ongoing investment in communities

Achievements

Current initiatives	Achievements
Developing cohesive messaging and branding for communities and investors	• Following approval from shareholders in May 2020, the Company rebranded to Adbri Limited, creating an opportunity to improve the connection of our brands with the inclusion of 'an Adbri Company' tagline as part of our strategy to build a national brand presence.
Strategic community engagement initiatives	• COVID-19 restrictions required us to adapt new ways to engage with the community. Our Community Liaison Group at Birkenhead met virtually for the first time to ensure we remained connected with the community. • Extensive consultation was undertaken with stakeholders for the $199.0 million upgrade of Kwinana seeking community / stakeholder input into the development and approval processes.
Supporting local employment	• In recognition of the importance of local employment and in line with our RAP, Adbri entered into a three-year labour hire partnership with Tecside to encourage Aboriginal employment opportunities. • Procurement guidelines were implemented that recognise the important role of small and medium businesses in creating strong regional economies.

Adbri bushfire fund

Adbri Community Rebuild Fund was established during the year to support communities impacted by the bushfires during the summer of 2019 / 2020.

The fund, which commits up to $250,000 of Adbri Masonry products to help rebuild local community assets, is currently finalising details with several recipients to create long-term community benefit.

Building diverse talent

During the year we continued to partner with the Kwinana Industries Council (KIC) to encourage young people to pursue careers in our sector. In addition to our sponsorship of the iWOMEN project which provides opportunity for students to meet women in non-traditional female roles, we also partnered with KIC to support their 2020 iCONFERENCE. This event brought together all students who had participated in iWOMEN, iMEN and iSCIENCE during the year and built on their learnings from their iPROJECT. Initiatives such as these are helping us build a future pipeline of diverse talent in our industry.

We supported Warriappendi School with a donation of pavers.

Embedding reconciliation

To formalise Adbri's reconciliation journey, we launched our inaugural Reflect Reconciliation Action Plan (RAP) during the year at the Warriappendi School in Adelaide.

Our RAP looks for ways to create employment, education, empowerment and economic development opportunities for Aboriginal and Torres Strait Islander peoples.

In addition to partnering with the Warriappendi School who developed the artwork that is featured on our RAP, we have also supported the South Coogee Primary School in Western Australia (pictured below) in creating a mural telling the story of the six Noongar seasons in their playground.

Tax Transparency Report

This Report is prepared in accordance with Adbri's voluntary adoption of the Tax Transparency Code and provides information regarding Adbri's tax contribution, its approach to tax strategy and governance, and its international related party dealings during the year ended 31 December 2020. Adbri publishes this Report on a voluntary basis as part of its commitment to tax transparency.

Disclosures – Part A

Effective company tax rate

The Australian company tax rate for entities of the size of Adbri 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 Adbri's Australian operations is 26.9% for the year ended 31 December 2020.

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.

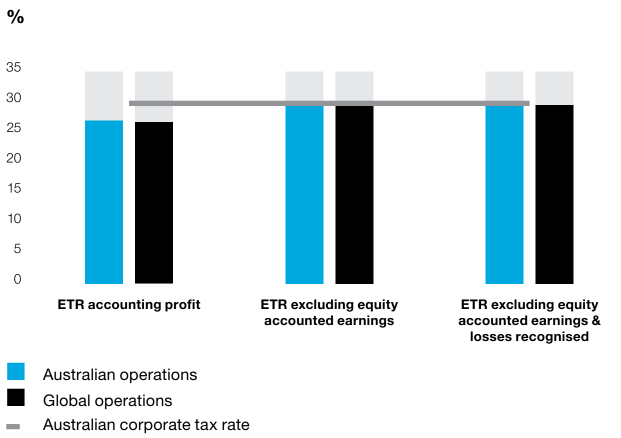
The ETR is presented under three scenarios below: accounting profit; accounting profit excluding equity accounted earnings; and accounting profit excluding equity accounted earnings and income tax expense excluding capital losses recognised. The reason for this is to provide maximum transparency.

In accordance with accounting standards, the share of after-tax profits generated by Adbri's joint ventures and associates is recognised by the Group in the income statement. Adbri also maintains a balance of capital losses that may be recouped to offset capital gains incurred for tax purposes. During the year ended 31 December 2020, $0.1m of 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 attributable to Adbri's minority interest in our Malaysia-based associate. Additional information in relation to Adbri's international related party dealings is provided under Part B of this Report.

	20	19
Australian operations	26.9%	25.6%
Australian operations – excluding equity accounted earnings	29.5%	35.4%
Australian operations – excluding equity accounted earnings and capital losses recognised	29.5%	35.4%
Global operations	26.7%	25.0%
Global operations – excluding equity accounted earnings	29.5%	35.4%
Global operations – excluding equity accounted earnings and capital losses recognised	29.5%	35.4%

2020 Effective Tax Rate



Adjusting for equity accounted earnings and capital losses not previously recognised, Adbri has an effective tax rate of 29.5% for the year ended 31 December 2020.

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 2020 Financial Statements.

	20 $M	19 $M
Accounting profit before tax	127.2	63.4
Prima facie tax payable (at 30 percent)	38.2	19.0
Tax effect of non-temporary differences (at 30%):		
Non-allowable expenses	0.3	0.5
Non-assessable income	(3.2)	(2.1)
Rebateable dividends	(1.2)	(4.0)
Goodwill impairment	-	2.6
Other deductions	(0.2)	(0.1)
Income tax expense	**33.9**	**15.9**
Tax effect of temporary differences (at 30%):		
Higher accounting depreciation compared to tax depreciation	(0.2)	(1.6)
Accounting impairment of fixed assets	6.0	15.0
Timing of deduction for consumables	(0.6)	0.2
Timing of deduction for provisions	1.2	2.5
Deduction for accruals on payment	0.4	(0.9)
Timing of deduction on prepayments	1.0	0.4
Timing of deduction for right-of-use leases	(1.4)	-
Other timing differences	(0.3)	(0.1)
Income tax payable	**40.0**	**31.4**
Income tax expense – current year	33.9	15.9
Under/(over) provision in prior years	(0.3)	0.3
Total income tax expense recognised	**33.6**	**16.2**

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.

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.

Disclosures – Part B

Tax strategy and governance

Adbri 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. Adbri is committed to being a responsible corporate citizen and actively seeks to contribute to the wellbeing of shareholders, customers, the economy and the community.

Adbri reflects these commitments in its approach to taxation, with a high focus on meeting its various tax obligations. Strong internal expertise and processes, combined with engagement of expert advisers, ensures Adbri is fully compliant with its taxation obligations.

Adbri also seeks to maintain a professional and transparent relationship with taxation authorities. Adbri was recently reviewed by the Australian Taxation Office as part of the Top 1,000 Streamlined Assurance Review program. In their final report, dated May 2019, the Australian Taxation Office awarded Adbri 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

Adbri 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 a multinational cement and concrete producer, Cementir Holding N.V. Adbri is not related to Cementir Holding N.V.

As Adbri 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, Adbri's dealings with APM, which are limited to the purchase of clinker, are conducted on a commercial arm's length basis.

Tax contribution summary

Adbri paid / will pay in excess of $54.0 million in Federal, State and Territory taxes in respect of the 2020 year.

	20 $M	19 $M
Taxes borne by Adbri		
Fringe benefits tax[1]	1.2	1.3
Payroll tax[2]	9.3	9.9
Corporate income tax[3]	40.0	32.8[4]
Property tax	4.1	2.5
Total	**54.6**	**46.5**
Taxes collected by Adbri		
Goods and services tax (GST)	145.7[5]	151.0
PAYG withholding (employees)	44.3	48.6
Total	**190.0**	**199.6**

1. Fringe benefits tax paid in respect of the year ended 31 March 2020.
2. Payroll tax paid in respect of the year ended 30 June 2020.
3. Corporate income tax is based on the year end provision and will be finalised when the income tax return for the year ended 31 December 2020 is due for lodgement in mid-2021.
4. Prior year income tax paid has been updated from the amount shown in the 2019 Tax Transparency Report to reflect the final income tax liability per the income tax return which was due and lodged in mid-2020 (after the 2019 Tax Transparency Report was published).
5. Net GST collected $47.1 million (2019: $52.1 million) after input tax credits on behalf of taxation authorities.

In this Tax Transparency Report references to 'Adbri', 'the Group' and 'our' refer to Adbri 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

Marcus Clayton
General Counsel and Company Secretary

Michael Miller
Executive General Manager, Marketing and International Trade

Brett Brown
Chief Operating Officer, Cement and Lime

Andrew Dell
Chief Operating Officer, Concrete, Aggregates and Masonry

Rebecca Irwin
Executive General Manager, Corporate Affairs and Sustainability

Tarmo Saar
Executive General Manager, Strategic Projects

Board of Directors

Raymond Barro
BBus, CPA, FGIA, FCIS

Chairman
Age: 59

Raymond was appointed Chairman in May 2019, after having been appointed to the Board in August 2008. Raymond is also a member of the Safety, Health, Environment and Sustainability Committee.

Raymond has over 25 years' experience in the premixed concrete and construction materials industry. In addition to his significant industry insights, Raymond brings extensive leadership experience and financial expertise to the role.

Current directorships

Managing Director,
Barro Group Pty Ltd.

Vanessa Guthrie
Hon DSc, PhD, BSc (Hons)

Deputy Chair and Lead Independent Director
Age: 60

Vanessa has been a Director since February 2018 and is the Chair of the People and Culture Committee and Nomination and Governance Committee and a member of the Safety, Health, Environment and Sustainability Committee.

Vanessa has extensive experience in the mining and resources industry. In addition to her former role as a CEO, Vanessa has led a number of strategic functions in operations as well as sustainability and stakeholder engagement. With qualifications in geology, Vanessa also brings significant technical knowledge to the role.

Current directorships

Santos Limited
Appointed July 2017

Tronox Holdings PLC
Appointed March 2019

Lynas Rare Earths Ltd
Appointed October 2020

Australian Broadcasting Corporation

Former directorships

Vimy Resources Limited
Appointed October 2017
Retired November 2018

Ken Scott-Mackenzie
BE (Mining), Dip Law

Independent Non-executive Director
Age: 70

Ken has been a Director since 2010 and is the Chairman of the Safety, Health, Environment and Sustainability Committee, a member of the Nomination and Governance Committee, Audit, Risk and Compliance Committee and People and Culture Committee.

Ken was CEO of a major construction company in Australia. He has 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.

Geoff Tarrant
BBus

Non-executive Director
Age: 52

Geoff has been a Director since February 2018 and is a member of the Audit, Risk and Compliance Committee.

Geoff has extensive experience in the finance industry across Australia, the United Kingdom and Asia. Geoff has particular expertise in mergers and acquisitions and capital markets.

As the Executive Chairman of a leading construction software company, Geoff also brings valuable IT and technology experience to the role.

Current directorships

Chairman,
Zuuse Limited.

Rhonda Barro
Non-executive Director
Age: 66

Rhonda has been a Director since May 2019 and is a member of the People and Culture Committee.

She has over 40 years' experience in the construction materials industry and executive management in line and functional areas. Rhonda has significant expertise and insights in customer and stakeholder relations. Rhonda has held numerous leadership roles in community organisations and is a Fellow of the Williamson Leadership Program.

Current directorships

Executive Director,
Barro Group

Director,
Independent Cement and Lime Pty Ltd

St Vincent's Institute of Medical Research Foundation Board

Emma Stein
BSc (Physics Hons), MBA, FUWS, FAICD

Independent Non-executive Director
Age: 60

Emma has been a Director since October 2019 and is Chairman of the Audit, Risk and Compliance Committee and a member of the People and Culture Committee and Nomination and Governance Committee.

Emma 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.

As a former CEO, Emma is well versed in capital investment decisions, risk management frameworks and servicing major industrial customer relationships. Emma has led the implementation of mergers and acquisitions as well as new enterprise wide IT systems and processes.

Current directorships

Alumina Limited
Appointed February 2011

Worley Limited
Appointed December 2020

Former directorships

Cleanaway Waste Management Limited
Appointed August 2011
Retired December 2020

Infigen Energy Limited
Appointed September 2017
Delisted from ASX on 5 November 2020

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Directors' report

The Directors present their report on the consolidated entity (the Group) consisting of Adbri Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2020.

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)
VA Guthrie	(Deputy Chairman and Lead Independent Director from 26 August 2020, Lead Independent Director 15 June 2020 – 25 August 2020, Independent Director to 15 June 2020)
RR Barro	
KB Scott-Mackenzie	
ER Stein	
GR Tarrant	
Z Todorcevski	(Deputy Chairman and Lead Independent Director, ceased 14 June 2020)

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, divisional and financial reviews on pages 3 to 19 of this Annual Report.

A summary of the financial results for the year ended 31 December 2020 is set out below:

	CONSOLIDATED	
STATUTORY RESULTS	20 $M	19 $M
Revenue from contracts with customers	**1,454.2**	1,517.0
Earnings before interest, tax, depreciation, amortisation and impairments	**262.7**	271.6
Depreciation, amortisation and impairments	**(115.1)**	(189.7)
Earnings before interest and tax ("EBIT")	**147.6**	81.9
Net finance cost[1]	**(20.4)**	(18.5)
Profit before tax	**127.2**	63.4
Income tax expense	**(33.6)**	(16.2)
Net profit after tax	**93.6**	47.2
Attributable to:		
Members of Adbri Limited ("NPAT")	**93.7**	47.3
Non-controlling interests	**(0.1)**	(0.1)
Basic earnings per share (cents)	**14.4**	7.3
Ordinary dividend per share (cents)	**12.0**	5.0
Franking (%)	**100.0**	100.0
Net debt[2] ($ million)	**372.1**	423.3
Net debt/equity (%)	**30.5**	35.4

1. Net finance cost is the net of finance costs shown gross in the income statement and interest income included in other income.
2. Net debt is calculated as total borrowings less cash and cash equivalents.

The results were impacted by a number of significant items. The table on page 55 sets out the underlying financial results for the year ended 31 December 2020 which have been adjusted for significant items. An explanation of the significant items and reconciliation of reported results to underlying results is provided on page 55.

Review of Operations (continued)

	CONSOLIDATED	
UNDERLYING RESULTS	20 $M	19 $M
Revenue from contracts with customers	**1,454.2**	1,517.0
Earnings before interest, tax, depreciation, amortisation and impairments	**272.3**	280.0
Depreciation and amortisation	**(93.4)**	(93.6)
Earnings before interest and tax ("EBIT")	**178.9**	186.4
Net finance cost[1]	**(20.4)**	(18.5)
Profit before tax	**158.5**	167.9
Income tax expense	**(43.0)**	(45.0)
Net profit after tax	**115.5**	122.9
Attributable to:		
Members of Adbri Limited ("NPAT")	**115.6**	123.0
Non-controlling interests	**(0.1)**	(0.1)
Basic earnings per share (cents)	**17.7**	18.9
Leverage ratio[2] (times)	**1.4**	1.5

1. Net finance cost is the net of finance costs shown gross in the income statement and interest income included in other income.
2. Leverage ratio is calculated as net debt/trailing 12 months underlying EBITDA.

Net Profit after Tax

Full year reported NPAT increased 98.1% on 2019 to $93.7 million.
Underlying NPAT declined 6.0% from $123.0 million in 2019 to $115.6 million.
Property profits contributed $0.7 million to NPAT in the year, compared to nil in 2019.

Reconciliation of underlying profit

Underlying measures of profit exclude significant items of revenue and expenses, such as the costs related to restructuring, rationalisation and acquisitions, 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.

	20			19		
	PROFIT BEFORE TAX	INCOME TAX	PROFIT AFTER TAX	PROFIT BEFORE TAX	INCOME TAX	PROFIT AFTER TAX
YEAR ENDED 31 DECEMBER	$M	$M	$M	$M	$M	$M
Statutory profit attributable to members	**127.3**	**(33.6)**	**93.7**	63.5	(16.2)	47.3
Minority interest	**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Statutory profit	**127.2**	**(33.6)**	**93.6**	63.4	(16.2)	47.2
Impairment	**21.7**	**(6.5)**	**15.2**	96.1	(26.3)	69.8
Doubtful debts	**2.7**	**(0.8)**	**1.9**	0.9	(0.3)	0.6
Corporate restructuring costs	**6.9**	**(2.1)**	**4.8**	7.1	(2.1)	5.0
Acquisition expenses	**–**	**–**	**–**	0.4	(0.1)	0.3
Underlying profit	**158.5**	**(43.0)**	**115.5**	167.9	(45.0)	122.9
Minority interest	**0.1**	**–**	**0.1**	0.1	–	0.1
Underlying profit attributable to members	**158.6**	**(43.0)**	**115.6**	168.0	(45.0)	123.0

Note: Figures may not add due to rounding

Impairment

The Group has recognised a pre-tax non-cash impairment charge of $21.7 million in the period primarily associated with the cessation of the Alcoa contract from July 2021 and consequential placement of kiln 5 assets at Munster into care and maintenance. In the prior comparative period, a pre-tax non-cash impairment charge of $96.1 million was recognised, reflecting the updated outlook for the Group and the reassessment of carrying values following the initial review of business plans and strategies by the new Chief Executive Officer.

Review of Operations (continued)

Doubtful debts

In late 2017, Adbri 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. 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 $6.9 million were recognised in the period ($7.1 million in prior comparative period). These costs related to restructuring within the Group including a provision of $5.0 million to improve operational efficiency in response to the proposed closure of kiln 5 at Munster.

Acquisition expenses

No acquisition costs were expensed during the period compared to $0.4 million in the prior comparative period.

Dividends Paid or Declared by the Company

During the 2020 financial year, the following dividends were paid:

- A final ordinary dividend in respect of the year ended 31 December 2019 of 5.0 cents per share (fully franked) was paid on 28 April 2020. This dividend totalled $32,613,318; and
- An interim dividend in respect of the year ended 31 December 2020 of 4.75 cents per share (fully franked) was paid on 7 October 2020. This dividend totalled $30,982,673.

