ADBRI

Building Australia since 1882

Building a better Australia

2023 Annual Report

Adbri is a team of 1,600+ people around Australia with a single purpose and promise. Individually and collectively, they demonstrated in 2023 that we always deliver.

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Acknowledgement of Country

We acknowledge the Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the lands and waters of Australia. We recognise their continuing custodianship of Country and culture and pay respect to their Elders past, present and emerging.

About this Report

Information on likely developments in the Group's business strategies, prospects and operations for future financial years and the expected results that could result in unreasonable prejudice to the Group (for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage) has not been included in this report. The categories of information omitted include forward-looking estimates and projections prepared for internal management purposes, information regarding Adbri's operations and projects, which are developing and susceptible to change, and information relating to commercial contracts.

Adbri Limited ABN 15 007 596 018

Adbri is a registered trademark of Adbri Limited

2023 highlights

We continued to experience strong demand for Adbri products in 2023, with cost and pricing discipline supporting our improved earnings.

Highlights

53%
reduction in LTIFR, supported by a **10%** reduction in TRIFR

Kwinana
70+%
complete as at **31 January 2024** as we invest in our future strategic cement assets

Launched
two branded lower carbon product ranges, **Futurecrete®** and **EvoCem™**

Decentralised
business model delivered operational efficiencies

Enhanced **customer experience**
supported pricing traction

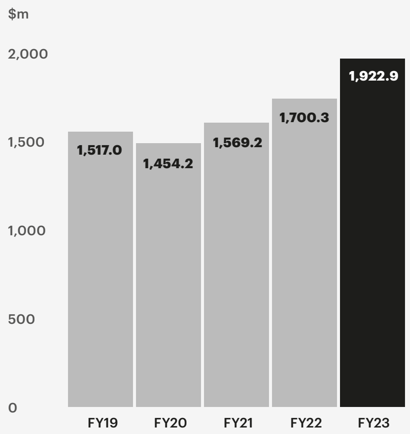
Signed a
long-term agreement
for one of the world's first **100% hybrid electric battery capable** limestone cargo vessels

Financial

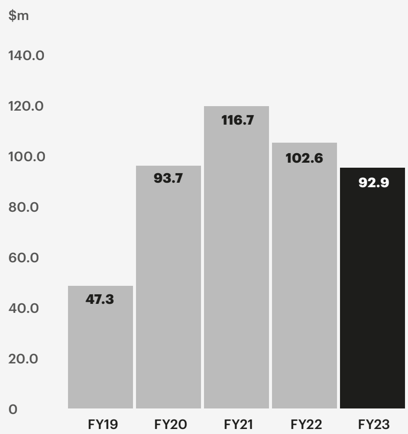
$297.4m
statutory EBITDA ↑5.2%

↑30.9%
increase in underlying[1] EBITDA

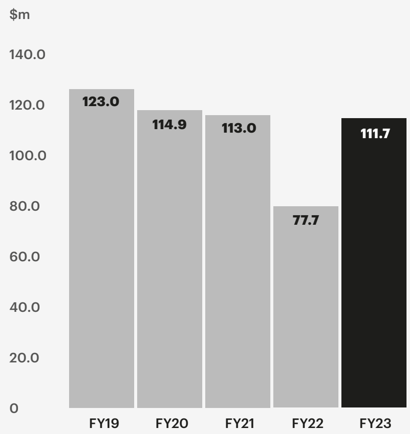
$1,922.9m
Total revenue



$92.9m
Statutory NPAT[2]



$111.7m
Underlying[1] NPAT



1. Underlying measures exclude property (profit)/expense and significant items.
2. Attributable to members of Adbri Ltd.

Deputy Chair and CEO report

Samantha Hogg
Deputy Chair

Mark Irwin
Chief Executive Officer

In 2023 we took significant steps to refocus and reshape our organisation to support a more resilient Adbri and to invest in our future. Our focus on best-in-class customer solutions and margin recovery has supported a strong full year financial result for the year ended 31 December 2023.

Our people have a lot to be proud of and have embraced our new decentralised business model, now firmly embedded across Adbri. Our leadership team's focus on simplification and enhanced systems and controls, are delivering strong outcomes. Together, we have achieved a 10% reduction in our total recordable injury frequency rates, supported by a 53% reduction in our lost time injury frequency rates, and progressed several key strategic priorities such as the launch of EvoCem™ and Futurecrete® product lines.

Financial summary

Year ended 31 December ($m)	2023	2022	Change
Revenue	**1,922.9**	1,700.3	13.1%
Statutory EBITDA	**297.4**	282.6	5.2%
Underlying[1] EBITDA	**311.0**	237.6	30.9%
Underlying EBIT	**175.1**	121.6	44.0%
Statutory NPAT	**92.9**	102.6	(9.5%)
Underlying NPAT	**111.7**	77.7	43.8%
Free cash flow[2]	**(104.7)**	(59.8)	(75.1%)
Underlying ROFE[3]	**8.5%**	6.5%	200bps

We delivered strong financial outcomes

Adbri's 2023 full year underlying EBITDA was $311.0 million, up 30.9% on 2022. Our performance was the result of strong demand for our cement, concrete and aggregates products across key markets, with pricing and cost discipline supporting improved earnings.

Underlying net profit after tax attributable to members of Adbri Ltd for 2023 was $111.7 million, up 43.8% on 2022. 2023 revenue increased 13.1%, to $1.92 billion (2022: $1.70 billion) and although there are signs of inflationary pressures moderating, they remain elevated above historic levels.

Key 2023 achievements that supported our strong results and our future, included:

- Invested in our future business through strategic cement asset upgrades, including the Kwinana Upgrade Project which is over 70% complete as at 31 January 2024
- Delivered operational efficiencies through our new decentralised business model, supported by strong leadership
- Launched branded lower carbon products to the market, improving customer choice
- Improved customer experience through the use of enhanced sales and analysis systems and tools that are supporting pricing traction
- Committed to a world class hybrid electric battery limestone vessel to deliver efficiencies and support our net zero emissions goal.

Capital management remains a priority, with net debt of $682.1 million (2022: $576.4 million); up on the prior year as we fund the completion of the Kwinana Upgrade Project (KWUP). The Board decided not to declare dividends in 2023 and will continue to review the Company's capacity to return funds to shareholders.

1. Underlying measures exclude property (profit)/expenses and significant items.
2. Operating cash flow plus investing activities and AASB 16 Leases related cash outflows.
3. Return on funds employed (ROFE) is underlying EBIT/(net debt + equity).

We invested in Adbri's future

During 2023 we continued to invest in our business to support long-term business performance.

The KWUP has achieved key milestones during the year and is over 70% complete as at 31 January 2024, with $265 million invested (excluding capitalised interest and accounting adjustments). The upgrade strengthens the Company's ability to be a low-cost cement supplier in Western Australia through a new modern state-of-the- art facility that consolidates Adbri's two existing cement production sites onto the one site.

We also committed to the growth of our Birkenhead integrated clinker and cement facility, which operated at close to full utilisation during the year with a 20-year agreement for CSL Group to supply and operate a new hybrid electric battery powered limestone transport vessel in 2026. This new vessel will have 35% more carrying capacity than the existing MV Accolade II; supporting increased volumes of cement at Birkenhead and the production of lower carbon products that use limestone as a clinker substitute.

Our targeted investment in our concrete footprint in key growth areas resulted in the opening of two new concrete plants during the year. We also focused the roll-out of our Type General Limestone (GL) cement range to support our customers decarbonisation, and future growth opportunities.

The decentralised business model was embedded during the year to improve efficiencies and stakeholder experience. This was supported through the appointment of key leadership roles during the year including Jared Gashel in the role of Chief Financial Officer, the appointment of a Chief Sustainability and Innovation Officer and a Chief Commercial Officer, as well as the extension of the Chief Executive Officer's tenure.

A key focus on systems and controls, such as our new standardised quotation system across the Group, is improving productivity and margin optimisation. In 2024, we will continue to invest in our systems including new payroll and forecasting solutions.

During the year we commenced a review of our Western Australia lime operations to reflect the current operating environment and the changing demand profile from customers in the alumina and mining sectors. In particular, the review includes assessing optimal production levels at the Munster site having regard to future lime market demand, evaluating a business case for a potential Munster lime import facility and analysis of opportunities for Adbri's surplus land holdings at Munster.

We progressed our sustainability priorities

Safety remains our highest priority at Adbri. We have seen continual improvement across our lead and lag indicators as we embed our culture of 'Work Safe, Home Safe'. Our total recordable injury frequency rate (TRIFR) decreased to 7.1 in 2023, compared to 7.9 in 2022.

The Company took further strides in decarbonising our operations as we move towards our goal of net zero emissions by 2050. Pleasingly, at 30 June 2023 our greenhouse gas emissions (GHG) reduced by a further 8% compared to the prior corresponding period, exceeding our short-term target.

For over a decade we have invested in the decarbonisation of our business and products through projects and initiatives that delivered abatement outcomes. This effort was critical in our dialogue with Government around proving the industry's commitment to decarbonisation more broadly. This, coupled with our own decarbonisation initiatives, means that Safeguard Mechanism legislation enacted as at 1 July 2023 will not have a material impact on our earnings.

Other key sustainability highlights during the year included:

- Obtaining approval from the South Australia EPA to increase the use of alternative fuel at Birkenhead to further reduce GHG emissions.
- The release of two new lower carbon products, Futurecrete® and EvoCem™. Both of these products use supplementary cementitious materials to reduce embodied carbon.
- Collaborated with the Federal Government on the Safeguard Mechanism Reform legislation and the Carbon Leakage Review.

Details on the actions taken to reduce our emissions, as well as further information regarding our ESG performance, is available in our 2023 Sustainability Report on Adbri's website.

We entered a proposed transaction with CRH

In December, Adbri entered into a process and exclusivity deed with CRH ANZ Pty Ltd (CRH) and Barro Group Pty Ltd (Barro Group) to progress a non-binding indicative proposal under which CRH would acquire 100% of the Adbri shares not held by the Barro Group for $3.20 per share in cash.

While the proposal is under consideration, the Barro Group nominee directors have recused themselves from the Adbri Board and all Board sub-committees, and an Independent Board Committee (IBC) comprising Adbri's independent Non-executive Directors has been formed. On 27 February 2024, the Company and CRH entered into a binding scheme implementation deed to proceed with the proposed scheme of arrangement with the IBC unanimously recommending the scheme to shareholders, in the absence of a superior proposal and subject to an independent expert concluding (and continuing to conclude) that the transaction is in the best interests of shareholders. At this time Adbri shareholders do not need to take any action.

Thank you

Our people are the driving force behind building a better Adbri and the Company's ongoing success. We believe this will continue to be the case, irrespective of Adbri's future ownership structure. On behalf of the Board and management, we extend our appreciation to all of our employees and our contractors for your commitment and dedication to Adbri. We have a rich and longstanding history of supporting Australia's prosperity, and we should be proud of what we've achieved.

Thank you also to our customers, partners, joint ventures, and the communities in which we operate. As one of Australia's pioneering construction materials companies you have all supported us in our growth. And most importantly, thank you to our shareholders who have helped us build a better Australia since 1882.

Samantha Hogg
Deputy Chair

Mark Irwin
Chief Executive Officer

Operating and financial review

Adbri delivered significant revenue and earnings growth in 2023 driven by price and cost discipline across our key segments as we reshape and refocus our organisation.

Earnings overview

Strong result reflective of cost and pricing discipline

For the full year ended 31 December 2023 (FY23), the Company reported revenue of $1.92 billion, up 13.1% on the prior year (2022: $1.70 billion). This significant growth can be attributed to improved average selling price and continued strong demand for products across key markets.

Statutory EBITDA was up 5.2% to $297.4 million, while underlying EBITDA was $311.0 million, increasing 30.8% on FY22. The Company's focus on pricing and cost management contributed significantly to this positive outcome.

Underlying EBIT also increased significantly, up 44.0% on the prior year, to $175.1 million.

Statutory NPAT attributable to members decreased by 9.5% to $92.9 million primarily attributable to $46.2 million of property and Rosehill plant, property and equipment earnings recognised in the prior year.

Further, in 2023 a reversal of the gain on sale of the Hilltop land totalling $7.6 million pre-tax ($6.1 million post-tax) was required following default by the purchaser. Underlying NPAT was up 43.8% at $111.7 million.

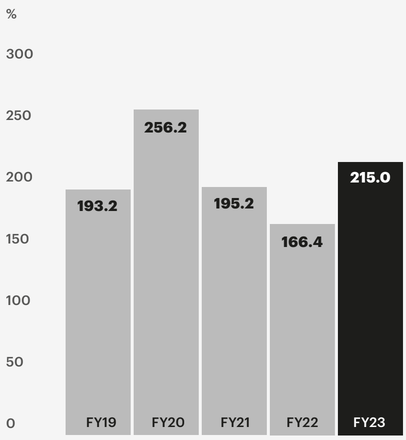
The earnings from joint ventures and joint operations (JVOs) were up 17.6% at $32.8 million, reflecting the benefit from price increases and more favourable weather conditions. Our JVOs play an important role in the Group's strategy via de-risking our earnings, expanding our customer base, and providing touchpoints to deliver critical infrastructure into regional areas.

The Group's operating cash flow of $215.0 million improved on the back of improved buisness performance. Free cash flow of ($104.7) million was in line with expectations, with over $165.8 million invested in the KWUP during the year. As a business, we remained focused on improving our free cash flow through strong capital management and an ongoing attention to cash conversion.

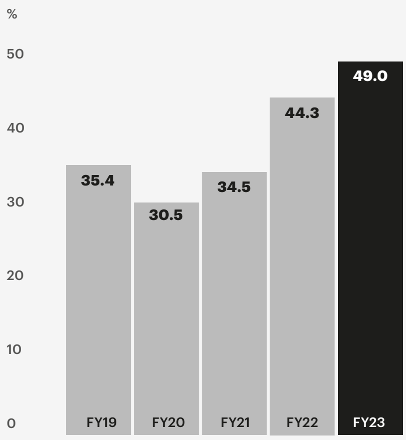
As at 31 December 2023, net debt was $682.1 million (2022: $576.4 million), driven by increased investment in the business.

A detailed analysis of the risks posed by climate change is provided in Note 1 of the Financial Statements.

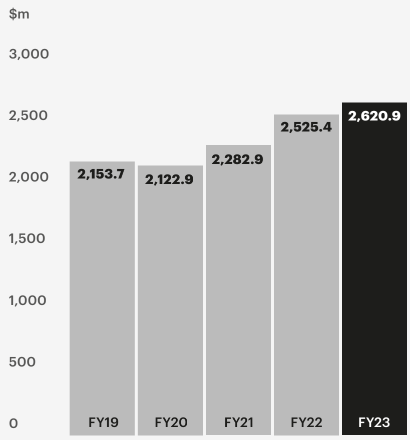
$215.0m
Cash flow from operations



49.0%
Net debt to equity



$2,620.9m
Total assets



1. Underlying measures exclude property (profit)/expense and significant items.

Cement

Three consecutive years of cement revenue growth

Cementitious materials revenue increased 7.8% in 2023, the third consecutive year of growth, while volumes increased by 2.8% on 2022. This performance was driven by strong demand across most sectors, particularly mining and engineering/infrastructure.

In New South Wales and Victoria demand was strong across all key sectors. South Australia benefited from demand from the local mining sector, while the Northern Territory experienced wet weather which impacted access to some customers operations. In Western Australia mine closures also impacted demand. The national average selling price of cement increased by 8.2% compared with the prior year.

During 2023, we launched and placed over 300,000m^3 of Adbri EvoCem™, a lower carbon cement that provides equivalent performance to Type GP cement. EvoCem is a General Limestone cement (Type GL) which has been pioneered in Australia by Adbri.

We also extended supply contracts to BHP's Prominent Hill and Carrapateena operations to 2026 and entered into a two-month extension of the Independent Cement and Lime (ICL) cementitious supply contract. Post year end, the ICL contract has been extended for a further four months.

Pleasingly, we entered into a long-term agreement with CSL to have one of the world's first hybrid electric battery capable cargo vessels as our limestone carrier. The new vessel will support the increase of cement volumes at Birkenhead, while supporting the production of lower carbon products.