Since the end of the financial year, the Directors have approved the payment of a final ordinary dividend of 7.25 cents per share (fully franked). The final dividend is to be paid on 22 April 2021. The record date for the final ordinary dividend is 8 April 2021.

Business Risks and Mitigation

Adbri'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 Adbri 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
Serious Injury or Fatality	Adbri operates across many locations, undertaking cement, lime, concrete and concrete product manufacturing and distribution activities. Serious safety risks could lead to injury or fatality to persons while undertaking these activities or attending these locations. This may impact production performance or the Company's ability to continue production. Further, an employer who is found to be engaged in negligent conduct that results in a workplace death, may face penalties, imprisonment, legal costs and reputational impacts. The Company's health and safety performance may also impact a customer's willingness to trade in Adbri's products, which may in turn impact sales volumes. Health and safety performance will also impact the Company's ability to attract and retain key talent.	Adbri has a strong focus on safety and a track record of safe performance. Continuous improvement and sustaining excellence in safety remain a key priority for the Group. Adbri's Safety "Step Change" program introduced the "Work Safe, Home Safe" vision, in combination with critical risk management, lifesaving rules, the early intervention program (initialCARE) to support preventative musculoskeletal injuries. Safe transport initiatives and Visible Leadership, as well as ICAM investigation training and further development of our monitoring and reporting systems have contributed to the ongoing reduction in our recordable injuries. Adbri has active ongoing consultation, communication and coordination with workers through HSE Committees, business communications, HSE alerts, toolbox meetings and sharing "what looks good" initiatives. Incident notification and investigations are important routine actions to remind personnel of our "Work Safe, Home Safe" message and to take steps to prevent recurrences. Adbri's Site Pass, an online contractor licence / insurance verification and induction system supports effective communication of Adbri's site safety issues and management to all of the Group's stakeholders. The Group employs dedicated professionals to manage health and safety outcomes and to provide the Group's employees with adequate education and training with respect to health and safety matters in the workplace. The Group maintains workers' compensation insurance or a self-insured licence in each State and Territory which provides financial protection to workers and the organisation against losses which may arise with respect to workplace injuries. The Group's health and safety policies and processes are routinely subject to internal and external audits.

Business Risks and Mitigation (continued)

RISK	DETAILS	MITIGATION
Macro-economic conditions	Adbri 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 are 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. Adbri 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 Japan, Indonesia and other south east Asian countries.	Adbri 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. Adbri maintains long-term contracts with major resource customers and raw material suppliers to minimise loss of business and earnings through market cycles.
Regulatory compliance	With production and distribution sites across all States and Territories of Australia, Adbri is subject to significant regulatory requirements across areas such as environmental, labour, occupational health and safety, and taxation laws. Non-compliance with regulatory requirements could lead to substantial penalties and impositions on operations.	The Group employs a range of initiatives to meet or exceed regulatory compliance including: • employment of specialists to support operational staff in areas such as human resources, health, safety and 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.
Movement to a low carbon economy (climate change)	The recognition of the impact of greenhouse gas emissions on climate change and the potential impacts on the environment have driven a movement toward a low carbon economy. A range of actions are being undertaken by Governments, the corporate sector and individuals in recognition of climate change, including imposing a price on carbon and changes in product specifications. Production of clinker, an intermediary product in the production of cement, and lime are carbon emissions intensive. The movement to a low carbon economy could potentially increase the cost of production and reduce demand.	Adbri's strategy of cost reduction and operational improvement includes 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 31.1% since 2010. The Group can leverage its access to products from emissions efficient suppliers as a result of the Company's import strategy. The use of alternate products with cementitious properties, such as fly ash and ground granulated slag, has increased. In addition, the use of renewable energy sources such as wind and solar has increased. Adbri is also working with partners in the development of alternate products to replace Portland cement. The Group has adopted a road map to implement the recommendations released by the Task Force on Climate-related Financial Disclosures, which are detailed in Adbri's 2020 Sustainability Report.

Business Risks and Mitigation (continued)

RISK	DETAILS	MITIGATION
Social licence to operate	Non-compliance with licence conditions and negative community sentiment may impact the Company's ability to continue to operate near the community it services. It may also expose the Company to the risk of fines. This is potentially exacerbated by increasing residential encroachment and community expectations as well as increasing regulatory and investor expectations for continuous improvement. Adbri works in close collaboration with the communities in which it operates and seeks to limit any adverse impacts of its operations through process improvements, environmental improvement plans and operating within the limits of our licences with respect to matters such as emissions, odour and other environmental impacts. Adbri is committed to meeting societal expectations with respect to modern slavery law, environmental and community matters and actively seeks to reduce or negate any negative impacts upon the community in which it operates.	The Group sets high standards and has documented processes to manage community and environmental risks. These are routinely audited internally and independently. The Group operates under a comprehensive community engagement and communication strategy which covers a wide range of key stakeholders and community groups. The Group invests heavily to minimise its impact on the environment and the communities that it operates in and has made strong progress to minimise its emissions, odour and carbon footprint through regular investments. With respect to cement production in Western Australia, the upgrade and relocation of cement production from Munster to Kwinana, is likely to decrease the Company's carbon footprint and will reduce industrial activity near neighbouring residents. Adbri is implementing a program addressing modern slavery risks in its operations and supply chain through working with each vendor to identify any modern slavery risks in their operations. Vendors who do not satisfy Adbri's risk criteria will not be engaged. A transition from coal to gas and from gas to Refuse Derived Fuel (RDF) will assist to improve the Company's carbon emissions and will also improve community sentiment towards the Company.
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 gas trading markets.
Access to capital	The Group is capital intensive and relies on banks and other institutions to source its funding needs. A failure to access sufficient liquidity may limit the Company's ability to grow its earnings and may prevent the Company paying its debts as and when they fall due. Further, where the Company does not maintain access to multiple funding sources across a range of tenors, it may be subjected to increased establishment and interest costs.	Adbri adopts a conservative approach to capital management and seeks to maintain investment grade metrics whilst ensuring the balance sheet can withstand market shocks and retain the flexibility to fund capital projects and make investments which deliver earnings growth. The Group manages its capital within preferred defined leverage and gearing limits and utilises its dividend policy to ensure it has enough capital to grow the asset base of the business. Adbri completed its debt refinancing in November 2019 resulting in the establishment of $900.0 million in debt and cash advance facilities plus $50.0 million in contingent instrument facilities provided by nine financiers. Tenor of these facilities averages 4.6 years at 31 December 2020. Adbri's corporate and financial profile continues to be very strong leading to competition for its business by major banks / financiers. As a listed entity, the Company can also readily access equity markets to meet the funding needs of the business.
Change of Control	Adbri's major shareholder, the Barro Group, currently hold a beneficial interest in 43% of the Company's stock. The Barro Group can also increase their shareholding by 3% every 6 months, under the Corporations Law "creep provisions". As a substantial shareholder in Adbri, Barro currently holds three Adbri board positions. Adbri is at considerable risk of a change of control event, should the Barro Group choose to increase their shareholding to exceed 50%. A change in control could have material impacts on the business, including increased Directors and Officers insurance costs, joint venture agreements, sales contracts, self-insurance status and potential market disclosures.	The Board maintain strong governance protocols to ensure any conflicts of interest are managed appropriately. The Board seeks to maintain a majority of independent directors and seeks to ensure that board committee chair positions are held by independent directors. Board composition, including a majority of independent Directors, a Lead Independent Director/ Deputy Chair, and the Board's Governance Framework were revised as announced to the ASX on 26 March 2019. Adbri is actively recruiting a further independent director to restore majority independent representation. The Group's debt funding facilities which were renegotiated in November 2019, specifically accommodate a change in control brought about by the Barro Group increasing its shareholding, ensuring that it will not constitute an event of default or review requiring repayment. The Australian Competition and Consumer Commission has concluded that the Barro Group's 43% shareholding did not represent a substantial lessening of competition in the sector.

Business Risks and Mitigation (continued)

RISK	DETAILS	MITIGATION
Foreign currency	The Group imports a range of materials to supplement capacity of local production facilities, with approximately 2.3 million tonnes of product imported in 2020. 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 of 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 the Group.
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 the Group.
Competitive landscape	Australia, with its relatively open access to global participants, is a competitive market. Heightened competition combined with fluctuations in the macroeconomic 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 Adbri 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. Where we undertake new capital projects, there is a risk of project delays or increased cost. The business also relies on portside infrastructure and dedicated vessels for the storage and transportation of raw materials. The failure of key equipment in the manufacturing and logistics process including delays to shutdown or dry-docking works, can disrupt production.	Business continuity planning identifies risks with key equipment and alternate strategies being developed to mitigate risks including holding "critical spares" of key equipment, holding sufficient inventory and contractual arrangements to supplement domestic production where required. To the extent that production is disrupted for periods exceeding 20 days, the Group maintains business interruption insurance which responds in relation to land based assets. Project governance, risk assessment and controls are formalised for major capital projects.
Production quality	The Group's key products of cement, lime, concrete, aggregates and concrete products are sold in accordance with relevant quality standards and customer specifications. Materials used in production are natural products and therefore normal variability of the characteristics could result in fluctuations in quality of the end product. Products that do not meet the relevant quality standard could result in end-use customers being financially disadvantaged.	The Group has quality assurance processes across all products, including the monitoring of inputs into the production process and testing of final product to ensure compliance with relevant standards. The skills of internal quality personnel are continually updated and supplemented using 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.
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, factor into the level of risk associated with trade credit outstanding.	Trade credit risk is managed through assessment of individual customer credit limits in accordance with delegated authority levels approved by the Board, which is monitored along with ageing of balances outstanding.
Fraud, bribery and corruption	The Group operates in an environment that exposes it to the risk of loss from fraud, bribery and corruption. Operating in a commercial environment with the movement of funds into and out of the Company gives 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 practices considered to be 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.
Cyber attack	Risk of cyber attack or breach of information security leading to unauthorised access and loss of or disruption to Group data or computer-controlled systems Potential loss of data or records and interruption to operations.	Adbri has long standing systems and procedures to safeguard security of its information. These controls are routinely reviewed and upgraded or reinforced as necessary to ensure their adequacy. Adbri has a spread of hardware and IT systems across sites and the Adbri business, diluting the impact of any individual target Adbri IT security systems and procedures incorporating proprietary threat protection and other security controls provide protection against both internal and external parties. Controls are regularly tested by internal and external audit.

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 2020 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, divisional and financial review on pages 3 to 19 of this Annual Report refer to likely developments in Adbri'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 regulation.

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 Sustainability 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 action to be taken, for information to be provided, and for site inspections.

During 2020, Group entities received regulatory notices issued by Government authorities responsible for environmental matters. Group companies responded to regulatory notices as required and addressed issues raised by regulatory authorities.

There were a small number of instances during 2020 where, despite the proactive environmental management processes of Group companies and the responses provided to requests by regulatory authorities, regulatory authorities sought to impose penalties or fines on a Group company. These are described below.

On 3 May 2019, Hy-Tec Industries (Queensland) Pty Ltd (Hy-Tec) self-reported to the New South Wales Environment Protection Authority (NSW EPA) a water discharge event from Hy-Tec's Tumbulgum quarry in northern New South Wales. In response, on 29 January 2020, the NSW EPA issued Hy-Tec with a Penalty Infringement Notice (PIN) for $15,000, which Hy-Tec paid.

Significant rain in January and February 2020 caused overflows of rainwater and sediment from the Tumbulgum quarry, which were discussed with the NSW EPA at that time and subsequently. On 11 November 2020, the NSW EPA issued Hy-Tec with a PIN for $15,000 concerning an alleged contravention of the conditions of Hy-Tec's Environment Protection Licence No. 3430, together with an Official Caution about information Hy-Tec provided concerning Hy-Tec's performance under its Soil and Water Management Plan.

Hy-Tec disagreed with the NSW EPA, paying the amount of the PIN without any admission. Hy-Tec considered that no harm resulted from the water or sediment which overflowed during the heavy rain and which was promptly addressed by Hy-Tec. Hy-Tec reviewed and enhanced its water management at the Tumbulgum quarry, including upgrades to the sediment basin and the construction of a new spillway, and considers that the water management at that site is suitable. Hy-Tec continues to have constructive discussions with the NSW EPA concerning the Tumbulgum quarry.

On 5 November 2019, Cockburn Cement Limited (Cockburn Cement) was informed that the Western Australia Department of Water and Environmental Regulation (DWER) was conducting an investigation into alleged offences against the Western Australian Environmental Protection Act 1986 (the Act). DWER informed Cockburn Cement that it was investigating alleged unreasonable odour emissions from Cockburn Cement's Munster plant between January and April 2019. Cockburn Cement denied the allegations and denied that it had committed any offence.

On 29 July 2020, DWER commenced a prosecution against Cockburn Cement. Cockburn Cement has been charged with 15 charges pursuant to s49(5) of the Act of causing an unreasonable emission (odour) from Cockburn Cement's operations at Munster, Western Australia. Cockburn Cement denies the charges and has entered a plea of not guilty to each charge. The date for the trial has not yet been set.

Further details of the Group's environmental performance are contained in the 2020 Sustainability Report.

Director profiles

Qualifications, experience, and other directorships and special responsibilities of Directors are set out on pages 50 - 51 of the Annual 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 SUSTAINABILITY COMMITTEE[1]		NOMINATIONS & GOVERNANCE COMMITTEE	
	A	H	A	H	A	H	A	H	A	H
RD Barro	16	16	–	–	–	–	4	4	–	–
VA Guthrie	16	16	–	–	5	5	4	4	2	2
RR Barro	16	16	–	–	5	5	–	–	–	–
KB Scott-Mackenzie[2]	15	16	3	3	5	5	4	4	2	2
ER Stein[3]	16	16	6	6	5	5	–	–	2	2
GR Tarrant	16	16	6	6	–	–	–	–	–	–
Z Todorcevski[4]	7	7	3	3	–	–	–	–	–	–

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

1. Safety, Health, Environment and Sustainability Committee formerly named Safety, Health and Community Committee. Change of name effective 25 February 2020.
2. Mr Scott-Mackenzie did not participate in one Board meeting which was convened at short notice and the Company was not able to contact him prior to the meeting commencing. Mr Scott-Mackenzie was appointed to the Audit, Risk & Compliance Committee on 14 June 2020.
3. Ms Stein was appointed as Chair of the Audit, Risk and Compliance Committee from 14 June 2020.
4. Mr Todorcevski resigned effective 14 June 2020.

Directors' Interests

	ORDINARY SHARES
RD Barro	279,178,329
VA Guthrie	105,000
RR Barro	278,787,781
KB Scott-Mackenzie	20,000
ER Stein	30,676
GR Tarrant	–

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 63 to 76 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 63 to 76 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 Fellow of the Governance Institute of Australia Ltd and a legal practitioner admitted in South Australia in 1987.

The Group's General Manager Corporate Finance and Investor Relations, Darryl Hughes, was appointed an additional Company Secretary on 11 December 2019, to assist with secretarial duties should the principal Company Secretary be absent.

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 2020 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 Executives and any other Officers of each of the divisions of the Group, for the period 1 May 2020 to 30 April 2021. 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 124 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 126.

Rounding Off

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

Shares Under Option

Unissued ordinary shares under option relate to Awards associated with the Company's Executive Performance Share Plan. Outstanding Awards at the date of this report are as follows:

DATE AWARDS GRANTED	EXPIRY DATE	NUMBER OF AWARDS
1 January 2017	30 September 2021	142,813
1 January 2018	30 September 2022	121,837
1 January 2019	30 September 2023	535,533
1 January 2020	30 September 2024	957,495
Total		**1,757,678**

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 Adbri Limited website and may be accessed via the following link: www.adbri.com.au/who-we-are/corporate-governance

Signed in accordance with a resolution of the Directors.

Raymond Barro
Chairman

Dated 23 February 2021

Remuneration report

People and Culture Chair's letter

Dear Shareholders

On behalf of the Board and as Chair of the People and Culture Committee, I am pleased to present the Adbri Limited 2020 Remuneration Report.

Company response to COVID-19

The Chairman's and Chief Executive Officer's reports provide the detailed actions undertaken to manage the impact of the COVID-19 pandemic on the Company. These actions resulted in the Company delivering robust financial and strong safety performance, and ending the year well placed from a cash, balance sheet and overall business perspective, given the difficulties posed by COVID-19.

Countries across the world have experienced the personal and economic impact of COVID-19. While Australia has been less impacted compared to other countries, significant time and extraordinary effort by the Board, Executive and employees has been required to steer the Company through the initial crisis period and then to navigate the major changes required to continue our operations, largely uninterrupted in what has been a challenging year.

A key priority for the Management team has been ensuring the safety and wellbeing of not just our staff, but also our suppliers and customers who have operational interactions with the Company. The actions we undertook together were successful, with only one confirmed COVID-19 case across the Group's employees and lorry-owner-drivers, while keeping sites open and available to supply customers as needed.

In the early stages of the COVID response, the Company was able to maintain operations with only a very small reach into Government sponsored COVID-19 support measures such as JobKeeper. As the year progressed, the performance of the business did not warrant any further reliance on Government support and as a result, the Group did not receive a direct net benefit from Government, having repaid the small benefit initially received. This is a pleasing outcome in the circumstances.

In addition to the financial performance, the Group has delivered on improved sustainability outcomes, in particular:

- a reduction in greenhouse gas emissions by 2.3%;
- a reduction in the total recordable injury frequency rate by 47.2%; and
- an increase in the proportion of females newly appointed to positions within the Group from 20% in 2019 to 28% in 2020.

Remuneration in 2020

Summarised below are the remuneration outcomes for 2020 which are detailed more fully later in this report.