Inflationary pressures, although moderating, continue to impact energy and raw materials. To assist with cost management, a new efficient kiln burner was installed at Birkenhead that is providing a 5% clinker gas consumption benefit, with the ability to support up to 100% substitution of natural gas with refuse derived fuel in the calciner.

During the year, Adelaide Brighton Cement Ltd (ABCL) entered into an enforceable undertaking with SafeWork SA in relation to an incident that occurred at its Klein Point quarry that resulted in serious injuries to a worker in May 2021. ABCL sincerely regrets this incident and has provided ongoing support to the worker, who has now returned to work. The enforceable undertaking commits ABCL to perform activities, to the value of over $875,000, that deliver safety benefits to the workplace, our industry and the community.

Lime

Improved pricing supported revenue growth

Revenue for lime increased by 9.6% on the back of improved pricing with existing customers. The average selling price of lime increased by 14.6% compared to 2022.

Demand for lime was primarily impacted by wet weather in Western Australia, as well as mine closures and ongoing process issues at a customer's refinery. This resulted in a 3.4% decline in volumes compared with the prior year.

The current inflationary environment, and our transition of our Munster facility away from coal to other energy sources as part of our goal of net zero emissions by 2050, has resulted in a significant increase in our operating costs. Management of costs remains a priority for the business.

We anticipate the alumina sector will continue to evolve in 2024, with Alcoa announcing in January 2024 the curtailment of its Kwinana refinery in Western Australia. Adbri is in discussions with Alcoa regarding its supply agreement which expires in October 2024.

Concrete

Strong demand with improved pricing

Revenue for concrete increased by 20.3% on the prior year driven primarily by price increases implemented in the second half of 2022 and early 2023, as well as a 2.5% increase in volumes.

All regions, except for Queensland, experienced increased demand for concrete driven by the commercial and engineering/infrastructure sectors.

New South Wales volumes increased by 15.0% on the prior year on the back on strong customer demand. Victoria recorded a 5.4% increase in volume supported by all market segments. South Australia remained relatively steady with a 0.3% increase, with robust residential demand. In Queensland demand remained steady, however growth was constrained by the availability of transport and labour. Whilst the Northern Territory market is comparatively smaller, it experienced our strongest volume growth, with the infrastructure sector driving demand.

To support customer demand and ongoing growth, we opened two new concrete plants in 2023 – one in Rosehill to service the western Sydney market and replace the plant compulsorily acquired by the Government, and one in Pakenham to supply the outer south east Melbourne growth corridor.

Inflationary costs continued to impact our operations, particularly fuel, raw material, transport and energy. In early 2023 we implemented price increases to recover margin, with the national average selling price of concrete increasing by 16.5%.

Operating and financial review continued

Aggregates

Continued heightened demand for aggregates

Aggregates demand has continued to grow year-on-year, with a 2.0% increase in volume in 2023. Revenue also increased 19.6% on the prior year with Queensland experiencing the largest growth attributable to a full year of sales from Zanows' Fernvale and Kalbar quarries, servicing demand from infrastructure projects in the Sunshine Coast, and favourable weather conditions compared to the prior year.

Sydney also experienced strong growth in volumes with over 250,000 tonnes of aggregates supplied to the Western Sydney Airport project. However, the overall demand in New South Wales was lower with the completion of 2022 flood recovery projects in New South Wales.

Nationally, the average selling price of aggregates increased by 14.4% helping offset heightened production costs due to the inflationary environment.

Masonry

Continued strong demand for contracting service

Nationally, masonry revenue increased by 9.1% from 2022, driven by a significant increase in contracting revenue, as well as solid price growth.

Demand remained subdued in 2023, in line with consumer confidence trends. Nationally, volumes were down 3.8% on 2022 due to lower independent retail volumes on the eastern seaboard of Australia and Tasmania. South Australia recorded a modest increase across all key markets.

Price increases supported an 8.0% increase in the national average selling price, helping offset increased manufacturing costs associated with labour, fuel, pallets, raw materials and lease costs in Sydney following the sale of the Moorebank property in 2022.

The South East Queensland subdivisional market continued to generate strong demand for contracting, growing 38% compared to 2022.

Joint ventures and operations

Joint ventures and joint operations continue to strengthen earnings

Contributions to earnings from JVOs was $32.8 million, up 17.6% on the prior year (2022: $27.9 million). This was driven by the benefit of price increases implemented in 2022 to offset rising operational costs, as well as ongoing demand in key markets.

JVOs	Earnings (Adbri share) ($m)	% change	Performance
ICL	FY23 16.4 FY22 15.2	**7.9%**	– Demand remains robust, with volume growth and price recovery driving performance. – Commissioning of ICL's state-of-the-art cement storage facility in Melbourne.
Mawsons	FY23 5.4 FY22 2.7	**100.0%**	– Demand was strong in 2023 driven by flood recovery works, as well as increased infrastructure projects.
Sunstate	FY23 4.7 FY22 5.6	**(16.1)%**	– Demand for product in the South East Queensland market declined with lower offtake by shareholders and non-recurring one-off sales in 2022 to another market participant. – Price increases achieved in the market assisted to offset inflationary costs.
Other JVs[7]	FY23 2.5 FY22 0.5	**400.0%**	– Aalborg performance improved driven by strong demand and favourable shipping and FX pricing.
Joint operations[8]	FY23 3.8 FY22 3.9	**(2.6)%**	– Demand for agricultural lime from Batesford Quarry remained stable in 2023.

7. Includes Aalborg Portland Malaysia Std. Bhd, B&A Sands Pty Ltd and Peninsula Concrete Pty Ltd.
8. Includes Batesford Quarry and Burrell Mining Services.

Cash flow and working capital

Operating cash flow of $215.0 million improved $48.6 million compared to 2022, largely due to improved trading performance.

Capital expenditure increased relative to 2022, from $255.1 million to $316.2 million. Capital spend for the period was split between stay-in-business capital of $128.6 million (up $4.7 million on 2022) and development capital of $187.6 million (up $56.4 million on 2022), with 88.4% related to the KWUP.

There were no business acquisition payments during the year, whilst $56.8 million in FY22 related to the acquisition of Zanows' concrete and quarries business that completed on 1 April 2022.

Property, plant and equipment disposal proceeds of $7.2 million mainly comprise of the sale of land at Karratha, Western Australia and mobile plant and equipment sales in the ordinary course of business. The prior year benefitted from $96.8 million received from the sale of land at Moorebank, New South Wales and compensation from Sydney Metro for the compulsory acquisition of the Rosehill land and associated cost reimbursement.

In 2023, the Group drew down a net $34.2 million from its borrowing facilities mainly to fund the KWUP.

Net debt and dividends

Net debt increased by $105.7 million over the reporting period to $682.1 million at 31 December 2023, representing a leverage ratio of 2.2 times underlying EBITDA and interest cover of 14.5 times underlying EBITDA. As expected, the leverage ratio continues to remain outside the Board's target range of 1.0–2.0 times due to the investment in the KWUP, but within our banking covenants.

The Group's total debt facilities of $1.0 billion has a weighted average term of 3.6 years as at 31 December 2023. We maintain sufficient liquidity and have $286 million of undrawn bank and asset financing facilities.

The Board did not declare dividends in 2023 given the business' continued investment in KWUP and elevated leverage position. The Board continues to review the Company's capacity to return funds to shareholders.

Finance cost and tax

Net finance costs increased by $0.9 million to $21.5 million over the reporting period. Higher level of borrowings, together with multiple interest rate rises, translated to a $12.6 million gross increase in interest and finance charges. This was partially offset by increased interest capitalisation related to the KWUP, in line with the prevailing accounting standard.

Income tax expense at $34.8 million is largely in line with the prior year. The effective tax rate increased from 25.0% to 27.2%, as capital losses recognised in FY22, related to property sales were not repeated in FY23. For further details, refer to our Tax Transparency Report available on the Adbri website.

Kwinana Upgrade Project silo tank installation

Financial statements 2023

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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 2023.

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:[1]

RD Barro (Chair)

SL Hogg (Deputy Chair and Lead Independent Director)

RR Barro

Dr VA Guthrie AO (resigned as a Director effective as at 28 February 2023)

DS Jenkins

ER Stein

GR Tarrant

MJM Wright

Unless stated otherwise above, Directors were appointed for the full duration of the financial year.

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, and concrete masonry products. There have been no significant changes in the nature of the principal activities of the Group during the financial year.

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 Deputy Chair and Chief Executive Officer's report, and operating and financial reviews on pages 2 to 7 of this Annual Report.

A summary of the financial results for the year ended 31 December 2023 is set out below:

	2023				2022			
$M	Statutory	Significant Items	Property (Profit)/ Expense	Under-lying[2]	Statutory	Significant Items	Property (Profit)/ Expense	Under-lying[2]
Revenue	1,922.9	–	–	1,922.9	1,700.3	–	–	1,700.3
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**297.4**	**7.3**	**6.3**	**311.0**	**282.6**	**12.6**	**(57.6)**	**237.6**
Depreciation, amortisation and impairment	(148.3)	(12.4)	–	(135.9)	(125.4)	(9.4)	–	(116.0)
Earnings before interest and tax ("EBIT")	**149.1**	**19.7**	**6.3**	**175.1**	**157.2**	**22.0**	**(57.6)**	**121.6**
Net finance cost[3]	(21.5)	–	–	(21.5)	(20.6)	–	–	(20.6)
Profit before tax	**127.6**	**19.7**	**6.3**	**153.6**	**136.6**	**22.0**	**(57.6)**	**101.0**
Income tax expense	(34.8)	(6.0)	(1.2)	(42.0)	(34.1)	(6.6)	17.3	(23.4)
Net profit after tax	**92.8**	**13.7**	**5.1**	**111.6**	**102.5**	**15.4**	**(40.3)**	**77.6**
Attributed to:								
Members of Adbri Ltd ("NPAT")	**92.9**	**13.7**	**5.1**	**111.7**	**102.6**	**15.4**	**(40.3)**	**77.7**
Non-controlling interests	(0.1)	–	–	(0.1)	(0.1)	–	–	(0.1)
Net profit attributable to members ("NPAT")	92.8	13.7	5.1	111.6	102.5	15.4	(40.3)	77.6

1. As announced to ASX on 18 December 2023, Mr Barro, Ms Barro and Mr Tarrant have recused themselves from the Board and all Board sub-committees while the proposal to acquire 100% of the shares in the Company that the Barro Group does not own by way of scheme of arrangement is under consideration.
2. Underlying measures exclude property (profit)/expense and significant items.
3. Net finance cost is the finance costs shown gross in the income statement offset by interest income included in other income.

Significant items

Underlying measures of profit exclude significant items of revenue and expenses, such as impairment charges and the costs related to restructuring, rationalisation and acquisitions, to highlight the underlying financial performance across reporting periods.

The following table outlines those significant items.

	2023			2022		
$M	Gross	Tax	Net	Gross	Tax	Net
Corporate restructuring and strategic initiatives	5.0	(1.5)	3.5	4.8	(1.5)	3.3
Impairment charge/write offs	12.4	(3.8)	8.6	9.4	(2.8)	6.6
Change in loss provision	2.3	(0.7)	1.6	1.3	(0.4)	0.9
Acquisition expenses	–	–	–	6.5	(1.9)	4.6
Total significant items	**19.7**	**(6.0)**	**13.7**	**22.0**	**(6.6)**	**15.4**

Corporate restructuring and strategic initiatives

Corporate restructuring and strategy costs of $5.0 million were recognised in the period ($4.8 million in 2022). Strategic initiative expenses primarily relate to one-off advisory costs in relation to initiatives currently being analysed by the Group.

Impairment charge/write offs

Impairment charges relates to specific business assets and a joint venture investment, where expected future cash flow generation is less than the assets' carrying value. These assets are not part of the Group's long term strategic plan.

Change in loss provision

A payment was received in the prior period towards a judgment of the Supreme Court of South Australia in favour of Adelaide Brighton Cement Limited, in connection with the matter from late 2017, when Adbri became aware of certain financial discrepancies which related to transactions whereby it had been underpaid for products supplied. That payment concluded the costs and recoveries associated with that matter. Costs of $2.3 million were accounted for in 2023 (2022: $1.3 million) concerning other proceedings in the Supreme Court of South Australia, which are ongoing.

Acquisition expenses

These costs relate to one-off stamp duty and incidental costs on acquisitions during the prior period.

Property (profit)/expense

The (profit)/expense from the Group's long-term land sales program are excluded from underlying profit measures given the non-recurring nature of land sales. The following table summarises the property (profit)/expense recognised in the period.

	2023			2022		
$M	Gross	Tax	Net	Gross	Tax	Net
Property (profit)/expense	6.3	(1.2)	5.1	(57.6)	17.3	(40.3)

Property expense during the year predominantly relates to reversal of a gain, recognised in 2021, related to sale of land at Hilltop, New South Wales following default by the purchaser.

Prior year property profit relates to:

- the gain recognised on the compulsorily acquired Rosehill land and excludes a post-tax gain on disposal of plant and equipment of $5.9 million, which is included in underlying statutory profit; and
- the gain recognised on sale of land parcels at Moorebank and Kewdale.

Net profit after tax

Full year reported NPAT attributable to members decreased 9.5% to $92.9 million on 2022, as the prior year benefitted from property sales recognised in 2022.

Underlying NPAT attributable to members increased 43.8% to $111.7 million.

Dividends paid or declared by the Company

During 2023 financial year, there were no dividends paid or determined.

Since the end of the financial year, considering the capital required for the completion of the Kwinana Upgrade project and current leverage position, the Board has decided not to declare a final dividend for the year.

Business risks and mitigation

Adbri's risk management policy and framework incorporates effective risk management into all facets of the business. Planning processes, including budgets and strategic plans, include a risk management component. There is regular reporting on the status of key risks to the Board and respective Committees throughout the year. The key risks to the Adbri Group and mitigation actions are outlined below. This is not intended as an exhaustive list of all the risks that may affect the Adbri Group. Additional risks that are not presently known or considered to be material may arise which could adversely affect the Adbri Group.

Risk mitigation

Risk description	Risk scenario	Mitigation
Climate change/transition to a lower-carbon economy	Adbri's manufacturing includes the process of calcination of limestone to produce clinker and lime. This chemical reaction produces carbon dioxide. No current technology is commercially available at scale to eliminate these process emissions which account for over half of Adbri's total operational greenhouse gas (GHG) emissions. For this reason, clinker and lime manufacturing are considered hard-to-abate industrial processes. The transition to a lower carbon economy could also potentially impact useful lives of assets, stay in business and research and development capital expenditure aligned to the Company's Net Zero Emissions Roadmap, contingent liabilities and lead to a reduction in demand from customers if Adbri's products do not meet the market's expectations in terms of innovation and reduced emissions intensity. Government policy is expanding and becoming more targeted in the area of GHG emissions, be that through the Safeguard Mechanism or a possible re-introduction of a carbon tax. This may result in a tax on carbon emissions, increasing production costs.	Adbri has been taking action to reduce its energy consumption and GHG emissions for over a decade and we regularly review our approach in response to emerging scientific knowledge, changes in climate policy, developments in lower emissions technologies and evolving stakeholder expectations. We have invested in the innovative use of alternative fuels in our kilns to reduce the consumption of fossil fuels such as natural gas. We also use low carbon materials such as slag and fly ash (supplementary cementitious materials (SCM's)) to substitute for emissions-intensive clinker in our cement and as additions in concrete manufacturing. Recently, we branded our range of lower carbon products, Futurecrete® and EvoCem™. These products use SCMs to reduce the embodied carbon and we are actively encouraging customers and governments to adopt new lower carbon products. We also engaged with the Government on proposed changes to legislation such as the Safeguard Mechanism and the Carbon Leakage Review. Adbri set its current emissions reduction target in 2019, to deliver a 7% reduction in our operational GHG emissions by 2024 and we are on track to deliver on this target. In May 2022, Adbri launched its net zero emissions by 2050 roadmap as part of our commitment to a lower carbon future. Key short-term targets are for 50% kiln fuel to be sourced from alternative fuel in South Australia and to increase use of SCMs nationally.