The significant social and economic disruption of COVID-19 tested the Company's resilience during 2020. I am pleased to report the Executive team has delivered robust underlying profit performance, strong cash flows and balance sheet while maintaining outstanding safety results and continuity of our operations in the COVID-19 pandemic environment.

However, this performance has been tempered by the loss of the contract for the supply of lime to Alcoa from 1 July 2021. While the Company is disappointed with the loss of a significant long-term customer, Adbri is focused on earnings opportunities as part of the development of its lime strategy. Overall remuneration outcomes for Executives reflect the financial and operational performance for the year and have been aligned with the outcomes for shareholders.

Non-executive Director fees

As set out in the 2019 Remuneration Report, no increases to Directors fees were proposed for 2020. Similarly, no increase to Director's fees are proposed for 2021, consistent with benchmarking results for our sector.

Following the resignation of Zlatko Todorcevski in June 2020, the fee for the position of Deputy Chair and Lead Independent Director was reviewed. We reduced the base fee, while including committee fees with the net result of this change being a reduction in total fees received by the Deputy Chair and Lead Independent Director, a position I have the privilege of holding.

Executive fixed remuneration

Executive fixed remuneration increases approved by the Board in 2019 for 2020, ranged between 1.0 – 2.6% in line with the remuneration principle of attracting, motivating and retaining appropriate management. However, in the current low wage inflation environment, there are no increases to Executive remuneration in 2021 except those relating to changes in roles that result from the divisional restructure as announced by the Group in December 2020.

People and Culture Chair's letter (continued)

STI outcomes

The Group's STI is consistently assessed with reference to underlying financial performance, which is subject to adjustments for significant items, both positive and negative. On an underlying basis, the Group's result exceeded the expectation set early in the year before the full impacts of the COVID-19 outbreak were understood. This is an outstanding effort from the Executive team and staff. This result is to be commended, particularly when considered in light of the challenges presented by COVID-19 and is reflected in the assessment for operating cash flow exceeding the STI stretch target of 110.0% and underlying NPAT achieving 97.6% of the stretch target.

Further, with significant progress on delivering on key actions, the majority of non-financial objectives were also met, in particular, the Group's significantly improved safety record. Overall, the STI for all Executives other than the Chief Executive Officer was initially assessed in the range of 79.4 – 93.6% of the total potential maximum STI. The STI for the Chief Executive Officer was initially assessed at 91.8% of the total potential maximum STI.

The Board recognise the need to align rewards paid to Executives with the shareholder experience and that the loss of the Alcoa contract from July 2021 did not impact underlying performance conditions included in the STI assessment. Consequently, the Board exercised its discretion to reduce the level of award made to Executives with respect to the Group NPAT measure – reducing the award based on achieving 97.6% of the stretch target to the threshold level of 50.0%. This reduced the overall award to Executives, excluding the Chief Executive Officer and the former Executive General Manager (EGM), Cement and Lime, Brad Lemmon, to a range of 71.5 – 81.3% of the total potential maximum STI. STIs awarded were further reduced for Executives who previously benefitted from retention payments in line with the terms of those retention arrangements, which required future STI and LTI awards to be offset against payments received in July 2019. The STI for the Chief Executive Officer was reduced to an overall award of 62.5% of the total potential maximum STI. The STI award for the former EGM, Cement and Lime, Brad Lemmon was reduced to $110,000 as part of his agreed termination arrangements.

This outcome reflects a balance between the achievements delivered by the Executive team in an otherwise difficult year and the impact of the non-renewal of the Alcoa contract on shareholder value, Company market position and our employees.

LTI outcomes

Executive alignment with shareholders is an important component of the Company's remuneration policy, with long-term improvement in shareholder value incorporated into the design of the LTI plan.

During 2020, the 2016 Award was tested for both the Total Shareholder Returns (TSR) and Earnings Per Share (EPS) performance conditions. Results across the performance period of the Award for both conditions failed to meet the threshold for vesting and as a consequence all Awards lapsed, without any vesting to Executives.

This outcome reflects the lower share price and earnings of the Group as competition and slower residential construction markets led to lower earnings in the 2019 and 2020 years and highlights the alignment of the design, to incentivise Executives to drive shareholder value.

Changes to LTI for 2021

As part of the ongoing work to align Executive remuneration with delivering long-term value to shareholders, the LTI plan will be augmented to:

- introduce a vesting performance measure for efficient use of capital employed, with 25% of LTI awards to be tested on a return on capital employed measure. The current earnings per share measure will reduce to 25% of LTI awards;
- the number of Awards issued to Executives will be calculated with reference to Adbri's 10-day volume weighted average price (VWAP) on either side of the release of the Company's annual results; and
- shares that vest to Executives following testing of the performance conditions, will be subject to a 12 month holding period.

These changes are expected to better align rewards to Executives with the shareholder experience over the long-term. The introduction of a return on capital employed measure, will help ensure that near-term decision making, delivers benefits to shareholders over the longer term.

Conclusion

The Board remains focused on ensuring remuneration is structured to attract, motivate and retain an Executive team that enhances long-term value creation for shareholders, while also providing transparency on remuneration principles and targets. In response to the challenges presented by COVID-19, the Committee and Board have decided that there will be no salary increase for Directors, the Chief Executive Officer or other KMP in 2021, except for those changing roles that result from the divisional restructure.

As Chair of the People and Culture Committee, I am committed to ensuring our remuneration framework provides a solid foundation for retaining and incentivising the best talent to deliver the Group's strategy which is aligned with value creation for shareholders. The framework is maintained against changing market conditions and societal expectations.

Thank you for your interest in reviewing our Remuneration Report

Vanessa Guthrie
Chair of People and Culture Committee

The Directors of Adbri Limited (the Company) present the Remuneration Report (Report) for the Company and the Group for the financial year ended 31 December 2020. 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 Adbri comprise all Directors and those Executives who have authority and responsibility for the planning, directing and controlling 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 2020 financial year are:

NAME	POSITION	TERM
EXECUTIVES		
Nick Miller	Chief Executive Officer (CEO)	Full year
Theresa Mlikota	Chief Financial Officer	Full year
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
NON-EXECUTIVE DIRECTORS		
Current		
Raymond Barro	Chairman	Full year
Vanessa Guthrie[1]	Deputy Chair and Lead Independent Director[2]	Full year
Rhonda Barro[3]	Non-executive Director	Full year
Ken Scott-Mackenzie[3]	Independent Non-executive Director	Full year
Emma Stein[3]	Independent Non-executive Director	Full year
Geoff Tarrant	Non-executive Director	Full year
Former		
Zlatko Todorcevski	Deputy Chairman and Lead Independent Director	Until 14 June 2020

1 Chair of People and Culture Committee.
2 Independent Director to 15 June 2020, Lead Independent Director from 15 June – 25 August 2020, Deputy Chair and Lead Independent Director from 26 August 2020.
3 Member of People and Culture Committee.

2. Remuneration governance

The governance of remuneration outcomes is a key focus of the Board and the People and Culture (P&C) Committee. Remuneration policies are regularly reviewed to ensure that remuneration for Executives continues to remain aligned to shareholder value.

Our governance framework for determining remuneration is outlined below:

BOARD

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

P&C COMMITTEE

The P&C Committee is delegated responsibility by the Board to review and make recommendations on:
- The remuneration policies and framework for the Group;
- Non-executive Director remuneration;
- Remuneration for Executives; and
- Executive incentive arrangements including setting targets and assessing performance.

MANAGEMENT

Provides information relevant to remuneration decisions and makes recommendations to the P&C Committee

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

CONSULTATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

REMUNERATION CONSULTANTS AND OTHER EXTERNAL ADVISORS

- Provide independent advice, information and recommendations relevant to remuneration decisions.
- In performing their duties and making recommendations to the Board, the Chairman of the P&C Committee seeks independent advice from external advisors on various remuneration related matters.
- Any advice or recommendations provided by external advisers is used to assist the Board – it is not a substitute for the Board and P&C Committee process.

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3. Executive remuneration policy and framework

3.1. Remuneration policy

The Board ensures remuneration policies are clearly aligned with the Group strategy, which is focused on maintaining and growing long-term shareholder value. In determining Executive remuneration, the Board has adopted a policy that is guided by the following principles.

Remuneration principles

ATTRACT AND RETAIN Provide remuneration that attracts, rewards, motivates and retains a highly capable Executive team.	**PAY-FOR-PERFORMANCE** Reward individual performance, responsibility and potential.	**BEHAVIOURS AND CULTURE** Drive leadership, performance and behaviours that reinforce the Group's short and long-term strategic and operational objectives.
SHAREHOLDER ALIGNMENT 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.	**MARKET COMPETITIVE** Have regard to market practice and market conditions.	**TRANSPARENT** Provide transparency and clarity on what, to whom and on what basis remuneration has been paid.

3.2. Remuneration Framework

In line with the remuneration policy, Executive remuneration is divided into a fixed component and "at-risk" components that include both short and long-term elements. The components of the remuneration framework are summarised below.

				REMUNERATION MIX %[1]			
		PURPOSE AND DELIVERY	OPPORTUNITY	CEO		OTHER EXECUTIVES	
FIXED	FIXED ANNUAL REMUNERATION (FAR)	**Purpose** Provide competitive base pay to attract and retain the skills needed to manage the business. **Delivery** Cash salary and other benefits (including statutory superannuation).	As set out in section 4.1 and 7.2 of this report	33%	Cash (50%)	46%	Cash (62%)
VARIABLE "AT RISK" REMUNERATION	SHORT-TERM INCENTIVE (STI)	**Purpose** To reward achievement of performance targets linked to the Group's annual business objectives. **Delivery** Cash (50%) Deferred rights to receive fully paid ordinary shares (50%)	CEO 104% of FAR Other executives 62% – 83% of FAR	17% 17%		16% 16%	
	LONG-TERM INCENTIVE (LTI)	**Purpose** To focus Executives on the Group's long-term business strategy to create and protect shareholder value over a four-year performance period **Delivery** Rights to receive fully paid ordinary shares (100%)	CEO 100% of FAR Other executives 40% – 70% of FAR	33%	Equity (50%)	22%	Equity (38%)

1 – as a percentage of potential maximum total annual remuneration

Executives are also eligible for the receipt of shares issued in accordance with the Adbri's Tax-Exempt Employee Share Plan (TEES Plan) as set out in Note 26 of the Financial Statements.

4. 2020 Executive remuneration approach

4.1. Fixed annual remuneration (FAR)

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. In 2019, Executive FAR was aligned with the market resulting in increases ranging between 1.0 - 2.6% for 2020.

4.2. Short-term incentive

Adbri's STI is the Company's 'at risk' short-term incentive component of the remuneration mix for Executives.
A summary of the key features of the 2020 STI is as follows:

FEATURE	DESCRIPTION
Participants	The CEO and Executives who are able to have a direct impact on the Group's performance against the relevant performance hurdles.
Deferral	50% of STI awards will be deferred into rights (unless otherwise determined by the Board).
PERFORMANCE CONDITIONS	
Reason metric was chosen	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 from both earnings and cash flow. Stretch targets provide incentives beyond budget to enhance shareholder returns. All performance conditions are set by the Board and agreed with the Executive. In approving financial targets under the STI, the Board considers a number of factors, including the industry in which we operate and the extraneous factors including market conditions that impact our financial performance and those of our competitors. These include the dynamics of the construction and resources industries, exchange rates and cost considerations. Our Management team has responded well to external pressures under difficult market conditions. 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 Executive team who can drive the continued delivery of long-term value to shareholders.
Performance conditions	Financial metrics are compared to budget, with the Board retaining discretion to adjust actual results in assessing performance. Financial metrics represent 80% of the STI opportunity based on:

FINANCIAL MEASURE	GROUP EXECUTIVE	DIVISIONAL EXECUTIVE
Group net profit after tax (NPAT)	50%	35%
Divisional earnings before interest and tax (EBIT)	N/A	20%
Group operating cash flow	30%	25%
Total financial measures weighting	80%	80%

Non-financial metrics represent 20% of the STI opportunity and are based on stretch targets across a range of areas agreed with the Executive in order to drive performance outside of pure financial results that contribute to long-term value creation for shareholders.

REWARD OPPORTUNITY

STI vesting schedule — STI outcomes of financial targets vest progressively in accordance with the following scale:

FINANCIAL TARGET ACHIEVED	STI % FOR FINANCIAL TARGET
Below 95%	Nil
95%	50%
Between 95% and 110%	Pro rata
110% or above	100%

Non-financial objectives are set at a stretch level of performance

4. 2020 Executive remuneration approach (continued)

4.2. Short-term incentive (continued)

FEATURE	DESCRIPTION
GOVERNANCE	
Assessment against measures	All performance conditions under the STI are clearly defined and measurable. Underlying NPAT is used as the primary measure for setting and measuring Group financial performance for the purposes of the STI as this closely reflects shareholder experience, utilising underlying NPAT at the Group level and EBIT for Divisional performance. Operating cashflow recognises the importance of cash management to drive shareholder value through an ability to return capital to shareholders. In respect of the financial targets, the Board compares the actual results against the budget for the year and assesses the degree to which the Group met those targets. In addition to considering the treatment of significant items in calculating underlying earnings for alignment with the Group's remuneration policy, the Board considers adjustments for exceptional, abnormal or extraordinary factors which may have affected the Group's performance during the year. The Board also considers the P&C Committee's assessment of the CEO's performance against the agreed non-financial targets, and that of Executives (based on the recommendation of the CEO). The Board chose the assessment method as it provides objective evidence of achievement of the performance conditions.
Timing of the award	Assessment of performance against the performance hurdles for the relevant year is determined at the February meeting of the P&C Committee and the Board, in conjunction with finalisation of the Group's full year results. 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 based on the 10-day VWAP following release of the Company's annual results.
Deferred rights – disposal restrictions and dividends	Deferred Rights awarded as part of the 2020 STI are divided into two equal tranches: • the Deferred Rights in Tranche 1 and the shares acquired on their exercise may not be sold or otherwise disposed of until after 31 December 2022 (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 2023 (3-year disposal restriction). No dividends (or voting rights) are received on the Deferred Rights during the disposal restriction period. 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.
Board discretion	The Board has absolute discretion in relation to assessing performance and determining the amount, if any, of STI awards.
Clawback	The STI Plan Rules provide the Board with a broad ability to clawback awards if considered appropriate. In addition to the STI Plan Rules, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.
CESSATION OF EMPLOYMENT OR A CHANGE OF CONTROL	
Cessation	The Board has ultimate discretion to determine the treatment of awards on cessation. If an Executive resigns or is terminated for cause, all STI entitlements will be forfeited. The STI Plan Rules provide that in other circumstances, and at the discretion of the Board, award opportunities will be pro rata reduced to reflect the proportion of the measurement period not worked. Any disposal restrictions applicable to shares acquired upon the exercise of Deferred Rights will be lifted on cessation of employment.
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.

4. 2020 Executive remuneration approach (continued)

4.3. Long-term incentive

The Company makes annual grants of Awards under the Executive Performance Share Plan (Plan) to all Executives who are eligible to participate.

A summary of the key features of the Plan as it applies to the 2020 LTI Award are as follows:

FEATURE	DESCRIPTION
Participants	The LTI is offered to Executives whose behaviour and performance have a direct impact on the Group's long-term performance.
VESTING, PERFORMANCE CONDITIONS AND REWARD OPPORTUNITY	
Performance period	The 2020 Awards will be tested on results up to 31 December 2023 and become exercisable to the extent of any vesting from 1 May 2024.
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 2020 Awards will expire on 30 September 2024.
Performance metrics and rationale for the chosen metrics	The LTI Award is subject to relative total shareholder return (TSR) (50%) and compound annual growth in earnings per share (EPS) (50%). The TSR has been chosen because it provides a link between Executive remuneration and changes in value experienced by shareholders over the performance period, incentivising outcomes aligned to shareholders. The EPS has been chosen because dividends form a fundamental value proposition to shareholders in the sector in which Adbri operate.
TSR vesting schedule	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 2019 to 31 December 2023. The 2020 Awards vest progressively in accordance with the following scale:

TSR GROWTH RELATIVE PERCENTILE RANKING	% OF AWARDS SUBJECT TO TSR HURDLE TO VEST
Below 50th percentile	Nil
50th percentile	50%
Between 50th and 75th percentile	Pro rata
75th percentile or above	100%

FEATURE	DESCRIPTION
EPS vesting schedule	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 vest. The Board retains overall discretion to make adjustments in favour of, or against, Management to ensure that they do not enjoy a windfall gain nor suffer an unfair penalty for matters that were not in their control or reasonable foresight. Awards under the 2020 Award are to vest progressively in accordance with the following scale:

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%

FEATURE	DESCRIPTION
Re-testing	Re-testing of either of the performance conditions applicable to a tranche of Awards is not permitted.

4. 2020 Executive remuneration approach (continued)

4.3. Long-term incentive (continued)

FEATURE	DESCRIPTION
GOVERNANCE	
Assessment against measures	The Board obtains external reports in relation to the TSR measure, while EPS is assessed following completion of the audit of the financial results for the relevant year. The Board chose the assessment method as it provides objective evidence of achieving the performance condition.
Clawback	The rules of the Plan have, for some time, provided the Board with a broad ability to clawback Awards if considered appropriate. In addition to the rules of the Plan, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a Participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.
Other conditions	An Executive's entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues. The rules of the Plan contain a restriction on removing the 'at risk' aspect of the instruments granted to Executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it becomes exercisable (e.g. hedging the Awards). Until the Awards vest, Executives have no legal or beneficial interest in Adbri Limited shares, no entitlement to receive dividends and no voting rights in relation to any securities granted under the 2020 Award, or any of the other Awards. Any shares allocated to the Executive following exercise of an Award may only be dealt with in accordance with the Company's Share Trading Policy and subject to the generally applicable insider trading prohibitions.
CESSATION OF EMPLOYMENT OR A CHANGE OF CONTROL	
Cessation	The Board has ultimate discretion to determine the treatment of Awards on cessation. If an Executive resigns or is terminated for cause, the Awards in respect of any tranche that is not exercisable will generally be forfeited. The Board may at any time waive in whole or in part any performance condition and additional terms in relation to any Awards granted. 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.
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.