Risk mitigation continued

Risk description	Risk scenario	Mitigation
Environmental, Social and Governance (ESG) considerations	There are growing regulatory pressures and stakeholder demands for businesses to be accountable for their ESG performance. ESG factors include conservation of the natural world, air and water pollution, climate change and carbon emissions, social aspects such as gender and pay equality, indigenous rights and reconciliation, data protection and privacy and boardroom governance. Adbri's operational footprint and activities are often near residential areas and the general community. There is a risk that Adbri may not meet community and/or other stakeholder expectations regarding its business activities or other ESG performance, potentially leading to stricter licensing conditions, higher compliance costs and/or a loss of investor confidence. 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.	Adbri aims to meet societal expectations with respect to modern slavery law, environmental and community matters and actively seeks to reduce any negative impacts upon the community in which it operates. Adbri works closely with its communities 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 dust emissions, odour, and other potential environmental impacts. Priorities and key focus areas have been established by Adbri within its sustainability framework to drive action and mitigation of ESG risks including: – Reducing any adverse environmental impacts. In 2023 we identified our Significant Environmental Aspects and introduced guidelines and training around these as focus areas, commencing with air and water quality. These aspects are also reflected in our 10 E-ssential Rules. – Engaging our people and being an inclusive employer. Our 2022–25 Diversity, Equity and Inclusion (DEI) Strategy, supported by Adbri's Diversity and Inclusion Policy, outlines our four main focus areas: diverse workforces; inclusive experiences; purpose-led organisation; authentic reconciliation. – Building strong relationships with local communities. We actively engage and invest in the communities in which we operate, and for our large manufacturing sites we have site-specific Community Engagement Plans in place. – Developing lower carbon products (refer to Climate change/transition to a low-carbon economy risk for further details). – Adopting a circular economy approach such as the use of refuse derived fuel to replace fossil fuels. – Delivering our Innovate RAP that was endorsed by Reconciliation Australia in late 2023. – Engaging with the finance and investment community. Maintaining sound practices to avoid financial related risks and delivering a return on invested capital for shareholders.

Risk description	Risk scenario	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 that are cyclical and affected by various factors beyond the Group's control including: commodity price performance and investment into mining projects, the performance of the Australian federal and state economies, the application of fiscal and monetary policies and regulatory compliance, the allocation and timing of government funding for public infrastructure and other building programs, the level of demand for building products and construction materials and services generally, the availability and cost of labour, raw materials and transport services, as well as the price and availability of fuel and energy. 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 in Japan, Indonesia, and other south-east Asian countries.	Adbri has diversified its business both geographically and by sector within Australia and through vertical integration. This diversity has balanced the exposure of the business to fluctuations across the regions and its customer base of construction, infrastructure, and mining sectors. Adbri maintains long-term contracts with raw material suppliers to minimise loss of business and earnings through market cycles. In 2023 a Chief Commercial Officer was also appointed to oversee key commercial supply relationships, pricing, marketing and joint venture advisory.
Competitive landscape/loss of customer	Australia, with its relatively open access to global participants, and reputable local manufacturers, is a competitive market. Heightened competition combined with fluctuations in the macro-economic environment can lead to product price volatility and impact upon the financial performance of the Group. There is a risk of overseas suppliers directly entering local markets, but more likely that customers move to a self-supply model and importing themselves, which we have seen increase in most markets we operate over the last five years. There is also a risk that the Group is not able to achieve/maintain sufficient pricing to offset inflationary costs.	Through a focus on cost control and productivity improvement, the Group's production facilities are effectively utilised. These facilities are supported by a distribution network throughout Australia, ensuring that Adbri can provide a competitive value offering to customers. The Group 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 which meet their lower embodied carbon and sustainability needs. Through our Commercial Steerco we regularly review material key cost inputs (energy, raw materials etc) and make strategic pricing decisions in this forum to ensure we recover any inflationary costs. In the past two years Adbri has invested heavily in sales margin management and analysis systems and tools. This has led to more informed and strategic customer and pricing decisions to preserve and improve margins. Adbri joint ventures and operations also assist in expanding our customer base and de-risking our earnings.

Risk mitigation continued

Risk description	Risk scenario	Mitigation
Regulatory compliance	With production and distribution sites across all states and territories of Australia, Adbri is subject to significant regulatory requirements in areas such as environmental, licences to operate, employment, occupational health and safety, and taxation laws. Non-compliance or changes to regulatory requirements could lead to substantial penalties, cost impositions on operations and loss of licence to operate.	The Group employs a range of initiatives to assist in meeting or exceeding regulatory compliance including: – Employing specialists to support operational staff in areas such as human resources, and health, safety, environment and sustainability; – Using engineering solutions to improve operations; – Regularly training and competency testing of employees. Inclusion of regulatory compliance within the internal audit scope; and systems, policies and procedures are designed to instil and foster a proactive and preventative compliance culture.
Key equipment failure	The production of cement and lime involves large scale manufacturing sites. 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 can interrupt production and adversely impact financial performance.	Predictive and preventative asset management activities and business continuity planning identify risks with key equipment and ensure strategies are in place to prevent or mitigate risks including holding "critical spares" of key equipment and contractual arrangements to supplement domestic production with imported product where required. For insurable events, to the extent that production is disrupted for periods exceeding 20 days, the Group maintains business interruption insurance.
Substantial shareholder	Adbri's major shareholder, the Barro Group, currently holds a beneficial interest in 43% of the Company's stock.	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 sub-committee chair positions are held by independent directors.

Risk description	Risk scenario	Mitigation
Serious injury or fatality	Adbri directly employs approximately 1,600 people and operates across approximately 150 locations, undertaking cement, lime, concrete and concrete product manufacturing, and distribution activities. There are a range of potential safety hazards to which Adbri's employee and contractor workforces, and visitors are exposed. Where a serious risk results in the worst-case scenario, it can lead to serious injury or fatality to persons while undertaking activities or attending locations in connection with the Adbri business. Apart from the direct workers compensation expense, this may adversely 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. Should a death or very serious injury occur at an Adbri workplace there is also the risk of adverse media attention and loss of reputation leading to a drop in share price.	Adbri has a strong focus on safety, with a safety vision of Work Safe, Home Safe. Central to Work Safe, Home Safe is our critical risk program, which focuses on six critical risk activities that have the highest potential for serious injury or death. These are called our critical risks, and include: – Struck by mobile plant – Falls from a height – Driving – Contact with electricity – Working with fixed plant – Confined spaces For each of our critical risks we have identified Critical Risk Controls that must be in place before work commences. Our critical control verification program ensures critical risk controls are in place, with 2,069 critical control verifications undertaken across Adbri sites in 2023. We also focus on quality visible leadership discussions, by listening to the views of our workers on the activities that can kill or seriously injure them while doing their daily work; and opportunities for improvement or actions to eliminate or minimise those risks. We recognise that a learning environment, with genuine two-way communication with workers, can have a significant influence on building a safety culture, trust and psychological safety. Our learning focus is embedded into our incident investigation (including high potential incidents) and incident debrief processes, which aim to understand the causes and share learnings to prevent recurrence.
Foreign currency	The Group imports a range of raw materials to support the production of cement and concrete. In addition, the Company may import plant and equipment for both development and maintenance capital projects. These purchases are primarily denominated in United States Dollars, Japanese Yen and Euro. The Company is exposed to any fluctuations in these currencies against the Australian Dollar.	The Group manages exposure to foreign exchange risk through a formalised hedging policy. Committed raw material purchases that expose the Group to foreign currency risk are hedged through agreed hedging products up to a full calendar year ahead reflecting contractual commitments. Foreign exchange exposure as a result of all other Company activities where the value at risk is considered sufficient are hedged accordingly. In addition, where practical, contractual arrangements with suppliers include provisions to limit foreign currency risk to Adbri.
Production quality	The Group's key products of cement, lime, concrete, aggregates, and masonry products are sold in accordance with relevant quality standards and customer specifications. Raw materials used in production are natural products and therefore normal variability of the characteristics could result in fluctuations in composition 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 products to ensure compliance with relevant standards and specifications. The skills of internal quality control 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.