4.4. 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:

EXECUTIVE	NOTICE PERIOD	SEPARATION PAYMENTS[1]
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).

5. Linking executive remuneration to company performance

5.1. Financial performance

In Adbri's 2019 Annual Report we indicated that 2020 would be impacted by subdued construction materials markets and competitive pressures to persist, with earnings expected to be 10% lower than 2019. In addition, in February 2020 when the 2019 Annual Report was released, COVID-19 was in its initial stages and the implication for Australia and the sectors serviced by the Group was not known.

The Executive team have managed the impact of COVID-19 exceptionally well, with almost uninterrupted operation of sites throughout the year to meet customer demand and pro-actively supporting staff, whether continuing to work from site or home, while delivering on cost reduction targets. Demand has been volatile during 2020 as customers have navigated the changes caused by COVID-19, including restrictions that have required changes to operating processes, requiring adaptation by the Company to match these conditions.

Despite these challenging conditions, underlying earnings of $115.6 million exceeded expectations whilst also absorbing additional costs due to COVID-19. In addition, operating cash flows were strong, growing to $256.2 million.

A 5-year summary of key financial performance metrics of the Company is set out below.

		2016	2017	2018	2019	2020	CAGR %
Sales	$m	1,396.2	1,559.6	1,630.6	1,517.0	**1,454.2**	0.6
NPAT reported	$m	186.3	182.7	185.3	47.3	**93.7**	(14.7)
NPAT underlying	$m	187.5	197.8	190.9	123.0	**115.6**	(11.1)
Share price	$/share	5.43	6.52	4.27	3.46	**3.35**	(6.7)
Dividends approved	cents/share	28.0	24.5	28.0	5.0	**12.0**	(15.0)
Franking	%	100.0	100.0	100.0	100.0	**100.0**	N/A
Operating cash flow	$m	248.4	224.2	244.7	193.2	**256.2**	2.2
Basic earnings per share	cents	28.7	28.1	28.5	7.3	**14.4**	(14.8)
TSR – 1 year	%	20.2	24.6	(30.2)	(17.8)	**0.3**	

Sales revenue and earnings over this 5-year period has been driven by the higher levels of construction, the recent recovery in the mining sector, and spending on growth capital that has included acquisitions, and greenfield and brownfield developments.

The Executive team has identified and implemented strategies to reduce the impact of the more recent decline in earnings which has been caused by competitive pressures and declining residential construction activity. Specific actions initiated have included an increased focus on infrastructure sector demand for construction materials through increased team capabilities to leverage the Group's existing vertically integrated offering, a cost reduction program and stronger working capital and balance sheet management. While these actions have delivered cost benefits in 2020, actions to increase exposure to the infrastructure sector have increased capabilities within the Group which will deliver growth over time as this exposure matures and projects reach the construction phase.

5.2. Short-term incentives – performance assessment

FINANCIAL PERFORMANCE – 80%		
PERFORMANCE MEASURE	**PERFORMANCE ASSESSMENT**	**RESULT**
• Group net profit after tax (NPAT); • Earnings before interest and tax (EBIT) for divisions; and • Group operating cash flow	Performance for Group NPAT was resilient to the impacts of COVID-19, with underlying earnings of $115.6 million exceeding Adbri's withdrawn guidance by 4.4%. Group NPAT was initially assessed as meeting the stretch target for STI assessment. Divisional EBIT similarly performed well given the impact of COVID-19, with Concrete and Aggregates meeting stretch, Cement and Lime met partial stretch and Concrete Products met the STI threshold performance. A strong focus on managing operations and cost-out program throughout the year resulted in operating cash flow outperforming budget and meeting stretch performance for STI.	NPAT: 97.6% of stretch Divisional EBIT: 50-100% Operating cash flow: 100%

5. Linking executive remuneration to company performance (continued)

5.2. Short-term incentives – performance assessment (continued)

NON-FINANCIAL PERFORMANCE – 20%			
PERFORMANCE MEASURE	**REASON CHOSEN**	**PERFORMANCE ASSESSMENT**	**RESULT**
Employee engagement Improvement in employee engagement, reflected through an increase in engagement score compared to the last employee survey in 2018.	Employees are important to delivering long-term growth, and are the key link to customers, suppliers and the communities in which we operate. Establishing a culture that delivers on the elements of the Company's pillars. Positive employee engagement is a critical part in delivering on these values which will add long-term value to shareholders.	COVID-19 limited the ability of Management to personally engage with employees throughout the year. While various technologies were used to communicate with employees during 2020, this was not as effective as face-to-face discussions. Consequently, employee engagement levels remained at similar levels to 2018 at 70%.	0%
Business continuity Maintenance of site operations, uptime availability and utilisation of plants throughout the year.	Supporting customers with reliable supply of high-quality products throughout the challenging operating conditions expected during 2020 is considered important to providing long-term value for shareholders.	Significant efforts were made by Management and staff to implement processes and procedures at sites to remain operational, particularly during periods of lockdown in some States. All production sites remained operational throughout the year, maintaining availability for supply of product to customers, meeting stretch targets despite challenging operating conditions.	100%
Health, Safety and Environment (HSE) Delivery of the Visible Leadership program and improvement in safety targets through a reduction in TRIFR. The STI has a gateway for fatalities, with no STI payable if a fatality occurs.	Satisfactory performance across HSE is fundamental to maintaining the Company's social licence to operate. While safety has always been important at Adbri, changing the safety culture to drive performance improvement requires significant effort in order to protect long-term value for shareholders.	HSE has been an area of considerable focus, incorporating the Group's Safety Step-Change and Visible Leadership programs. Significant time investment by Executives resulted in Visible Leadership by Executives being assessed as meeting stretch target. A reduction in TRIFR of 47.2% exceeded the stretch target.	100%
Other KPIs A range of other STI objectives have been set for individual Executives that reflect their influence on business performance, including: • increased use of alternate fuels; • improved environmental performance; • penetration into infrastructure projects; • improvement in resource recoveries; and • development and implementation of the Group's technology and innovation platforms.	Specific objectives for Executives are aimed at delivery of key performance objectives that, while not necessarily immediately providing a financial return, set the foundation for long-term improvement in value to shareholders.	Individual KPIs were assessed for all KMP by the Board and CEO.	0-100%

The Group announced on 2 July 2020 that Alcoa, a major customer for lime produced at the Munster operation in Western Australia, had advised the contract would not be extended beyond the current contract that ends on 30 June 2021. While the Group NPAT was assessed as meeting 97.6% of the stretch target as set out above, the Board has exercised its discretion to discount the initial assessment to threshold performance to align Executive STI awards with the shareholder experience. Consequently, the STI award for Executives (other than the CEO) has been reduced from 87.5% of the available award to 50.0% for this measure only. This reduced the overall award to Executives excluding the Chief Executive Officer and the former Executive General Manager, Cement and Lime, to a range of 71.5 - 81.3% of the total potential maximum STI. The total STI award for all measures for the CEO was reduced from 91.8% to 62.5% of the total potential maximum STI.

The STI award with respect to Brad Lemmon was reduced from the initial assessment of performance against targets to limit the overall award to $110,000 as part of his agreed termination arrangements.

This reflects a balance between the achievements delivered by the Executive team in an otherwise difficult year and the impact of the non-renewal of the Alcoa contract on shareholder value, the Company's market position and our employees.

5. Linking executive remuneration to company performance (continued)

5.3. Short-term incentive – outcomes

Performance across both financial and non-financial objectives exceeded many of the targets set by the Board, reflecting the significant efforts of the Executive team in a challenging year.

The table below summarises the STI outcomes for Executives for 2020.

					ACTUAL STI PAID IN THE FORM OF		
	MAXIMUM POTENTIAL STI OPPORTUNITY[1]	ACTUAL STI AS % OF STI MAXIMUM	LAPSED STI	ACTUAL STI TOTAL[2]	CASH STI	EQUITY DEFERRED (2 YEARS)	EQUITY DEFERRED (3 YEARS)
	$	%	%	$	$	$	$
Nick Miller	1,584,960	62.5	37.5	990,660	495,300	247,650	247,650
Theresa Mlikota	567,216	74.6	25.4	423,300	211,650	105,825	105,825
Brett Brown	384,134	81.3	18.7	312,300	156,150	78,075	78,075
Andrew Dell[3]	277,083	–	25.0[3]	–	–	–	–
Brad Lemmon[4]	470,995	23.4	76.6	110,000	110,000	–	–

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 2020 STI was determined in conjunction with the finalisation of 2020 financial results in relation to all Executives.
3. Andrew Dell's STI was assessed at 75% of his maximum STI opportunity. However, in line with disclosures in the 2018 Remuneration Report, vesting of STI to Andrew Dell was offset against the balance outstanding of retention payments made in 2019, reducing his 2020 STI to nil.
4. The STI award for Brad Lemmon was reduced from the initial assessment of performance against targets to limit the overall award to $110,000 as part of his agreed termination arrangements.

5.4. Long-term incentive – performance assessment and outcomes

In 2020, Adbri tested the 2016 Award for vesting in accordance with the conditions of Adbri's LTI scheme. Vesting conditions are based on performance over the vesting period, incorporating both a market-based element calculated on relative TSR against a comparator group and a profitability element measured as the increase in EPS.

Across the performance period of the 2016 Award:

- Adbri's TSR was (10.4)%, placing the return at the 22nd percentile which is below the vesting threshold for TSR of 50% and accordingly the TSR component of the award did not vest.
- The compound annual growth in EPS over the performance period of (36.6)%, which is lower than the threshold of 5.0% and accordingly the EPS component of the award did not vest.

Performance conditions for the 2016 Award were not met, resulting in no Awards vesting.

The LTI Award reflects slower market demand for the Company's products over the vesting period, as well as increased competition and higher costs. The Company continues to address these matters as part of its strategic initiatives which are outlined in the Annual Report.

	AWARDS							
	HELD AT 1 JAN 2020	GRANTED DURING THE YEAR [1]	EXERCISED / VESTED DURING THE YEAR [2]	LAPSED / FORFEITED DURING THE YEAR [3]	HELD AT 31 DEC 2020 [4]	VALUE OF 2020 AWARDS AT GRANT DATE [5]	FAIR VALUE OF 2020 AWARD AT GRANT DATE	VALUE PER SHARE AT THE DATE OF EXERCISE [6]
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	$	$/AWARD	$
Nick Miller	271,915	473,910	–	–	745,825	831,712	1.75	–
Theresa Mlikota	66,019	148,400	–	–	214,419	260,442	1.76	–
Brett Brown	44,146	71,786	–	–	115,932	128,497	1.79	–
Andrew Dell	132,998	55,233	–	(38,396)	149,835	102,457	1.85	–
Brad Lemmon	198,345	88,019	–	(53,302)	233,062	154,473	1.75	–

1. This represents the maximum number of Awards granted in 2020 that may vest to each Executive. As the Awards granted in 2020 only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of these Awards vested or were forfeited during the year. At the end of the applicable performance period, any Awards that have not vested will expire. Awards were granted to Executives between 21 June to 14 July 2020.
2. During 2020, only the 2016 Awards were eligible for testing. The threshold conditions for vesting of these Awards were not met and all 2016 Awards lapsed. The number of Awards that vested during the period and were exercisable at 31 December 2020 is nil. The number of Awards that vested but were not yet exercisable at 31 December 2020 is nil.
3. This includes the portion of 2016 Awards that reached the end of their performance period on 31 December 2019 that did not meet the performance conditions and were forfeited.
4. Awards subject to performance conditions which remain unvested (2017, 2018, 2019 and 2020 Awards), and which will be tested for vesting during the period 2021 to 2024.
5. Fair value of Awards granted during 2020 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 Adbri 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 nil.

6. Non-executive directors' fees

6.1. Policy and approach to setting Director fees

FEATURE	DESCRIPTION
Overview of policy	Non-executive Directors receive a base fee in relation to their service as a Director of the Board, and an additional fee for membership of, or for chairing a committee. The role of Deputy Chair and Lead Independent Director carries additional responsibilities, requiring additional time commitment to the role. Following changes to the Board in June 2020, the fee structure for the Deputy Chair and Lead Independent Director role was reviewed by the Board. Total remuneration reduced following the review, with a reduction in base fees partially offset by the payment of committee fees which were previously excluded from this role. During 2020, the Board Nomination and Governance (NG) Committee was initiated for the first time. Considering overall Director remuneration, the Board determined that no committee fees would be payable for membership of the NG Committee. The total amount of fees paid to Non-executive Directors is determined by the Board on the recommendation of its P&C Committee within the maximum aggregate amount approved by shareholders. The remuneration of 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 Non-executive Directors. In setting fee levels, the P&C Committee takes into account: • independent professional advice; • fees paid by comparable companies; • the general time commitment and responsibilities involved; and • the level of remuneration necessary to attract and retain Directors of a suitable calibre.
Aggregate fees approved by shareholders	Total fees, including committee fees, were set within the maximum aggregate amount of $1,600,000 per annum, approved at the 2017 Annual General Meeting.
Base fees for 2020	Fees for the Chairman and Non-executive Directors are reviewed annually and considered against peer companies. Fees payable to Non-executive Directors are inclusive of contributions to superannuation. The table below provides the annual fees payable to Directors.

BASE FEES (BOARD)	$
Chairman	147,900
Deputy Chair and Lead Independent Director[1]	265,200
Non-executive Director	132,600

COMMITTEE FEES	COMMITTEE CHAIR $	COMMITTEE MEMBER $
Fee for each committee except Nomination and Governance Committee	30,600	15,300
Nomination and Governance Committee	–	–

1. From 15 June 2020, the Deputy Chair and Lead Independent Director of the Board receives a base Board fee and fees for committee work. Up to 14 June 2020, the Deputy Chairman and Lead Independent Director of the Board received a base Board fee of $377,400, with no additional fee for committee work.

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

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

6.2. Non-executive Directors' minimum shareholding requirement

Adbri'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 Adbri.

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 2020 are provided in section 7.3.

7. Key management personnel disclosure tables

7.1. Non-executive Directors' statutory remuneration

NON-EXECUTIVE DIRECTOR	YEAR	FEES AND ALLOWANCES: DIRECTORS' BASE FEES (INCL. SUPERANNUATION)	FEES AND ALLOWANCES: COMMITTEE FEES (INCL. SUPERANNUATION)	FEES AND ALLOWANCES: TOTAL	POST-EMPLOYMENT BENEFITS SUPERANNUATION CONRIBUTIONS[1]
Current Non-executive Directors					
Raymond Barro	2020	132,600	15,300	147,900	12,831
	2019	132,600	15,300	147,900	12,831
Vanessa Guthrie	2020	204,927	45,900	250,827	5,424
	2019	132,600	45,900	178,500	15,486
Rhonda Barro	2020	132,600	15,300	147,900	12,831
	2019	85,037	9,812	94,849	8,228
Ken Scott-Mackenzie	2020	132,600	54,246	186,846	16,210
	2019	132,600	45,900	178,500	15,486
Emma Stein	2020	132,600	38,946	171,546	14,883
	2019	31,708	7,318	39,026	3,385
Geoff Tarrant	2020	132,600	15,300	147,900	12,831
	2019	132,600	15,300	147,900	12,831
Former Non-executive Director					
Zlatko Todorcevski	2020	188,700	–	188,700	–
	2019	377,400	–	377,400	32,742

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

7.2. Executive statutory remuneration

EXECUTIVE	YEAR	SHORT-TERM BENEFITS: CASH SALARY	SHORT-TERM BENEFITS: CASH STI[1]	SHORT-TERM BENEFITS: OTHER BENEFITS[2]	POST-EMPLOYMENT BENEFIT SUPERANNUATION[3]	EQUITY BASED BENEFITS: DEFERRED STI[1]	EQUITY BASED BENEFITS: TAX-EXEMPT EMPLOYEE SHARE PLAN	EQUITY BASED BENEFITS: LONG-TERM INCENTIVE[4]	TOTAL	% OF REMUNERATION CONSISTING OF AWARDS[5]
Nick Miller	2020	1,455,551	495,300	–	24,185	495,300	–	88,102	2,558,438	3.4
	2019	1,307,363	–	450,000	21,969	–	–	3,066	1,782,398	0.2
Theresa Mlikota	2020	660,339	211,650	–	21,411	211,650	–	22,821	1,127,871	2.0
	2019	465,781	–	250,000	14,901	–	–	1,310	731,992	0.2
Brett Brown	2020	440,289	156,150	–	21,491	156,150	999	13,220	788,299	1.7
	2019	436,077	–	–	13,923	–	997	866	451,863	0.2
Andrew Dell	2020	420,043	–	–	24,000	–	999	11,069	456,111	2.4
	2019	413,051	–	394,536[6]	24,000	–	997	–	832,584	–
Brad Lemmon	2020	541,100	110,000	–	25,000	–	999	–	677,099	–
	2019	530,000	–	691,272[6]	25,000	–	997	–	1,247,269	–

1. STI includes amounts relating to performance accrued at the end of each year but not paid until the subsequent year.
2. Other benefits relate to a sign-on bonus for Nick Miller and Theresa Mlikota and pro-rata portion of retention for Andrew Dell and Brad Lemmon.
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 in Note 26.
5. Percentage of remuneration for the financial year which consists of the amortised annual value of Awards issued under the Adbri Limited Executive Performance Share Plan.
6. These amounts relate to a retention payment granted to Mr Dell and Mr Lemmon in 2018, the full details of which were disclosed in the 2018 Remuneration Report. The payments are not 'additional' lump sum payments, but have been structured such that it brings forward the vesting of part of 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.

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7. Key management personnel disclosure tables (continued)

7.3. Equity holdings of Key Management Personnel

A summary of KMP current shareholdings in the Company as at 31 December 2020 is set out below. The balances reported 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 2020.

While the Board has introduced minimum shareholding guidelines for Non-executive Directors, the Board consider Executives' interests are aligned to those of our shareholders through the LTI and STI Deferral (as the LTI and STI Deferral are subject to share price fluctuations). The Board continues to review alignment as part of the design of future Executive incentives.

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION DURING THE YEAR			NET MOVEMENT DUE TO OTHER CHANGES	BALANCE AT END OF YEAR
		LTI	TEES	DEFERRED STI		
Current Executives						
Nick Miller	8,000	–	–	–	34,000	42,000
Theresa Mlikota	–	–	–	–	–	–
Brett Brown	17,905	–	503	–	(15,000)	3,408
Andrew Dell	10,025	–	503	–	–	10,528
Brad Lemmon	14,655	–	503	–	–	15,158
Current Non-executive Directors						
Raymond Barro[1]	279,178,329	–	–	–	–	279,178,329
Vanessa Guthrie	5,000	–	–	–	100,000	105,000
Rhonda Barro[2]	278,787,781	–	–	–	–	278,787,781
Ken Scott-Mackenzie	20,000	–	–	–	–	20,000
Emma Stein	–	–	–	–	30,676	30,676
Geoff Tarrant	–	–	–	–	–	–
Former Non-executive Directors						
Zlatko Todorcevski[3]	50,000	–	–	–	(50,000)	–

1. 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.
2. 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.
3. Mr Todorcevski resigned as a Non-executive Director effective 14 June 2020.

Income statement

FOR THE YEAR ENDED 31 DECEMBER 2020	NOTES	CONSOLIDATED 20 $M	19 $M
Continuing operations			
Revenue from contracts with customers	5	**1,454.2**	1,517.0
Cost of sales		**(938.4)**	(983.7)
Freight and distribution costs		**(278.5)**	(282.8)
Gross profit		**237.3**	250.5
Other income	5	**5.7**	5.1
Marketing costs		**(20.6)**	(24.4)
Administration costs		**(77.8)**	(83.1)
Finance costs	6	**(22.6)**	(20.1)
Impairment	2,14	**(21.7)**	(96.1)
Share of net profits of joint ventures and associate accounted for using the equity method	21(a)	**26.9**	31.5
Profit before income tax		**127.2**	63.4
Income tax expense	7(a)	**(33.6)**	(16.2)
Profit for the year		**93.6**	47.2
Profit is attributable to:			
Owners of the Company		**93.7**	47.3
Non-controlling interests		**(0.1)**	(0.1)

		CENTS	CENTS
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	4	**14.4**	7.3
Diluted earnings per share	4	**14.3**	7.2

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

Statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2020	NOTES	CONSOLIDATED 20 $M	19 $M
Profit for the year		**93.6**	47.2
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19(a)	**(0.1)**	0.4
Changes in the fair value of cash flow hedges	19(a)	**(9.3)**	(0.7)
Income tax relating to these items	7(c)	**2.7**	0.2
Items that will not be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation	25(b)	**0.1**	2.3
Income tax credit relating to these items	7(c)	**–**	(0.6)
Other comprehensive (loss) / income for the year, net of tax		**(6.6)**	1.6
Total comprehensive income for the year		**87.0**	48.8
Total comprehensive income for the year is attributable to:			
Owners of the Company		**87.1**	48.9
Non-controlling interests		**(0.1)**	(0.1)
Total comprehensive income for the year		**87.0**	48.8

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

Balance sheet

AS AT 31 DECEMBER 2020	NOTES	CONSOLIDATED 20 $M	19 $M
Current assets			
Cash and cash equivalents	8(a)	**94.0**	116.8
Trade and other receivables	9	**200.7**	218.7
Inventories	10	**152.1**	155.2
Current tax assets		**5.7**	28.5
Total current assets		**452.5**	519.2
Non-current assets			
Receivables	9	**45.6**	43.6
Retirement benefit asset	25(b)	**4.1**	4.5
Investments accounted for using the equity method	21	**197.8**	184.8
Property, plant and equipment	11	**1,059.1**	1,033.7
Right-of-use assets	12	**82.7**	84.6
Intangible assets	13	**281.1**	283.3
Total non-current assets		**1,670.4**	1,634.5
Total assets		**2,122.9**	2,153.7
Current liabilities			
Trade and other payables		**172.0**	144.9
Lease liabilities	12	**3.9**	5.7
Provisions	15	**37.7**	33.8
Other current liabilities		**7.7**	8.6
Total current liabilities		**221.3**	193.0
Non-current liabilities			
Borrowings	16	**466.1**	540.1
Lease liabilities	12	**84.8**	81.9
Deferred tax liabilities	7(f)	**63.7**	74.6
Provisions	15	**65.0**	66.7
Other non-current liabilities		**–**	0.1
Total non-current liabilities		**679.6**	763.4
Total liabilities		**900.9**	956.4
Net assets		**1,222.0**	1,197.3
Equity			
Share capital	17	**740.1**	739.0
Reserves	19(a)	**(6.2)**	0.2
Retained earnings	19(b)	**485.8**	455.7
Capital and reserves attributable to owners of the Company		**1,219.7**	1,194.9
Non-controlling interests		**2.3**	2.4
Total equity		**1,222.0**	1,197.3

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

Statement of changes in equity

CONSOLIDATED	NOTES	ATTRIBUTABLE TO OWNERS OF ADBRI LIMITED SHARE CAPITAL $M	RESERVES $M	RETAINED EARNINGS $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 1 January 2020		**739.0**	**0.2**	**455.7**	**1,194.9**	**2.4**	**1,197.3**
Profit / (loss) for the year		**–**	**–**	**93.6**	**93.6**	**(0.1)**	**93.5**
Other comprehensive loss		**–**	**(6.7)**	**0.1**	**(6.6)**	**–**	**(6.6)**
Total comprehensive income / (loss) for the year		**–**	**(6.7)**	**93.7**	**87.0**	**(0.1)**	**86.9**
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	18	**–**	**–**	**(63.6)**	**(63.6)**	**–**	**(63.6)**
Executive Performance Share Plan	17(b), 19(a)	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Employee Equity Participation Share Plan	17(b)	**1.1**	**–**	**–**	**1.1**	**–**	**1.1**
		1.1	**0.3**	**(63.6)**	**(62.2)**	**–**	**(62.2)**
Balance at 31 December 2020		**740.1**	**(6.2)**	**485.8**	**1,219.7**	**2.3**	**1,222.0**
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

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

Statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2020	NOTES	CONSOLIDATED 20 $M	19 $M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,639.9**	1,671.7
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,362.6)**	(1,434.2)
Joint venture distributions received		**16.5**	21.0
Interest received		**1.9**	0.6
Interest paid		**(22.0)**	(15.6)
Other income		**1.3**	3.1
Income taxes paid		**(50.0)**	(64.9)
Income tax refunds		**31.2**	11.5
Net cash inflow from operating activities	8(b)	**256.2**	193.2
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(136.4)**	(91.6)
Proceeds from sale of property, plant and equipment		**4.5**	4.7
Loans to joint venture entities		**(2.0)**	(2.7)
Repayment of loans from other parties		**0.5**	0.6
Net cash (outflow) from investing activities		**(133.4)**	(89.0)
Cash flows from financing activities			
Proceeds from issues of shares	17(b)	**1.1**	4.3
Drawdown of borrowings	8(d)	**460.0**	19.7
Repayment of borrowings	8(d)	**(535.0)**	–
Principal elements of lease payments	8(d)	**(7.8)**	(7.5)
Dividends paid to Company's shareholders	18	**(63.6)**	(97.8)
Net cash (outflow) from financing activities		**(145.3)**	(81.3)
Net (decrease) / increase in cash and cash equivalents		**(22.5)**	22.9
Cash and cash equivalents at the beginning of the financial year		**116.8**	93.9
Effects of exchange rate changes on cash and cash equivalents		**(0.3)**	–
Cash and cash equivalents at end of year		**94.0**	116.8

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

Notes to the Financial Statements

1 Summary of significant accounting policies

Adbri 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 23 February 2021. 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 Adbri 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.

(i) Historical cost convention

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

(ii) Compliance with IFRS

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

(iii) New and amended standards adopted by the Group

New standards and amendments applied for the first time for the annual reporting period commencing 1 January 2020 did not have any impact on the amounts recognised in the current or prior periods and are not expected to significantly affect future periods.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Adbri Limited as at 31 December 2020 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 an impairment of the transferred asset. 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 schemes. The company that acts as the Trustee is consolidated as the company is controlled by the Group. The share scheme trusts are not consolidated as they are 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 Adbri Limited’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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 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 the 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, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(d) Business combinations

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

The excess of the consideration transferred, and 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’ Report) 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
- 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. In considering aggregation of these segments, Management assessed revenue growth and gross margin as the economic indicators to determine that the aggregated operating segments share similar economic characteristics.

The major end-use of Adbri's products include residential and non-residential construction, engineering construction, industrial manufacturing and mining sectors within Australia.

(b) Segment information provided to the CEO

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

	CEMENT, LIME, CONCRETE AND AGGREGATES	CONCRETE PRODUCTS	UNALLOCATED	TOTAL
31 DECEMBER 2020	**$M**	**$M**	**$M**	**$M**
Total segment operating revenue	**1,262.9**	**146.1**	**–**	**1,409.0**
Inter-segment revenue	**(89.0)**	**–**	**–**	**(89.0)**
Revenue from external customers	**1,173.9**	**146.1**	**–**	**1,320.0**
Depreciation and amortisation	**(83.6)**	**(6.1)**	**(3.7)**	**(93.4)**
Impairment:				
Property, plant and equipment	**(20.6)**	**(1.1)**	**–**	**(21.7)**
EBIT	**170.4**	**7.0**	**(29.8)**	**147.6**
Underlying EBIT	**199.8**	**8.0**	**(28.9)**	**178.9**
Share of net profits of joint ventures and associate entities accounted for using the equity method	**26.9**	**–**	**–**	**26.9**
31 DECEMBER 2019	**$M**	**$M**	**$M**	**$M**
Total segment operating revenue	1,354.8	142.3	–	1,497.1
Inter-segment revenue	(97.2)	–	–	(97.2)
Revenue from external customers	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 ventures and associate entities accounted for using the equity method	31.5	–	–	31.5

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

2 Segment reporting (continued)

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

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

	CONSOLIDATED 20	19
	$M	**$M**
Total segment operating revenue	**1,409.0**	1,497.1
Inter-company revenue elimination	**(89.0)**	(97.2)
Freight revenue	**128.0**	104.9
Other product	**5.6**	11.6
Royalties	**0.6**	0.6
Revenue from continuing operations	**1,454.2**	1,517.0

The performance of the operating segments is based on a measure of underlying Earnings Before Interest and Tax (EBIT). This measurement basis excludes the effect of significant items and net interest. A reconciliation of the EBIT to operating profit before income tax is provided as follows:

	CONSOLIDATED 20	19
	$M	**$M**
Underlying EBIT	**178.9**	186.4
Significant items (refer pages 55 to 56)	**(31.3)**	(104.5)
Net interest	**(20.4)**	(18.5)
Profit / (loss) before income tax	**127.2**	63.4

(c) Other segment information

Revenues of $218.1 million (2019: $252.1 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.
- Inventories – Note 10
- Impairment tests – Note 14
- Provisions for close-down and restoration costs – Note 15
- 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 20 CENTS	CONSOLIDATED 19 CENTS
Basic earnings per share	**14.4**	7.3
Diluted earnings per share	**14.3**	7.2

	CONSOLIDATED 20 SHARES	CONSOLIDATED 19 SHARES
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**652,129,815**	651,542,678
Adjustments for calculation of diluted earnings per share:		
Awards	**1,757,678**	1,063,600
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**653,887,493**	652,606,278

	CONSOLIDATED 20 $M	CONSOLIDATED 19 $M
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit after tax	**93.6**	47.2
Loss attributable to non-controlling interests	**0.1**	0.1
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**93.7**	47.3

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, risk of loss has 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 using the effective interest rate method.

	CONSOLIDATED 20 $M	CONSOLIDATED 19 $M
Revenue		
Revenue from contracts with customers	**1,453.6**	1,516.4
Royalties	**0.6**	0.6
	1,454.2	1,517.0
Other income		
Interest from joint ventures	**0.2**	0.7
Interest from other parties	**2.0**	0.9
Net gain on disposal of property, plant and equipment	**0.3**	0.3
Rental income	**1.3**	1.5
Other income	**1.9**	1.7
	5.7	5.1
Total revenue from contracts with customers and other income	**1,459.9**	1,522.1

The Group has an active strategy of managing its property portfolio to drive additional value into the business. During the year the Group realised a net gain on the sale of properties of $0.7 million (2019: nil) which is recognised in other income.

6 Expenses

Profit before income tax includes the following specific expenses:

	NOTES	CONSOLIDATED 20 $M	CONSOLIDATED 19 $M
Depreciation	11, 12	**91.2**	91.2
Amortisation of intangibles	13	**2.2**	2.4
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	**21.7**	55.0
Asset retirement provision		**–**	3.0
Other intangible assets	13, 14	**–**	4.4
Total Impairment		**21.7**	96.1
Other charges			
Employee benefits expenses		**181.7**	190.6
Superannuation expense		**13.4**	13.4

6 Expenses (continued)

In 2020, an impairment charge has been taken against specific assets expected to be placed into care and maintenance. The impairment charge relates primarily to plant and equipment that was specifically utilised in servicing the Alcoa contract which ceases in July 2021.

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 Notes 2 and 14.

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	
	20	19
	$M	$M
Finance costs		
Interest and finance charges paid / payable for lease liabilities and financial liabilities not at fair value through profit or loss	**22.8**	20.0
Unwinding of the discount on restoration provisions	**0.3**	0.9
Total finance costs	**23.1**	20.9
Amount capitalised[1]	**(0.5)**	(0.8)
Total finance costs	**22.6**	20.1

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 1.54% p.a. (2019: 2.5% p.a.).

7 Income tax

Accounting policy – income tax

The income tax expense or credit 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 unused 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

Adbri Limited and its wholly-owned Australian subsidiaries implemented the Australian tax consolidation legislation as of 1 January 2004. Adbri 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, Adbri 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.

7 Income tax (continued)

Accounting policy – income tax (continued)

The wholly-owned entities fully compensate Adbri Limited for any current tax payable assumed and are compensated by Adbri Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adbri 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.

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.

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED	
	20	19
	$M	$M
Profit before income tax expense	**127.2**	63.4
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	**38.2**	19.0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	**–**	2.6
Non-allowable expenses	**0.3**	0.5
Non-assessable income	**(3.2)**	(2.1)
Rebateable dividends	**(1.2)**	(4.0)
Other deductions	**(0.2)**	(0.1)
Under / (over) provided in prior years	**(0.3)**	0.3
Aggregate income tax expense	**33.6**	16.2
Aggregate income tax expense comprises:		
Current tax on profits for the year	**40.0**	31.4
Net deferred tax expense / (benefit)	**(6.1)**	(15.5)
Under / (over) provided in prior year	**(0.3)**	0.3
	33.6	16.2

(b) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting year not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax	**–**	(1.0)
Net deferred tax expense / (benefit)	**(0.1)**	1.1
	(0.1)	0.1

(c) Tax expense relating to items of other comprehensive income

Actuarial gains / (losses) on retirement benefit obligation	**–**	(0.6)
Changes in the fair value of cash flow hedges	**2.7**	0.2
	2.7	(0.4)

(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised:		
Revenue losses	**0.7**	0.6
Capital losses	**11.1**	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)

(e) Non-current deferred tax assets

	CONSOLIDATED 20 $M	19 $M
The balance comprises temporary differences attributable to:		
Share-based payment reserve	**0.2**	0.1
Provisions	**39.6**	40.0
Lease liabilities	**26.5**	26.2
Other assets	**6.4**	0.9
Deferred tax assets – before offset	**72.7**	67.2
Offset deferred tax liability (Note 7(f))	**(72.7)**	(67.2)
Net deferred tax assets – after offset	**–**	–
Movements:		
Opening balance at 1 January – before offset	**67.2**	33.7
Recognised in the income statement	**5.4**	36.3
Recognised in other comprehensive income	**0.1**	(1.8)
Under / (over) provision in prior year	**–**	(1.0)
Closing balance at 31 December – before offset	**72.7**	67.2

(f) Non-current deferred tax liabilities

	CONSOLIDATED 20 $M	19 $M
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**82.9**	86.5
Right-of-use assets	**25.1**	25.4
Inventories	**13.8**	13.2
Other	**14.6**	16.7
Deferred tax liabilities – before offset	**136.4**	141.8
Offset deferred tax assets (Note 7(e))	**(72.7)**	(67.2)
Net deferred tax liabilities – after offset	**63.7**	74.6
Movements:		
Opening balance at 1 January – before offset	**141.8**	122.9
Recognised in the income statement	**(3.6)**	18.8
Recognised in equity	**–**	(0.7)
(Over) / under provision in prior year	**(1.8)**	0.8
Closing balance at 31 December – before offset	**136.4**	141.8

8 Note to statement of cash flows

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

	CONSOLIDATED 20 $M	19 $M
Current		
Cash at bank and in hand	**91.2**	113.9
Term deposits	**2.8**	2.9
Cash and cash equivalents	**94.0**	116.8

8 Note to statement of cash flows (continued)

(a) Cash and cash equivalents (continued)

(i) 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 2020 was $nil (2019: $nil).

(ii) 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.