Risk mitigation continued

Risk description	Risk scenario	Mitigation
Cyber and data security	Risk of cyber-attack or breach of information security leading to unauthorised access and loss of or disruption to Adbri data or computer-controlled systems. Cyber security continues to be a significant risk to all organisations, whether they be private, public, government or non-government. Adbri's cyber security risks include the loss of corporate, staff and/or customer data as well as the potential for cyber events that impact on the core operations of the organisation. The outcome of a cyber event could also have an impact on our reputation with the community and our customers.	The Group has an established cyber security resources, supported by security partners, to provide around the clock monitoring and support. The cyber security capability has been strengthened through a multi-layered approach that has included upskilling staff members on cyber security, Company-wide cyber security communications on cyber threats, conducting simulated phishing exercises, as well as establishing an Information Security Management System.
Energy pricing	Production of cement and lime are energy intensive and consequently access to reliable, cost-effective energy is required to sustain domestic production. Price and reliability are factors in the selection of suitable energy sources for production.	The Group employs a portfolio approach to energy procurement, utilising progressive purchasing with tiered/tranches at differing tenures. We continue to diversify sourcing at competitive prices and explore behind the metre (BTM) solutions. This portfolio approach has resulted in a mix of contracted arrangements for the supply of energy and spot purchases on gas trading markets. In addition, where possible, alternative fuel is used to displace gas. A refuse derived fuel (processed combustible demolition waste) has been developed for use in the kiln at Birkenhead and substitutes for approximately 40% of gas, saving significant costs, reducing emissions and avoiding waste being sent to landfill.
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 from 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 tenures, it may be subjected to increased establishment and interest expenses.	Adbri adopts a conservative approach to capital management ensuring the balance sheet can withstand market shocks and retain the flexibility to fund capital projects and make investments which deliver earnings growth. Adbri's strong credit profile, its ongoing and pro-active engagement with financiers, shareholders and other capital providers provides the business with multiple avenues to meet the ongoing funding needs of the business. As part of its pro-active capital management strategies, Adbri has an average debt maturity profile of 3.6 years at 31 December 2023.
Insufficient or ineffective capital investment	There is insufficient or ineffective capital investment in the organisation resulting in not keeping up with industry standards, and staff/customer expectations.	Material investment is occurring with the Kwinana Upgrade project and there are numerous internal projects that are expected to deliver efficiency across the staff and customer experiences.
Interest rates	The Group's debt portfolio is exposed to changes in interest rates, which may result in increased interest costs. In addition, should interest rates rise there is likely to be a flow on effect to demand for residential housing, in turn potentially reducing demand for construction materials.	The Group manages exposure to interest rate risk through a formalised hedging program. A portion of the Group's drawn debt is subject to fixed interest and hedged at fixed rates to limit the risk of increases in interest rates to Adbri. Detailed information regarding the Group's interest rate hedging is contained in the Financial Statement note disclosures. Adbri's vertical integration strategy and balanced geographical and sector exposure mitigate any potential reduction in demand from the residential construction sector.

Risk description	Risk scenario	Mitigation
Supply chain	Disruption in the supply of raw materials or other goods could impact Adbri's ability to manufacture and/or deliver its products and meet market demand. Adbri relies on imported product for both domestic processing and to supply direct to its joint venture companies and other customers. Adbri is also reliant on its overseas suppliers' export capacity, availability of suitable vessels and the timely delivery of product to meet its own and its customers' requirements. There are risks of loss of cargo in transit, shipping delays, supplier production issues or local natural disasters that may lead to an inability to supply on time. Adbri may need to quickly source alternative product or put other supply arrangements in place to meet its commitments. There is also a risk of payment for minimum volumes where a demand shortfall occurs. These supply chain risks can also apply to procurement more generally such as pallets, spare parts, plant and equipment for upgrades, maintenance, and everyday production needs.	Adbri has formal procurement and international shipping functions with resources specialised in sourcing and supply chain risk management. If necessary, Adbri is able to purchase clinker, cement, and slag from their respective spot markets in lieu of contracted suppliers. Adbri aims to ensure the optimal operation of its manufacturing and distribution supply chain including optimal inventory holdings and minimising manufacturing and distribution costs. This includes identifying and onboarding as many suitable vendors (e.g., freight companies) as possible to be able to maintain competitive tension and to meet our goods and services requirements. To support continuity of supply, long term supply contracts are in place with overseas suppliers for clinker, cement and slag, matched with dedicated shipping arrangements. Adbri's extended operational network and scale of imports enables the diversion of shipments to operations with critical stock positions further mitigating supply chain disruption.
Trade credit	Contractual arrangements with customers include the provision of short-term trade credit for products 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 outstanding trade credit.	Trade credit risk is managed through the assessment of individual customer credit limits in accordance with delegated authority levels approved by the Board, which is monitored along with the ageing of outstanding balances.
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 governs the Company's behaviour and actions, making it clear there is zero tolerance for practices considered as bribery, fraud, or corruption. Employees and contractors are required to adhere to this code as part of their ongoing employment. Process controls are periodically reviewed to incorporate enhanced fraud, bribery, and corruption prevention measures, which are tested through the internal audit program.

State of affairs

Other than set out in the Deputy Chair and Chief Executive Officer's report, and the operating and financial review on pages 2 to 7 of this Annual Report, no significant changes occurred in the state of affairs of the Group during the financial year.

Risk mitigation continued

Events subsequent to the end of the financial year

Other than as set out below, no matter or circumstance has arisen since 31 December 2023 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.

In December, following receipt of a non-binding indicative proposal from CRH ANZ Pty Ltd (CRH) and Barro Properties Pty Ltd (Barro Properties) Adbri entered into a process and exclusivity deed to progress a potential transaction under which CRH would acquire 100% of the Adbri shares not held by the Barro Group for $3.20 per share in cash.

An Independent Board Committee (IBC) comprising Adbri's independent Non-executive Directors was formed to evaluate the proposal and, if applicable, progress the transaction via a scheme implementation agreement. The Barro Group nominee directors have recused themselves from the Adbri Board and all Board sub-committees while the proposal is under consideration.

On 27 February 2024, the Company and CRH entered into a binding scheme implementation agreement to proceed with the proposed scheme of arrangement with the IBC unanimously recommending the scheme to shareholders, in the absence of a superior proposal and subject to an independent expert concluding (and continuing to conclude) that the transaction is in the best interests of shareholders.

On 8 January 2024, Alcoa announced the curtailment of its Kwinana refinery in Western Australia. Adbri is in negotiations with Alcoa regarding its supply agreement which expires in October 2024.

On 26 February 2024, Adbri announced that its wholly owned subsidiary, Adelaide Brighton Cement Ltd, trading as Adbri Cement, has agreed with ICL to the supply and distribution of cementitious materials for a four month period. ICL is a 50:50 joint venture between Adbri and the Barro Group. The interim arrangements will take effect from 1 March 2024 and expire on 30 June 2024, with pricing terms that are reflective of the current market conditions.

Likely developments and expected results of operations

The Deputy Chair and Chief Executive Officer's report, and the operating and financial review on pages 2 to 7 of this Annual Report refer to likely developments in Adbri's operations in future financial years and the expected results of those operations.

Please note that any information regarding likely developments and expected results of operations that would be likely to result in unreasonable prejudice to the Group has been omitted

Environmental performance

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

Performance in relation to environmental regulation is monitored by site and business division. 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 2023, 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.

An update of previous reports on environmental matters concerning wholly owned, Cockburn Cement Limited (CCL) is set out below. CCL confirms that it has not received any notice alleging that it is currently in breach of its operating licence conditions.

Cockburn Cement Limited

On 29 July 2020, the Western Australian Department of Water and Environmental Regulation (DWER) charged CCL with 15 charges of causing an unreasonable emission (odour) from its operations at Munster, in the period from January to April 2019 under s49(5) of the Western Australian Environmental Protection Act 1986. CCL entered a plea of not guilty to each charge.

Prior to the trial commencing in July 2022 – August 2022, DWER withdrew two of the fifteen charges. On 1 December 2022, CCL was found not guilty of seven charges, and guilty of six charges. In March 2023 a fine was imposed across all guilty charges, which on appeal was reduced to $245,000.

On 22 March 2021, DWER notified CCL about a further investigation and on 24 January 2022, CCL received a prosecution notice charging it with six charges of the same offence, alleged to have occurred in the period from 21 January 2020 to 3 April 2020. CCL has entered a plea of not guilty to each charge. This prosecution has not yet been listed for trial.