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

	CONSOLIDATED 20 $M	19 $M
Profit for the year	**93.6**	47.2
Doubtful debts	**–**	1.3
Impairment of goodwill	**–**	8.8
Depreciation, amortisation and other impairment	**115.1**	180.9
Share-based payments	**(0.2)**	(2.7)
Finance charges on remediation provision	**0.3**	(0.9)
Interest on lease liabilities	**3.1**	3.0
(Gain) / loss on sale of non-current assets	**(0.3)**	(0.3)
Share of profits of joint ventures, net of dividends received	**(10.3)**	(10.5)
Non-cash retirement benefits expense	**0.5**	0.4
Non-cash remediation obligation / (asset increase)	**1.7**	(20.2)
Capitalised interest	**(0.5)**	(0.8)
Other	**1.7**	1.1
Net cash provided by operating activities before changes in assets and liabilities	**204.7**	207.3
Change in operating assets and liabilities, net of effects from purchase of business combinations:		
Decrease / (increase) in inventories	**3.1**	(3.2)
(Increase) / decrease in prepayments	**(2.1)**	(0.8)
Decrease / (increase) in receivables	**20.1**	3.0
Increase / (decrease) in trade creditors	**27.1**	11.1
Increase / (decrease) in provisions	**2.2**	21.1
Increase / (decrease) in taxes payable	**22.8**	(22.9)
(Decrease) / increase in deferred taxes payable	**(10.9)**	(14.0)
(Decrease) / increase in other operating assets and liabilities	**(10.8)**	(8.4)
Net cash inflow from operating activities	**256.2**	193.2

(c) Net debt reconciliation

Cash and cash equivalents	**94.0**	116.8
Borrowings	**(466.1)**	(540.1)
Net debt	**(372.1)**	(423.3)

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8 Note to statement of cash flows (continued)

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

	OTHER ASSETS		LIABILITIES FROM FINANCING ACTIVITIES						
	CASH/ BANK OVER-DRAFT $M	LIQUID INVEST-MENT $M	FINANCE LEASES DUE WITHIN 1 YEAR $M	FINANCE LEASES DUE AFTER 1 YEAR $M	BORROW. DUE WITHIN 1 YEAR $M	BORROW. DUE AFTER 1 YEAR $M	LEASES DUE WITHIN 1 YEAR $M	LEASES DUE AFTER 1 YEAR $M	TOTAL $M
Net debt as at 1 January 2019	93.9	–	–	–	–	(518.7)	–	–	(424.8)
Recognised on adoption of AASB 16	–	–	–	–	–	–	(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	–	–	–	–	–		5.7	81.9	87.6
Net debt excluding lease liabilities at 31 December 2019	116.8	–	–	–	–	(540.1)	–	–	(423.3)
Cash flows	**(22.8)**	**–**	**–**	**–**	**–**	**75.0**	**7.8**	**–**	**60.0**
Other non-cash movements	**–**	**–**	**–**	**–**	**–**	**(1.0)**	**(6.1)**	**4.8**	**(2.3)**
Acquisition – leases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7.6)**	**(7.6)**
Net debt as at 31 December 2020	**94.0**	**–**	**–**	**–**	**–**	**(466.1)**	**(4.0)**	**(84.7)**	**(460.8)**
Lease liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**4.0**	**84.7**	**88.7**
Net debt excluding lease liabilities at 31 December 2020	**94.0**	**–**	**–**	**–**	**–**	**(466.1)**	**–**	**–**	**(372.1)**

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	
	20 $M	**19** $M
Current		
Trade receivables	**167.5**	185.2
Loss allowance provision (see note 20(b))	**(17.9)**	(19.1)
	149.6	166.1
Amounts receivable from joint ventures	**31.9**	32.5
Prepayments	**9.6**	7.5
Other receivables	**9.6**	12.6
Total current	**200.7**	218.7
Non-current		
Loans to joint ventures	**44.5**	42.5
Other non-current receivables	**1.1**	1.1
Total non-current	**45.6**	43.6
Movement in loss allowance provision		
Opening balance at 1 January	**19.1**	19.1
Amounts written off during the year	**(1.2)**	(0.6)
Loss allowance provision recognised during the year	**–**	0.6
Closing balance at 31 December	**17.9**	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.

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. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials. Costs of engineering spare parts and stores are assigned to individual items of inventory on the basis of weighted average costs.

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. Volumetric surveys are performed by independent surveyors utilising aerial and laser surveys.

	CONSOLIDATED	
	20	19
	$M	$M
Current		
Finished goods	**60.8**	60.8
Raw materials and work-in-progress	**58.1**	61.3
Engineering spare parts stores	**33.2**	33.1
	152.1	155.2

Inventory expense

Inventories recognised as expense during the year ended 31 December 2020 and included in cost of sales amounted to $898.0 million (2019: $909.9 million).

There was no material adjustment to inventories net realisable value in 2020 (2019: $24.5 million).

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 up to 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) Major plant replacement

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

(iii) Leasehold property

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

(iv) Other fixed assets

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

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

The residual values and useful lives of assets 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 the asset's carrying amount. These are included in the income statement.

11 Property, plant and equipment (continued)

Accounting policy – property, plant and equipment (continued)

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

	CONSOLIDATED							
	FREEHOLD LAND	BUILDINGS	LEASEHOLD PROPERTY	PLANT AND EQUIPMENT	MINERAL RESERVES	ASSET RETIREMENT COST	IN COURSE OF CONSTRUC-TION	TOTAL
	$M	$M	$M	$M	$M	$M	$M	$M
31 DECEMBER 2020								
At cost	214.7	153.4	9.6	1,544.1	215.5	55.2	75.1	2,267.6
Accumulated depreciation and impairment	–	(78.1)	(5.4)	(1,051.4)	(58.2)	(15.4)	–	(1,208.5)
Net book amount	**214.7**	**75.3**	**4.2**	**492.7**	**157.3**	**39.8**	**75.1**	**1,059.1**
Reconciliation								
Carrying amount at 1 January 2020	190.5	80.0	4.7	511.9	153.2	42.8	50.6	1,033.7
Additions	25.2	0.3	–	77.3	10.3	0.3	20.6[1]	134.0
Disposals	(1.0)	–	–	(3.3)	–	–	–	(4.3)
Remeasurement reclassification	–	–	–	–	–	(2.9)	3.9	1.0
Impairment loss	–	–	–	(21.7)	–	–	–	(21.7)
Depreciation / amortisation	–	(5.0)	(0.5)	(71.5)	(6.2)	(0.4)	–	(83.6)
Carrying amount at 31 December 2020	**214.7**	**75.3**	**4.2**	**492.7**	**157.3**	**39.8**	**75.1**	**1,059.1**
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	3.2	0.1	80.2	0.6	22.2	7.6[1]	115.0
Disposals	(2.2)	–	–	(2.2)	–	–	–	(4.4)
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

1. Additions to in course of construction assets are net of transfers to other asset categories.

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.

12 Leases (continued)

Accounting policy – leases (continued)

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.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	CONSOLIDATED 20 $M	19 $M
Right-of-use assets		
Property	**55.2**	52.4
Plant and equipment	**27.5**	32.2
	82.7	84.6
Lease liabilities		
Current	**3.9**	5.7
Non-current	**84.8**	81.9
	88.7	87.6

Additions to the right-of-use assets during the 2020 financial year were $7.6 million (2019: $0.3 million).

12 Leases (continued)

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	CONSOLIDATED 20 $M	19 $M
Depreciation charge of right-of-use assets		
Property	**4.2**	4.2
Plant and equipment	**3.4**	3.4
	7.6	7.6
Interest expense (included in finance cost)	**3.1**	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 cost of goods sold and administrative expenses)	**45.8**	44.5
	56.5	55.3

The total cash outflow for leases in 2020 was $43.8 million (2019: $43.3 million).

(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 Group'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.

	20 $M	19 $M
Estimated cash outflows payable to lorry owner-drivers under existing contract terms, but not recognised as liabilities:		
Within one year	**52.0**	35.6
Later than one year but not later than five years	**102.5**	105.8
Later than five years	**7.7**	19.1
	162.2	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) 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.

	CONSOLIDATED			
	GOODWILL	SOFTWARE	OTHER INTANGIBLES	TOTAL
	$M	$M	$M	$M
31 DECEMBER 2020				
Cost	**272.5**	**20.8**	**10.8**	**304.1**
Accumulated amortisation and impairment	**–**	**(17.9)**	**(5.1)**	**(23.0)**
Carrying amount at 31 December 2020	**272.5**	**2.9**	**5.7**	**281.1**
Opening balance at 1 January 2020	**272.5**	**4.2**	**6.6**	**283.3**
Reclassification	**–**	**0.6**	**(0.6)**	**–**
Amortisation charge	**–**	**(1.9)**	**(0.3)**	**(2.2)**
Closing balance at 31 December 2020	**272.5**	**2.9**	**5.7**	**281.1**
31 DECEMBER 2019				
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

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 goodwill might be impaired. Other assets are tested for impairment at each reporting date or 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 its 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 known as a CGU. Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment, at each reporting date.

14 Impairment tests (continued)

(a) Goodwill is allocated to the Group's CGUs.

A segment-level summary of the goodwill allocation presented below:

	CONSOLIDATED	
	20	19
	$M	$M
Cement, Lime, Concrete and Aggregates segment	**272.5**	272.5
Concrete Products segment	**–**	–
	272.5	272.5

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 2021 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 five years to incorporate the construction cycle into demand assumptions for modelling purposes. The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates.

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

	GROWTH RATE[1]		DISCOUNT RATE[2]	
	20	19	20	19
	%	%	%	%
Cement, Lime, Concrete and Aggregates	**1.2**	1.3	**10.8**	10.2
Concrete Products	**1.4**	1.4	**11.9**	10.7

1. Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period of five 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 utilising historical experience coupled with expectations of future events that may have a financial impact on the Group and that are believed to be reasonable.

With the uncertainty presented by COVID-19, low case sensitivities have been utilised for the purposes of testing for impairment. Declines in sales growth rates have been used to assess the impact on earnings potential, in conjunction with a 'U' shaped recovery. Long-term growth rates used for the purpose of the impairment test are low. Discount rates are pre-tax and reflect specific risks relating to the relevant CGUs.

(c) Impairment charge

In 2020, an impairment charge has been taken against specific assets expected to be placed into care and maintenance. The impairment charge relates primarily to plant and equipment that was specifically utilised in servicing of the Alcoa contract which ceases in July 2021. Impairment of assets in Concrete Products has resulted from the consolidation of activities between locations.

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

	CEMENT, LIME, CONCRETE AND AGGREGATES	CONCRETE PRODUCTS	UNALLOCATED	TOTAL
2020	$M	$M	$M	$M
Property, plant and equipment	**20.6**	**1.1**	**–**	**21.7**
2019				
Receivables and other debtors	0.4	–	–	0.4
Inventory	10.8	13.7	–	24.5
Property, plant and equipment	47.9	8.1	2.0	58.0
Intangible assets	2.6	–	1.8	4.4
Goodwill	–	8.8	–	8.8
	61.7	30.6	3.8	96.1

14 Impairment tests (continued)

(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 CGUs 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 CGUs is greater than the carrying values at 31 December 2020, assessment of adverse changes in certain key assumptions does not result in an impairment of goodwill to be recognised. As illustrated below, the following changes to assumptions would not result in any impairments.

	CHANGES TO ASSUMPTIONS			
	MARKET GROWTH RATE[1] -1%	LOWER PRICING[2] -1%	DISCOUNT RATE[3] +1%	LOWER VOLUME[4] -10%
	$M	$M	$M	$M
Cement, Lime, Concrete and Aggregates	–	–	–	–
Concrete Products	–	–	–	–

1. Market growth rate adjustments apply as a reduction from the assumed CGU growth rates for the internal forecast period, being the initial five years of cash flow modelling.
2. Lower pricing adjustments assume pricing of goods and services 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 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 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.

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 $60.2 million (2019: $61.9 million).

	CONSOLIDATED	
	20	19
	$M	$M
Current		
Employee benefits	**29.2**	26.2
Restoration provisions	**1.9**	2.0
Other provisions	**6.6**	5.6
	37.7	33.8
Non-current		
Employee benefits	**6.7**	6.8
Restoration provisions	**58.3**	59.9
	65.0	66.7

The current portion of employee benefits includes all of the accrued annual leave and 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	
	20	19
	$M	$M
Current leave obligations expected to be settled after 12 months	**4.7**	3.1

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 2020	**61.9**	**5.6**
Additional provision recognised – charged to income statement	**–**	**2.0**
Additional provision recognised – charged to balance sheet	**1.6**	**–**
Charged to income statement – unwind of discount	**0.3**	**–**
Payments	**(3.6)**	**(1.0)**
Closing balance at 31 December 2020	**60.2**	**6.6**

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 20 $M	19 $M
Non-current		
Bank loans – unsecured	**466.1**	540.1

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

(a) Share capital

	20 SHARES	19 SHARES	20 $M	19 $M
Issued and paid up capital				
Fully paid	**652,266,367**	651,723,127	**740.1**	739.0

(b) Movements in ordinary shares capital

	NUMBER OF SHARES	TOTAL $M
Opening balance 1 January 2019	650,610,606	734.4
Shares issued under Executive Performance Share Plan	887,363	3.5
Shares issued under Employee Share Plan	225,158	1.1
Closing balance at 31 December 2019	651,723,127	739.0
Shares issued under Employee Share Plan	**543,240**	**1.1**
Closing balance 31 December 2020	**652,266,367**	**740.1**

(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.

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 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, 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. Adbri's target leverage ratio is 1.0 to 2.0 times underlying EBITDA.

The leverage ratio is calculated as follows:

	CONSOLIDATED 20 $M	19 $M
Total borrowings (excluding lease liabilities)	**466.1**	540.1
Less: cash and cash equivalents	**(94.0)**	(116.8)
Net debt	**372.1**	423.3
Underlying EBITDA	**272.3**	280.0
Leverage ratio	**1.4**	1.5

(f) Employee share scheme and options

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 26.

18 Dividends

	CONSOLIDATED 20 $M	19 $M
Dividends paid during the year		
2019 Final dividend of 5.0 cents (2018: 15.0 cents) per fully paid ordinary share, franked at 100% (2019: 100%) paid on 28 April 2020	**32.6**	97.8
2020 Interim dividend of 4.75 cents (2019: nil cents) per fully paid ordinary share, franked at 100% (2019: 100%)	**31.0**	–
Total dividends – paid in cash	**63.6**	97.8
Dividends not recognised at year end		
Since the end of the year the Directors have recommended the payment of a final (fully franked) dividend of 7.25 cents per fully paid ordinary share (2019 – 5.0 cents). The aggregate amount of the proposed final dividend to be paid on 22 April 2021, not recognised as a liability at the end of the reporting period, is:	**47.3**	32.6
Franked dividend		
The franked portion of the dividend proposed as at 31 December 2020 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 2021.		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0%	**131.0**	115.1

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 $20.3 million (2019: $14.0 million).

19 Reserves and retained earnings

(a) Reserves

	CONSOLIDATED 20 $M	19 $M
Reserves		
Foreign currency translation reserve	**2.0**	2.1
Share-based payment reserve	**(1.1)**	(1.4)
Cash flow hedge reserve	**(7.1)**	(0.5)
	(6.2)	0.2
Foreign currency translation		
Opening balance at 1 January	**2.1**	1.7
Currency translation differences arising during the year	**(0.1)**	0.4
Closing balance at 31 December	**2.0**	2.1
Share-based payment reserve		
Opening balance at 1 January	**(1.4)**	1.4
Award expense	**0.2**	0.5
Deferred tax	**0.1**	(1.1)
Issue of shares to employees	**–**	(2.2)
Closing balance 31 December	**(1.1)**	(1.4)
Cash flow hedge reserve		
Opening balance at 1 January	**(0.5)**	1.1
Revaluation – gross	**(9.3)**	(0.7)
Reclassified to the carrying amount of inventory	**–**	(1.1)
Deferred tax on movement in reserve	**2.7**	0.2
Closing balance 31 December	**(7.1)**	(0.5)

Nature and purpose of other reserves

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity 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 income statement when the net investment is disposed of.

Share-based payments

The share-based payments 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 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 20 $M	19 $M
Opening balance 1 January	**455.7**	504.5
Net profit for the year	**93.6**	47.3
Actuarial (loss) / gain on defined benefit obligation net of tax	**0.1**	1.7
Dividends	**(63.6)**	(97.8)
Closing balance 31 December	**485.8**	455.7

20 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate risk, and electricity 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 and options 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 effectively result in recognising 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) and options to hedge its foreign exchange risk on these overseas trading activities against movements in foreign currency exposure to the Australian Dollar. FECs and options 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 or option.

The Group treasury risk management policy is to progressively hedge up to 100% of material highly probable purchases 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 Dollars:

	CONSOLIDATED 20 $M	19 $M
Forward foreign exchange contracts:		
Buy foreign currency	**47.8**	77.5
Sell Australian Dollar (cash flow hedges)	**(45.8)**	(76.6)
Net exposure – liability / (asset)	**2.0**	0.9

(ii) Electricity price risk

The Group's electricity purchases may 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)

(a) Market risk (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 2020 and 2019, 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.

Following analysis of the Group's exposure to interest rate risk, the Group may utilise interest rate swaps to manage the risk of future changes in variable interest rates.

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

	CONSOLIDATED			
	20		19	
	WEIGHTED AVERAGE INTEREST RATE	BALANCE	WEIGHTED AVERAGE INTEREST RATE	BALANCE
	%	$M	%	$M
Variable rate instruments:				
Cash at bank, on hand and at call	**0.6%**	**94.0**	1.2%	116.8
Debt facilities	**1.5%**	**366.1**	2.1%	440.1
Fixed rate instruments:				
Debt facilities (fixed rate)	**3.7%**	**100.0**	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. The current low interest rate environment has resulted in bank bill swap rates being close to zero. The Group's borrowing agreements include a floor on the swap rate of zero percent, limiting the potential benefit of further declines in interest rates. Due to the asymmetrical impact of interest rate changes on the Group 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 for interest expense in both 2020 and 2019, while the impact of a decrease in interest income for 2020 is limited to reducing variable market borrowing rates to zero.