CCL has developed, and is continuing to refine, a strategy to reduce the occurrence and level of odour from its operations. This strategy draws on investigations that date back prior to 2019, and more recently a feed diversion trial in Kiln 6. CCL submitted its proposed strategy to DWER in mid 2023, and again in early 2024, and has applied for approval from DWER in the form of a licence amendment to enable it to implement the key parts of this strategy.

CCL acknowledges the views of DWER and the community directly adjacent to its operations and has committed significant attention, time, and resources to:

- Understand the feedback about odour in the community adjacent to its operations;
- Review its operations; and
- Engage with DWER about the feedback and its operations.

Further information about the Group's environmental performance is set out in the 2023 Sustainability Report available on the Adbri website.

Director profiles

Raymond Barro
BBus, CPA, FGIA, FCIS

Chair

Raymond was appointed Chair in May 2019.

He has over 30 years' experience in the premixed concrete and construction materials industry.

As well as his significant industry insights, Raymond brings extensive leadership experience and financial expertise to the role. Raymond is Managing Director of Barro Group Pty Ltd.

Raymond is a Fellow of the Governance Institute of Australia.

Board member since

August 2008

Member

Safety, Health, Environment and Sustainability Committee

Samantha Hogg
BComm, MAICD

Deputy Chair and Lead Independent Director

Samantha has over 25 years' experience across the transport, infrastructure, energy and resources sectors, domestically and offshore. In her previous role as Chief Financial Officer at Transurban Group, she was responsible for the financing and transaction governance of a number of large acquisitions and divestments, and provided key financial guidance and controls.

She has held senior executive positions at Western Mining Company across a broad range of portfolios including finance, strategic projects, marketing and corporate services.

She has also served as Chair or Committee Chair in both the public and private sectors, with a focus on the infrastructure and renewable energy sectors. More recently, she has been a member of the National COVID-19 Commission Advisory Panel and the Tasmanian equivalent, focusing on the social and economic recovery from the pandemic.

Board member since

March 2022

Chair

Nomination and Governance Committee

Member

Audit, Risk and Compliance Committee

Current Directorships

Cleanaway Waste Management Limited (Appointed November 2019)

IGO Limited (Appointed January 2023)

Former Directorships

DeGrey Mining Limited (Appointed January 2022, ceased October 2022)

MaxiParts Limited (appointed April 2016, ceased March 2021)

Rhonda Barro
Non-executive Director

Rhonda has over 45 years of extensive experience in the construction materials industry.

She is a Director of Barro Group Pty Ltd and offers significant insights and a deep understanding of the industry through executive management and functional roles. She has detailed knowledge of stakeholder engagement, customer relations and sales in the construction materials sector.

She has held numerous leadership roles in community organisations and is a Fellow of the Williamson Community Leadership Program.

Board member since

May 2019

Member

People and Culture Committee

Dean Jenkins
BE (Aero) Hons, GAICD

Independent Non-executive Director

Dean has over 25 years' experience in the transport, manufacturing, engineering, energy and resources sectors both domestically and overseas.

Dean has held senior executive and leadership positions including Managing Director and Chief Executive Officer of MaxiPARTS Limited (previously called MaxiTrans), Chief Operating Officer and Executive Director of Weir Group PLC and CEO UGL Rail.

His commercial management capability and experience in strategy, manufacturing and mineral processing markets brings valuable experience to his directorship.

Board member since

August 2022

Chair

People and Culture Committee

Member

Safety, Health, Environment and Sustainability Committee, Nomination and Governance Committee

Former Directorships

MaxiParts Limited (Appointed February 2017, ceased September 2021)

Emma Stein

BSc (Physics Hons), MBA, FUWS, FAICD

Independent Non-executive Director

Emma has held board and executive positions in Australia, NZ, the United Kingdom and Europe. Over her career, she has worked across the renewable and traditional energy, water catchment and assets, waste and the circular economy, mining services and resources, engineering, industrial and building materials sectors.

Emma was awarded an Honorary Fellow by Western Sydney University for her service to the University. Having held senior roles, including as Chief Executive Officer, Emma is well-versed in capital investment decisions, mergers and acquisitions and risk management frameworks.

She is particularly experienced balancing ESG perspectives with profitable outcomes, including finding optimum decarbonisation pathways for hard-to-abate industries and companies moving away from their traditional energy domains.

Board member since
October 2019

Chair
Audit, Risk and Compliance Committee

Member
People and Culture Committee, Nomination and Governance Committee

Current Directorships
Worley Limited (Appointed December 2020)

Former Directorships
Alumina Limited (Appointed February 2011, ceased May 2021)

Cleanaway Waste Management Limited (Appointed August 2011, retired December 2020)

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

Geoff Tarrant

BBus

Non-executive Director

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

During his career, Geoff has held senior finance roles with Citigroup, National Australia Bank, Price Waterhouse and Deutsche Bank, where he was Vice Chairman Australia New Zealand for 17 years.

As Executive Chairman and co-founder of a global construction and building operations software company, Zuuse Limited, he also brings valuable technology knowledge and experience to his directorship.

Board member since
February 2018

Member
Audit, Risk and Compliance Committee

Michael Wright

B Eng (Civil), Master Eng Science, Harvard AMP Independent

Non-executive Director

Michael is an experienced director and executive with over 30 years' experience across the global resources and industrial sectors in Australia, Asia, Africa and the Americas. He has held senior leadership and Chief Executive Officer positions in multinational mining services and contracting businesses covering multiple disciplines, including mining, construction, general engineering, environmental services and utility operations.

He is currently Executive Chair and Chief Executive Officer of Thiess and was formerly Chief Executive Officer of ASX-listed CIMIC Group. Michael sits on the boards of University of Queensland's Sustainable Minerals Institute, the Minerals Council of Australia, where he chairs the Safety & Health Committee, and is Chair of the International River Foundation.

His extensive industry expertise, skillset and focus on safety and sustainability complement the mix of experience, skills, and knowledge of other Adbri Board members.

Board member since
June 2021

Chair
Safety, Health, Environment and Sustainability Committee

Member
Nomination and Governance Committee

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:

	Board meetings		Audit, Risk & Compliance Committee		People & Culture Committee		Safety, Health, Environment & Sustainability Committee		Nomination & Governance Committee		Independent Board Committee[6]	
Director	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**
RD Barro[1]	11	13	–	–	–	–	4	4	–	–	–	–
SL Hogg[2]	13	13	7	7	–	–	–	–	1	1	1	1
RR Barro[1]	11	13	–	–	4	4	–	–	–	–	–	–
VA Guthrie AO[3]	2	2	–	–	1	1	1	1	1	1	–	–
DS Jenkins[4]	13	13	–	–	3	3	3	3	1	1	1	1
ER Stein	13	13	7	7	4	4	–	–	2	2	1	1
GR Tarrant[1]	11	13	6	7	–	–	–	–	–	–	–	–
MJM Wright[5]	11	13	–	–	0	1	4	4	2	2	1	1

A Number of meetings attended.

H Number of meetings held during period of office.

1. As announced to the ASX on 18 December 2023, Mr Barro, Ms Barro and Mr Tarrant did not attend these meetings as they recused themselves from the Board and all Board sub-committees while the proposal to acquire 100% of the shares in the Company that the Barro Group does not own by way of scheme of arrangement is under consideration. Mr Tarrant was unable to attend one Board Committee meeting due to personal reasons.
2. Ms Hogg was appointed to Deputy Chair and Lead Independent Director and Chair of the Nomination and Governance Committee both on 1 March 2023.
3. Dr Guthrie AO ceased as a Non-executive Director on 28 February 2023.
4. Mr Jenkins was appointed as People and Culture Committee Chair and as a member of the Safety, Health, Environment and Sustainability Committee both on 1 March 2023.
5. Mr Wright was unable to attend two Board meetings and one Board Committee meeting due to personal reasons.
6. As announced to ASX on 18 December 2023, the Company established an Independent Board Committee comprising its independent Non-executive Directors to evaluate the non binding indicative proposal to acquire 100% of the shares in the Company that the Barro Group does not own by way of scheme of arrangement and, if applicable, progress the transaction.