	CONSOLIDATED			
	20		19	
	IMPACT ON POST-TAX PROFIT	IMPACT ON EQUITY	IMPACT ON POST-TAX PROFIT	IMPACT ON EQUITY
	$M	$M	$M	$M
Interest rates – increase by 1%	**0.2**	**0.2**	(2.3)	(2.3)
Interest rates – decrease by 1%	**–**	**–**	2.3	2.3

20 Financial risk management (continued)

(b) Credit risk

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

For banks and financial institutions, only independently rated parties with investment grade ratings 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 required the provision of personal guarantees from customers in order to cover credit exposures.

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 2020 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					
	20			19		
	EXPECTED LOSS RATE	GROSS CARRYING AMOUNT	PROVISION AMOUNT	EXPECTED LOSS RATE	GROSS CARRYING AMOUNT	PROVISION AMOUNT
	%	$M	$M	%	$M	$M
Current	**–**	**173.8**	**–**	0.1	129.9	0.1
More than 30 days past due	**0.2**	**3.1**	**–**	0.2	55.7	0.1
More than 60 days past due	**1.8**	**0.2**	**–**	2.0	7.0	0.1
More than 90 days past due	**80.4**	**22.3**	**17.9**	74.9	25.1	18.8
Total		**199.4**	**17.9**		217.7	19.1

The gross carrying amount includes external receivables of $167.5 million (2019: $185.2 million) and joint venture receivables of $31.9 million (2019: $32.5 million).

20 Financial risk management (continued)

(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 treasury function manages liquidity risk by maintaining adequate cash 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.

	CONSOLIDATED	
	20	19
FINANCIAL ARRANGEMENTS	$M	$M
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**	900.0
	904.0	904.0
Used at balance date		
Bank overdrafts	**–**	–
Bank facilities	**470.0**	545.0
	470.0	545.0
Unused at balance date		
Bank overdrafts	**4.0**	4.0
Bank facilities	**430.0**	355.0
	434.0	359.0
Maturity profile of bank facilities:		
21 November 2024	**750.0**	750.0
21 November 2026	**50.0**	50.0
21 November 2029	**100.0**	100.0
	900.0	900.0

20 Financial risk management (continued)

(c) Liquidity risk (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.

	CONSOLIDATED					
	<6 MONTHS	6-12 MONTHS	1-2 YEARS	> 2 YEARS	TOTAL	CARRYING AMOUNT (ASSETS) / LIABILITIES
CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	$M	$M	$M	$M	$M	$M
31 December 2020						
Non-derivatives						
Trade payables	**172.0**	**–**	**–**	**–**	**172.0**	**172.0**
Bank facilities	**4.7**	**4.7**	**18.6**	**498.6**	**526.6**	**466.1**
Lease liabilities	**3.6**	**3.4**	**6.3**	**154.1**	**167.4**	**88.7**
Bank guarantees	**3.7**	**2.4**	**0.1**	**27.2**	**33.4**	**–**
	184.0	**10.5**	**25.0**	**679.9**	**899.4**	**726.8**
Derivatives						
Gross-settled forward foreign exchange contracts (cash flow hedges):						
(inflow)	**(39.5)**	**(8.3)**	**–**	**–**	**(47.8)**	**–**
outflow	**37.8**	**8.0**	**–**	**–**	**45.8**	**–**
	(1.7)	**(0.3)**	**–**	**–**	**(2.0)**	**–**
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)	–

(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 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.

20 Financial risk management (continued)

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

Accounting policy – financial instruments (continued)

(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. 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 probable forecast transactions (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. 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.

(iii) 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.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value / debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2020.

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.

(iv) 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 instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

20 Financial risk management (continued)

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

Hedging instruments

Financial instruments entered into by the Group for the purpose of managing foreign currency risk associated with its highly probable inventory purchases and electricity price risk with its highly probable electricity purchases, and interest rate risk with its highly probable interest payments qualify for hedge accounting.

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

	CONSOLIDATED	
	20	**19**
Hedging instrument – forward foreign exchange contracts		
Carrying amount (liability) / asset – $ million	**(2.0)**	(0.8)
Notional amount US Dollars – $ million	**38.4**	67.6
Notional amount Yen – $ million	**3.7**	8.8
Notional amount Euro – $ million	**0.3**	1.1
Notional amount Singapore Dollars – $ million	**5.4**	–
Maturity date	**Jan-Sep 2021**	Jan-Sep 2020
Hedge ratio	**1:1**	1:1
Change in intrinsic value of outstanding hedging instruments since 1 January – $ million	**–**	–
Change in value of hedged item used to determine hedge effectiveness – $ million	**–**	–
Weighted average hedge rate – US Dollars	**A$1 : US$0.7352**	A$1 : US$0.694
Weighted average hedge rate – Yen	**A$1 : Yen 78.1**	A$1 : Yen 74.5
Weighted average hedge rate – Euro	**A$1 : Euro 0.6074**	A$1 : Euro 0.6146
Weighted average hedge rate – Singapore Dollars	**A$1 : S$0.9852**	–
Hedging instrument – interest rate swap		
Carrying amount (liability) / asset – $ million	**(8.7)**	
Notional amount – $ million	**300.0**	–
Maturity date	**21 Nov 2024 – 7 Jan 2025**	–
Hedge ratio	**1:1**	–
Weighted average variable rate – % p.a.	**0.08**	–
Weighted average fixed rate – % p.a.	**0.98**	–

Reconciliation of hedging reserves disclosed in Note 19(a)

	COST OF HEDGING $M	SPOT COMPONENT OF CURRENCY FORWARDS $M	INTEREST RATE SWAPS $M	TOTAL HEDGE RESERVE $M
Opening balance 1 January 2019	0.1	1.0	–	1.1
Add: change in fair value of hedging instrument	–	(0.9)	–	(0.9)
Add: costs of hedging deferred and recognised in OCI	0.1	–	–	0.1
Less: reclassified to cost of inventory	(0.1)	(1.0)	–	(1.1)
Less: deferred tax	–	0.3	–	0.3
Closing balance 31 December 2019	0.1	(0.6)	–	(0.5)
Add: change in fair value of hedging instrument	**–**	**(1.8)**	**(8.7)**	**(10.5)**
Add: costs of hedging deferred and recognised in OCI	**(0.1)**	**–**	**–**	**(0.1)**
Less: reclassified to cost of inventory	**(0.1)**	**0.6**	**–**	**0.5**
Less: reclassified from OCI to profit and loss	**–**	**–**	**0.5**	**0.5**
Less: deferred tax	**–**	**0.6**	**2.4**	**3.0**
Closing balance 31 December 2020	**(0.1)**	**(1.2)**	**(5.8)**	**(7.1)**

20 Financial risk management (continued)

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

Fair value measurement

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); and

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 $2.0 million (2019: liabilities of $0.8 million) at the end of the reporting period. The Group recognised liabilities in relation to interest rate swaps of $8.7 million (2019: $nil). There were no electricity price caps at 31 December 2020 or 31 December 2019. 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). The fair value of interest rate swaps is measured with reference to the interest rates at balance date and the present value of 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 an 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	
	20	19	20	19	20	19
	$M	$M	$M	$M	$M	$M
Investment in joint ventures and associate	**153.5**	142.5	**44.3**	42.3	**197.8**	184.8
Profit from continuing operations	**25.6**	29.9	**1.3**	1.6	**26.9**	31.5
Total comprehensive income	**25.6**	29.9	**1.3**	1.6	**26.9**	31.5

21 Joint arrangements and associate (continued)

(b) Interests in joint arrangements and associate

NAME	PRINCIPAL PLACE OF BUSINESS	OWNERSHIP INTEREST 20 %	19 %	ACTIVITIES
Aalborg Portland Malaysia Sdn. Bhd.[1]	Malaysia	**30**	30	White clinker and cement manufacture
Batesford Quarry[2]	Victoria	**50**	50	Limestone products
Burrell Mining Services JV[2]	New South Wales and Queensland	**50**	50	Concrete products for the coal mining industry
E.B. Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd[3]	New South Wales and Victoria	**50**	50	Premixed concrete and quarry products
Independent Cement and Lime Pty Ltd[3]	New South Wales and Victoria	**50**	50	Cementitious product distribution
Peninsula Concrete Pty Ltd[3]	South Australia	**50**	50	Premixed concrete
Sunstate Cement Ltd[3]	Queensland	**50**	50	Cement milling and distribution

1. Associate.
2. Joint operation.
3. Joint venture.

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

(c) Interests in respect of joint ventures

The Group can 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. No liability has been recognised for this amount. The minimum amount payable to acquire the remaining interest is $90.0 million (2019: $32.5 million), representing an increase in business performance.

22 Subsidiaries

The Group's material subsidiaries at 31 December 2020 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 equal 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 20 %	19 %
Adbri Masonry Group Pty Ltd	Australia	Ord	**100.0**	100.0
Adbri Masonry Pty Ltd	Australia	Ord	**100.0**	100.0
Adelaide Brighton Cement Investments Pty Ltd	Australia	Ord	**100.0**	100.0
Adelaide Brighton Cement Ltd	Australia	Ord	**100.0**	100.0
Adelaide Brighton Management Ltd	Australia	Ord	**100.0**	100.0
Aus-10 Rhyolite Pty Ltd	Australia	Ord	**100.0**	100.0
Cockburn Cement Ltd	Australia	Ord	**100.0**	100.0
Exmouth Limestone Pty Ltd	Australia	Ord	**51.0**	51.0
Hurd Haulage Pty Ltd	Australia	Ord	**100.0**	100.0
Hy-Tec Industries Pty Ltd	Australia	Ord	**100.0**	100.0
Hy-Tec Industries (Queensland) Pty Ltd	Australia	Ord	**100.0**	100.0
Hy-Tec Industries (Victoria) Pty Ltd	Australia	Ord	**100.0**	100.0
Morgan Cement International Pty Ltd	Australia	Ord	**100.0**	100.0
Northern Cement Ltd	Australia	Ord	**100.0**	100.0
Premier Resources Ltd	Australia	Ord	**100.0**	100.0
Screenings Pty Ltd	Australia	Ord	**100.0**	100.0
Southern Quarries Pty Ltd	Australia	Ord	**100.0**	100.0

23 Deed of cross guarantee

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

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

Set out below is a consolidated balance sheet as at 31 December 2020 of the Closed Group.

	CLOSED GROUP 20 $M	19 $M
Current assets		
Cash and cash equivalents	**89.6**	112.6
Trade and other receivables	**232.3**	218.3
Inventories	**151.5**	154.4
Current tax assets	**5.9**	28.6
Other financial assets	**–**	0.2
Total current assets	**479.3**	514.1
Non-current assets		
Receivables	**45.5**	42.6
Retirement benefit asset	**4.1**	4.5
Joint arrangements and associate	**110.0**	102.0
Other financial assets	**4.1**	21.4
Property, plant and equipment	**1,004.4**	997.3
Right-of-use assets	**82.5**	84.3
Intangible assets	**277.1**	277.0
Total non-current assets	**1,527.7**	1,529.1
Total assets	**2,007.0**	2,043.2
Current liabilities		
Trade and other payables	**170.8**	143.8
Lease liabilities	**3.8**	5.6
Provisions	**37.5**	32.8
Other current liabilities	**3.6**	8.5
Total current liabilities	**215.7**	190.7
Non-current liabilities		
Borrowings	**466.1**	540.1
Deferred tax liabilities	**64.4**	75.5
Lease liabilities	**84.7**	81.7
Provisions	**64.9**	66.6
Other non-current liabilities	**0.1**	0.1
Total non-current liabilities	**680.2**	764.0
Total liabilities	**895.9**	954.7
Net assets	**1,111.1**	1,088.5
Equity		
Share capital	**740.1**	739.0
Reserves	**(9.8)**	(2.0)
Retained earnings	**380.8**	351.5
Total equity	**1,111.1**	1,088.5

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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 2020 of the Closed Group.

	CLOSED GROUP	
	20	19
	$M	$M
Profit before income tax	**126.8**	57.2
Income tax expense	**(33.8)**	(16.5)
Profit for the year	**93.0**	40.7
Retained earnings 1 January	**351.5**	406.9
Profit for the year	**93.0**	40.7
Other comprehensive income	**(0.1)**	1.7
Dividends paid	**(63.6)**	(97.8)
Retained earnings 31 December	**380.8**	351.5

24 Parent entity financial information

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

(i) Investments in subsidiaries, associates 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 tax 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 Adbri Limited for any current tax payable assumed and are compensated by Adbri Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adbri Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

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

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

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

(iii) Financial guarantees

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

(iv) Share-based payments

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

24 Parent entity financial information (continued)

(a) Summary financial information

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

	20	19
	$M	$M
Balance Sheet		
Current assets	**2,659.9**	2,586.2
Total assets	**3,233.7**	2,949.8
Current liabilities	**1,781.2**	1,584.9
Total liabilities	**2,406.7**	2,126.3
Net assets	**827.0**	823.5
Shareholders' equity		
Share capital	**732.9**	731.9
Reserves		
Share-based payments	**(1.1)**	(1.5)
Foreign currency translation reserve	**(1.2)**	–
Retained earnings	**96.4**	93.1
Total shareholders' equity	**827.0**	823.5
(Loss) / profit for the year	**(14.3)**	(13.2)
Total comprehensive (loss) / income	**(14.3)**	(13.2)

(b) Guarantees entered into by the parent entity

Bank guarantees	**14.9**	4.4

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2020 or 31 December 2019 other than the bank guarantees shown 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 future payments is available.

Significant estimate – key assumptions

The present value of defined benefit superannuation plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These include selection of discount rates, future salary increases and expected rates of return. The balances of these obligations are sensitive to changes in these assumptions.

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25 Retirement benefit obligations (continued)

(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 2020, all new employees, who are members of this fund, have become members of the accumulation category of the Plan.

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

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

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

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	FAIR VALUE OF PLAN ASSETS	NET OBLIGATION/ (ASSET)
	$M	$M	$M
At 1 January 2020	**44.4**	**(48.9)**	**(4.5)**
Current service cost	**1.3**	**–**	**1.3**
Interest expense / (income)	**0.7**	**(0.8)**	**(0.1)**
	2.0	**(0.8)**	**1.2**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)	**–**	**(0.3)**	**(0.3)**
(Gain) / loss from change in financial assumptions	**0.4**	**–**	**0.4**
Experience (gains) / losses	**(0.2)**	**–**	**(0.2)**
	0.2	**(0.3)**	**(0.1)**
Contributions:			
Employers		**(0.7)**	**(0.7)**
Plan participants	**0.7**	**(0.7)**	**–**
Payments from plan:			
Benefit payments	**(6.6)**	**6.6**	**–**
At 31 December 2020	**40.7**	**(44.8)**	**(4.1)**
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)
(Gain) / loss from change in financial assumptions	1.5	–	1.5
Experience (gains) / losses	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)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	20 UNQUOTED		19 UNQUOTED	
	$M	%	$M	%
Australian equity	**12.1**	**27%**	13.7	28%
International equity	**13.9**	**31%**	16.6	34%
Fixed income	**8.5**	**19%**	6.4	13%
Property	**9.0**	**20%**	6.8	14%
Cash	**0.9**	**2%**	2.0	4%
Other	**0.4**	**1%**	3.4	7%
Total	**44.8**	**100%**	48.9	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:

	20	19
Discount rate – % p.a.	**0.9**	1.9
Future salary increases – % p.a. – first year	**1.0**	1.6
Future salary increases – % p.a. – second year	**1.0**	1.6
Future salary increases – % p.a. – thereafter	**2.0**	3.0

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

		IMPACT ON DEFINED BENEFIT OBLIGATION	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
31 December 2020			
Discount rate	**0.50 ppts**	**Decrease by 1.4%**	**Increase by 0.4%**
Future salary increases	**0.50 ppts**	**Increase by 2.5%**	**Decrease by 1.5%**
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%

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 2020 are $nil (2019: nil).

The weighted average duration of the defined benefit obligation is 5 years (2019: 5 years).

26 Share-based payment plans

Accounting policy – share-based payments

Share-based compensation benefits are provided to Executives via the Company's Executive Performance Share Plan ("the Plan" or "EPSP").

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

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

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

The Plan is administered by the Group's employee share plan trust; see Note 1(b)(ii).

(a) Employee Share Plan

The Group operate two general employee share plans:

- the Employee Share Plan (ES Plan) established in 1997; and
- the 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 2020, the Board approved the issue of 543,240 shares under the TEES Plan (2019: 225,158 shares), while no shares were issued under the ES Plan (2019: 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 Adbri 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 63 to 76.

The exercise price for each Award is $nil.

MOVEMENT IN NUMBER OF AWARDS OUTSTANDING	20	19
Outstanding at beginning of the year	**1,063,600**	1,678,766
Granted	**957,495**	560,887
Exercised	**–**	(887,363)
Expired	**(263,417)**	(288,690)
Outstanding at the end of the year	**1,757,678**	1,063,600
Exercisable at the end of the year	**–**	–

The average value per share at the earliest exercise date during the year was not applicable for 2020 as no awards vested during the year (2019: $4.33). The value per share is calculated using the Volume Weighted Closing Price which is the average of the closing price and number of Adbri 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 2020 – weighted average pricing model inputs

	2020 AWARDS
Share price at grant date – per share	**$3.12**
Expected future dividends – per share	**$0.36**
Risk-free interest rate – % p.a.	**0.40**
Lack of marketability discount – % p.a.	**4.40**
TSR condition discount	**50%**
Earliest exercise date	**1 May 24**

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

The Plan does not entitle the Participants to participate in any other share issues of the Company and the unexercised Awards do not attract dividends or voting rights. The Group recognised share-based payments expense of $160,128 during the year (2019: $340,331).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 2.6 years (2019: 2.3 years).

Other

27 Related party

(a) Compensation of Key Management Personnel

	CONSOLIDATED 20 $M	19 $M
Short-term employee benefits	**5.7**	7.4
Post-employment benefits	**0.2**	0.2
Share-based payments	**1.0**	0.5
	6.9	8.1

(b) Other transactions with Key Management Personnel

RD Barro, a Director of Adbri Limited, is Managing Director of Barro Group Pty Ltd. RR Barro, a Director of Adbri Limited, is a Director of the Barro Group Pty Ltd. Barro Group Pty Ltd and Adbri 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.

Nick Miller, the Chief Executive Officer and Brad Lemmon, a senior Executive of Adbri Limited, were Directors of Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd. Brett Brown, a senior Executive of Adbri Limited was a Director of the Mawson Group.

During the year, the Group traded significantly with Independent Cement and Lime Pty Ltd, Sunstate Cement Ltd, the Mawson Group, which are all joint ventures of the Group.

(c) Controlled entities

All transactions involving Barro Group Pty Ltd and Adbri Limited and its subsidiaries, Independent Cement and Lime Pty Ltd and its subsidiaries, Sunstate Cement Ltd and the Mawson Group 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.

FINANCIAL ARRANGEMENTS	CONSOLIDATED 20 $	19 $
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	**93,827,229**	81,626,641
Purchases from Director related parties	**24,137,726**	25,962,003

Details of interests in controlled entities are set out in Note 22. The ultimate parent company is Adbri 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 standard commercial terms and conditions and transactions for the supply are covered by shareholder agreements.

27 Related party (continued)

(e) Transactions with other related parties

The following transactions occurred with related parties:

	CONSOLIDATED 20 $000	19 $000
Sales of goods:		
Joint venture entities	**273,854**	285,058
Purchases of materials and goods:		
Joint venture entities	**120,874**	118,459
Associate entities	**6,563**	6,837
Interest revenue:		
Joint venture entities	**246**	664
Dividend and distribution income:		
Joint venture entities	**11,116**	20,984
Superannuation contributions:		
Contributions to superannuation funds on behalf of employees	**13,319**	12,541
Loans advanced to:		
Joint venture entities	**2,672**	3,459

(f) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	CONSOLIDATED 20 $000	19 $000
Current receivables:		
Joint venture entities (interest)	**32**	664
Joint venture entities (trade)	**26,016**	31,838
Non-current receivables:		
Joint venture entities (loans)	**44,507**	41,803
Current payables:		
Joint venture entities (trade)	**18,325**	5,813

(g) Loans to / from 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 $245,667 (2019: $664,833).

28 Events occurring after the reporting period

No matter or circumstance has arisen since 31 December 2020 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 20 $M	19 $M
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Within one year	**17.6**	18.1

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	
	20	19
	$	$
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements	**907,881**	751,356
Non-audit services		
PricewaterhouseCoopers Australian firm		
Other assurance services	**218,353**	154,694

31 Contingency

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

	CONSOLIDATED	
	20	19
	$M	$M
Bank guarantees	**33.4**	33.2

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 77 to 124 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 2020 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 Chief Executive Officer 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: 23 February 2021

Auditor's Independence Declaration

pwc

As lead auditor for the audit of Adbri Limited for the year ended 31 December 2020, 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 Adbri Limited and the entities it controlled during the period.

M. T. Lojszczyk
Partner

Adelaide 23 February 2021
PricewaterhouseCoopers

Independent Auditor's Report to the members of Adbri Limited

(formerly known as Adelaide Brighton Limited)

pwc

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Adbri 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 2020 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 2020
- 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 consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 $5.987 million, which represents approximately 4% of the Group's profit before tax and impairment.
- 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 impairment as it is an unusual or infrequently occurring item impacting profit and loss.
- We utilised a 4% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the most significant components being Cement and Lime (primarily focusing on the South Australian and Western Australian businesses which comprise the bulk of these operations) and corporate entities which, in our view, were financially significant to the financial report.
- Additionally, we performed specific risk focused audit procedures in relation to the Group's Cement and Lime component in the Northern Territory and New South Wales, Concrete and Aggregates components in New South Wales, Victoria and South Australia and Concrete Products.
- We also performed specific risk focused audit procedures over Independent Cement and Lime Pty Ltd and Sunstate Cement Ltd, which contribute 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 2020. 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 of 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 2020 to (and as at) 31 December 2020, 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 2020 for our opinion.
- Outside the operations identified above, the Group includes components which individually and collectively do not contribute materially to the overall Group result. We have obtained an understanding of these operations and performed analytical procedures.

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Key audit matters

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	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Recoverability of goodwill and property, plant and equipment **(Refer to notes 11, 13 & 14)** The financial report of the Group includes goodwill of $272.5 million and property, plant and equipment of $1,059.1 million as at 31 December 2020. To determine whether the carrying value of these assets was recoverable, the Group prepared discounted cash flow models (the impairment models). The Group recognised a pre-tax impairment charge of $21.7 million for the year ended 31 December 2020. These impairment models are driven by significant estimates and judgement about future growth rates, discount rates and terminal values. This was a key audit matter given the financial significance of the Group's recorded goodwill and property, plant and equipment balances and the judgement and subjectivity involved in determining assumptions around growth rates and discount rates.	Our procedures included, amongst others: • developing an understanding of how the Group identified assumptions and sources of data • developing an understanding of the relevant key controls associated with developing the impairment models • assessing whether the Cash Generating Units (CGUs) identified by the Group and the assets and liabilities allocated to them was consistent with our knowledge of the Group's operations and internal reporting • evaluating whether judgements made in selecting the method, significant assumptions and data for developing the impairment model give rise to indicators of possible bias by the Group • together with PwC experts, evaluating the appropriateness of significant assumptions in the context of Australian Accounting Standards. This included: – comparing growth rate assumptions to alternative assumptions used in the industry or market. – evaluating the appropriateness of the discount rate applied by the Group by comparing to a discount rate independently calculated by PwC experts. – comparing the forecast cash flows used to develop the impairment models to the most up-to-date budgets and business plans formally approved by the Board. – evaluating the appropriateness of inputs used to calculate the terminal value of each CGU – evaluating the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year. – discussing with Management the plans, goals, and objectives of the Group, and considering the feasibility and intent to carry out such courses of action. – assessed the competency, objectivity and methods applied by the expert engaged by the Group to assist in determining their discount rate. We have also evaluated the reasonableness of the disclosures against the requirements of Australian Accounting Standards.
Estimation of close down and restoration costs provision **(Refer to note 15)** Provisions for close down and restoration costs associated with quarries and other disturbed areas of $60.2 million were recognised as at 31 December 2020. The provision is determined through estimating the expected costs to perform the remediation works at the end of the useful life of the site, which are evaluated annually. Expected costs are based on current costs (including information from tenders) and the rehabilitation requirements. The costs are adjusted for inflation over the useful life of the site and discounted to present value in a model. This was a key audit matter based on the significance of the total balance, and the estimation uncertainty associated with the long forecast period of elements of the provision.	Our procedures included, amongst others: • obtaining the model prepared by the Group and assessing whether the design and assumptions in the model meet the measurement objectives of Australian Accounting Standards, are appropriate in the circumstance and whether judgements have been applied consistently. • evaluating the integrity of the model, assessing whether significant assumptions and the data were maintained and applied consistently including assessing the mathematical accuracy of the model. • assessing the completeness of the provision through comparing the sites used in developing the provision in the prior year to those used in the current model, meeting minutes, legal reviews and contracts performed during the audit. • for a sample of locations: – assessing the nature, timing and extent of rehabilitation work to be performed by inspecting rehabilitation plans – comparing the nominal cost to rehabilitate for each respective provision within the model to internal assessment results – performing enquiries with Site Managers and Site Engineers to obtain an understanding of how nominal costs to rehabilitate are determined and any significant changes during the period that would impact the estimates made. • for sites being actively remediated, comparing actual costs incurred to rehabilitate, to what was previously estimated to assess the ability of the Group to accurately determine future costs to rehabilitate similar sites. • evaluating whether judgements made in selecting the method, significant assumptions and data for developing the estimate give rise to indicators of possible bias by the Group We evaluated the adequacy of the disclosures made in note 15, against the requirements of Australian Accounting Standards.

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KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Measurement of stockpiled inventory **(Refer to note 10)** The Group had $58.1 million of raw material and work in progress inventory on hand as at 31 December 2020. Raw materials and work in progress inventory in bulk quantities is held in stockpiles. To determine the quantity (in tonnes) of the stockpiled inventory, the Group engaged external surveyors who determined the volumetric measure (cubic meters) of the inventory. The Group then converted the volumetric measure to tonnes using density factors (tonnes per cubic meter). This was a key audit matter based on the subjectivity in the Group's process to determine and apply density factors.	Our procedures included: • assessing the competency, objectivity and methods applied by the expert engaged by the Group to assist in performing the volumetric surveys. • developing an understanding and performing testing of the operating effectiveness of relevant controls associated with determination of density factors • for a sample of stockpiled inventory locations, – obtaining and inspecting the external survey result. Also, reconciling the external survey reports to the Group's conversion calculation. – assessing the mathematical accuracy of the conversion calculation. • assessing the density factors used in the current year to convert the stockpiles from cubic meters to tonnes by comparing to prior year density factors for the same raw material and whether any indicators of management bias exist. We have also evaluated the adequacy of the disclosures made in note 10 against the requirements of Australian Accounting Standards.

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 2020, 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 63 to 76 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Adbri Limited for the year ended 31 December 2020 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 23 February 2021

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Financial History

YEAR ENDED (AS MILLION UNLESS STATED)	DEC 2020	DEC 2019	DEC 2018	DEC[1] 2017	DEC 2016	DEC 2015	DEC[2] 2014	DEC 2013	DEC[3] 2012	DEC 2011
Statement of financial performance										
Sales revenue	1,454.2	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
Depreciation, amortisation and impairments	(115.1)	(189.7)	(87.4)	(82.5)	(78.1)	(77.8)	(75.0)	(70.6)	(65.2)	(57.8)
Earnings before interest and tax	147.6	81.9	265.4	267.6	266.1	298.6	247.5	222.7	222.1	223.4
Net interest earned (paid)	(20.4)	(18.5)	(14.4)	(12.1)	(11.5)	(13.0)	(15.0)	(14.1)	(14.6)	(17.0)
Profit before tax	127.2	63.4	251.0	255.5	254.6	285.6	232.5	208.6	207.5	206.4
Tax expense	(33.6)	(16.2)	(65.8)	(72.7)	(68.4)	(77.8)	(59.9)	(57.5)	(54.6)	(58.0)
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	93.7	47.3	185.3	182.7	186.3	207.9	172.7	151.1	153.0	148.4
Group balance sheet										
Current assets	452.5	519.2	500.6	474.8	390.1	403.1	387.4	390.2	363.7	307.8
Property, plant and equipment	1,059.1	1,033.7	1,061.7	1,037.2	978.4	986.1	994.2	889.7	902.5	851.0
Receivables	45.6	43.6	39.9	37.3	34.4	32.9	32.7	31.4	29.6	27.2
Investment	197.8	184.8	173.9	160.3	151.2	142.2	139.9	138.5	129.0	97.2
Intangibles	281.1	283.3	299.5	299.9	270.3	272.9	266.4	183.9	184.8	183.0
Right-of-use assets	82.7	84.6	–	–	–	–	–	–	–	–
Other non-current assets	4.1	4.5	2.5	3.5	2.3	1.3	–	–	3.5	–
Total assets	2,122.9	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
Current borrowings and creditors	179.7	153.5	144.7	159.2	117.4	123.9	122.7	105.4	115.0	99.2
Current provisions	37.7	33.8	34.6	49.0	50.6	55.4	44.2	105.8	78.5	34.5
Current lease liabilities	3.9	5.7	–	–	–	–	–	–	–	–
Non-current borrowings	466.1	540.1	518.7	428.9	309.6	329.5	390.1	259.1	299.3	258.7
Deferred income tax and other non-current provisions	128.7	141.4	134.5	130.1	129.0	122.4	126.9	101.6	114.4	116.7
Non-current lease liabilities	84.8	81.9	–	–	–	–	–	–	–	–
Total liabilities	900.9	956.4	832.5	767.2	606.6	631.2	683.9	571.9	607.2	509.1
Net assets	1,222.0	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
Share capital	740.1	739.0	734.4	733.1	731.4	729.2	727.9	699.1	696.6	694.6
Reserves	(6.2)	0.2	4.2	1.9	2.9	1.2	3.3	4.3	2.1	2.3
Retained earnings	485.8	455.7	504.5	508.2	483.3	474.3	402.8	355.6	304.4	257.3
Shareholders' equity attributable to members of the Company	1,219.7	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
Non-controlling interests	2.3	2.4	2.5	2.6	2.5	2.6	2.7	2.8	2.8	2.9
Total shareholders' funds	1,222.0	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
Share information										
Net tangible asset backing ($ / share)[4]	1.44	1.40	1.45	1.46	1.46	1.44	1.34	1.38	1.29	1.22
Return on funds employed %	9.1	4.9	16.1	16.7	17.5	19.8	17.7	17.0	18.0	19.4
Basic earnings per share (¢ / share)	14.4	7.3	28.5	28.1	28.7	32.0	26.9	23.7	24.0	23.3
Diluted earnings (¢ / share)	14.3	7.2	28.4	28.0	28.6	31.9	26.8	23.4	23.8	23.2
Total dividend (¢ / share)[5]	12.0	5.0	28.0	24.5	28.0	27.0	17.0	19.5	16.5	16.5
Interim dividend (¢ / share)[5]	4.75	–	9.0	8.5	8.5	8.0	7.5	7.5	7.5	7.5
Final dividend (¢ / share)[5]	7.25	5.0	11.0	12.0	11.5	11.0	9.5	9.0	9.0	9.0
Special dividend (¢ / share)[5]	–	–	8.0	4.0	8.0	8.0	–	3.0	–	–
Gearing %[6]	30.5	35.4	34.1	29.8	23.6	24.6	31.6	23.4	30.9	26.0

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
6 Calculated as net debt to equity

Information for Shareholders

Annual General Meeting (AGM)

The 2021 Annual General Meeting of Adbri Limited will be held on Friday 21 May 2021.

In accordance with Listing Rule 3.13.1, Adbri advises that the closing date for receipt of director nominations for consideration at the AGM is Wednesday 17 March 2021.

Securities exchange listing

Adbri Limited is quoted on the official list of the Australian Securities Exchange and trades under the symbol "ABC". Adelaide is Adbri Limited'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 Adbri'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 Adbri 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 with a 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)

Adbri's DRP is currently suspended until further notice. In future, if the DRP is reactivated, it will be notified by way of an ASX announcement.

Change of address

Shareholders who are Issuer Sponsored should notify any change of address to the share registry, Computershare Investor Services Pty Limited, by telephone or in writing quoting your security holder reference number, previous address and new address. Broker Sponsored (CHESS) holders should advise their sponsoring broker of the change.

Investor information other than that relating to a shareholding can be obtained from:

General Manager Corporate Finance and Investor Relations
Adbri Limited
Level 9 Aurora Place
88 Phillip Street
Sydney NSW 2000
Telephone: 02 8248 9903
Email: info@adbri.com.au

Communications

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

Substantial shareholders

Barro Properties Pty Ltd, by a notice of change of interests of substantial shareholder dated 12 September 2018, 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.

Vanguard Group, Inc by notice of initial substantial shareholder dated 4 November 2020, informed the Company that it or an associate had a relevant interest in 32,660,839 ordinary shares or 5.007% of the Company's issued share capital.

On market buy back

At 23 February 2021 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 5 February 2021

SHAREHOLDER	NUMBER OF ORDINARY SHARES HELD	% OF ISSUED CAPITAL
Barro Properties Pty Ltd	215,285,359	33.00
HSBC Custody Nominees (Australia) Limited	104,828,247	16.06
JP Morgan Nominees Australia Limited	44,382,005	6.80
Barro Group Pty Ltd	32,412,619	4.97
Citicorp Nominees Pty Limited	32,166,616	4.93
Carltonbridge Pty Ltd	11,416,000	1.75
Argo Investments Ltd	7,681,385	1.18
Cloverdew Pty Ltd	6,580,000	1.01
National Nominees Limited	6,529,641	1.00
Churchbridge Pty Ltd	5,040,000	0.77
Ageflow Pty Ltd	3,630,000	0.56
Rayonbridge Pty Ltd	3,574,000	0.55
BNP Paribas Noms Pty Ltd <DRP>	3,499,803	0.54
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,311,239	0.51
Sunstone Finance Pty Ltd	2,000,000	0.31
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,906,980	0.29
HSBC Custody Nominees (Australia) Limited <CW A/C>	1,500,000	0.23
HSBC Custody Nominees (Australia) Limited – A/C2	1,454,538	0.22
BNP Paribas Noms (NZ) Ltd <DRP>	1,437,656	0.22
Australian Executor Trustees Limited <No 1 Account>	1,354,174	0.21
Total top 20 shareholders	**489,990,262**	**75.12**
Total remaining shareholders balance	**162,276,105**	**24.88**

Voting rights

All shares at 5 February 2021 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 5 February 2021

	NUMBER OF SHAREHOLDERS	% OF ISSUED CAPITAL
1 – 1,000	5,134	0.37
1,001 – 5,000	8,900	3.85
5,001 – 10,000	3,797	4.37
10,001 – 100,000	3,313	11.96
100,001 – over	136	79.45
Total shareholders	**21,280**	**100.00**
Less than a marketable parcel of 157 shares	1,094	

Unquoted securities

1,757,678 Awards issued to the senior Executive team under the Adbri Limited 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 Adbri Limited Executive Performance Share Plan and eligible to receive the Awards is seven.

Morgan Cement
Port Kembla

alwaysready

adbri.com.au

Registered Office

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Adelaide SA 5000
+61 8 8223 8000

ABN 15 007 596 018

DESIGNED BY ideology