Directors' interests

	Ordinary shares
RD Barro	279,178,587
SL Hogg	–
RR Barro	278,787,781
VA Guthrie AO	105,000
DS Jenkins	82,047
ER Stein	53,403
GR Tarrant	30,000
MJM Wright	50,000

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration report on pages 25 to 45.

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 25 to 45.

Company Secretary

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 Company appointed Cathy Oster as Joint Company Secretary on 1 March 2023. She is a Fellow of the Governance Institute of Australia Ltd and a legal practitioner admitted in South Australia in 1989.

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 2023 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 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 2023 to 30 April 2024. 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, under section 247 of the *Corporations Act 2001*, 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 the Company's current auditors Deloitte Touche Tohmatsu for audit and non-audit services provided during the year are set out in Note 31 to the Financial Statements on page 105 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 31, 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 107.

No Officer of the Company at any time during the year has held the role of director or partner of the Group's current external auditor

Rounding off

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

Directors' report continued

Shares under option

Expiry data Award

Unissued ordinary shares under option relate to Awards associated with the Company's Executive Performance Share Plan (including LTI grants and Deferred Rights under the Short Term Incentive Plan FY2022). Outstanding Awards at the date of this report are as follows:

Date awards granted	Expiry date		Number of ordinary shares under option relating to Awards
1 January 2020	30 September 2024	2020 Award	642,974
1 January 2021	1 January 2036	2021 Award	619,752
1 January 2022	1 January 2037	2022 Award	496,074
1 January 2022	31 July 2025	MD Performance Award	249,940
1 January 2023	1 January 2038	2023 Award	840,500
1 June 2023	1 June 2030	STI FY2022	67,609
Total			**2,916,849**

The exercise price for these Awards is nil. Further details of Awards are set out in Note 27 and the Remuneration report.

Registered office

The registered office of the Company is Level 4, 151 Pirie 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: https://www.adbri.com.au/who-we-are/corporate-governance/

Signed in accordance with a resolution of the Directors.

Samantha Hogg
Deputy Chair
Dated: 27 February 2024

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 2023 Remuneration Report. During the year in review, Adbri exceeded its financial targets and importantly demonstrated significant improvement in the underlying business' profitability.

Company performance

The Board is pleased to announce that for the financial year ended 31 December 2023, Adbri delivered a 43.8% improvement in underlying net profit after tax excluding property profits and significant items (NPAT) of $111.7m. In addition, operating cash flow improved 29.2% and year-on-year revenue growth of 13.1% was also achieved. Improved earnings performance was driven by strong demand and pricing and cost discipline.

After a challenging 2022 the renewed management team has implemented stronger pricing and operational disciplines, which are helping drive improved Group performance. While there are still opportunities for further improvement, the turnaround in a relatively short period is a credit to the team's focus and commitment.

The Group reported a 10% improvement in safety performance as we embed our culture of Work Safe, Home Safe. Sustainability continues to be a key priority for the Company to decarbonise operations and products, with the successful launch of lower carbon concrete and cement ranges, as well as a planned hybrid electric battery-capable limestone carrier from 2026 to support increased lower carbon production at Birkenhead. The Board thanks our management team and all our employees for their efforts on behalf of shareholders this year.

Remuneration in 2023

Executive KMP fixed remuneration

Executive KMP remuneration is reviewed on an annual basis with reference to the Group's remuneration policy, market competitiveness and Company performance outcomes. No increase was made to Executive KMP Fixed Annual Renumeration (FAR) in 2023.

Short-Term Incentive (STI) outcomes

The Group's financial targets for 2023 were set in November 2022, with STI targets set to significantly improve performance across the business and full achievement is only available when stretch targets are met. We continue to set strategic growth performance conditions for Executive KMPs to drive business priorities of safety, inclusivity and sustainability.

The Board is delighted to report that management exceeded our financial targets, relating to Group NPAT, Group cash flow and divisional EBIT, and our emissions reduction targets. While our safety performance and workplace inclusivity both improved, we did not meet threshold on these measures this year. Overall, the Board is very pleased to be paying short term incentives in the range of 74% to 77% of maximum this year, reflective of our dramatically improved performance.

No Board discretion was applied to actual performance results.

Long-Term Incentive (LTI) outcomes

Executive KMP alignment with shareholder interests is an important component of the Company's remuneration policy, with long-term improvement in shareholder value embedded in the design of the LTI Plan. During 2023, the 2019 Award LTI was tested for both the Total Shareholder Return (TSR) and the Earnings Per Share (EPS) performance conditions. Notwithstanding our strong financial result in 2023, results against each of the performance conditions failed to meet the threshold for vesting over the four year performance period, and as a result, all awards under the 2019 Award LTI lapsed, without any vesting to Executive KMP.

Non-executive Director fees

Fees for the Chair and Non-executive Directors are reviewed annually to maintain market relativity and to ensure the continued attraction and retention of high calibre Directors. Following the 2022 review, the Board also took into consideration the financial and share price performance of the Company and awarded no increase in director fees for 2023 compared with 2022. Additional director fees were paid to Samantha Hogg who took on the role of Deputy Chair and Lead Independent Director, replacing Dr. Vanessa Guthrie AO, and for Dean Jenkins, who took on additional roles as Chair of the Board's People and Culture Committee and member of its Safety, Health, Environment and Sustainability Committee.

Remuneration report continued

Executive Key Management Personnel (KMP) movements in 2023

In February 2023, the Board appointed Mark Irwin as Chief Executive Officer (CEO) under a fixed term contract to 1 October 2024, having led the Company as Interim CEO since 18 October 2022. During his tenure, Mark has focused on driving commercial performance to improve margins, offsetting cost pressures, and delivery on cost reduction and operational efficiency. As announced to the ASX on 8 February 2024, the Company and Mark have further agreed to extend his contract to 18 December 2024.

The Board appointed Jared Gashel as Chief Financial Officer in July 2023. Jared is a valuable addition to the Adbri executive team, bringing a wealth of experience in our industry. We thank Dianne Mong, GM Finance, for stepping in as our Acting Chief Financial Officer for a period of transition.

Former MD & CEO

The former MD & CEO, Nick Miller, stepped down from his role in October 2022 at the Board's request, to effect the change of leadership announced at that time, and completed his 12 months' notice period in October 2023. He was not a KMP during the 2023 financial year.

The following remuneration arrangements applied to the former MD & CEO upon cessation:

- The former MD & CEO retained a pro-rata portion (based on performance period elapsed) of his unvested LTI Awards granted over the course of his tenure in accordance with the terms of the LTI. The LTI Awards remain on foot and may vest in the future to the extent relevant performance conditions have been met when tested at the end of the original performance periods, or otherwise in accordance with the terms of the LTI.
- The former MD & CEO also retained a pro-rata portion (based on performance period elapsed) of his unvested MD Performance Award. The Board determined to test the MD Performance Award at the cessation date, and based on performance achieved to date of cessation, 85% of the pro-rated Award vested. The Board determined to settle the vested Award in Shares, and therefore, based on the Share price at the time of cessation of $2 per share, the value of the Award at cessation was $499,880, representing approximately 33% of FAR.
- The former MD & CEO did not receive any STI in respect of the 2023 financial year and no other payment was made to him in respect of his cessation, other than statutory leave entitlements accrued and a contribution to his legal fees relating to separation arrangements.

Changes to remuneration for 2024

Following a review in 2023, the Board has approved the following changes to Executive KMP remuneration from 2024:

- In recognition of Company performance, inflation and market movement, a FAR increase of 3.5% will be made for the CEO, Chief Operating Officer – Cement & Lime, and the Chief Operating Officer – Concrete, Aggregates and Masonry;
- The deferred component of the STI will be delivered as a single tranche of deferred rights, with a two-year disposal restriction (in place of 50% of the deferred component being subject to a two-year disposal restriction and the remainder subject to a three-year disposal restriction). The disposal restriction will apply post-cessation of employment; and
- LTI will be measured against two equally weighted performance conditions, being relative TSR and Return on Capital Employed (ROCE), and performance will be measured over a three-year period (reduced from four).

Subsequent to year end, and in light of the proposed transaction involving CRH and Barro Group announced to the ASX on 18 December 2023, the Board considers it prudent to put in place a cash retention payment for Executive KMP to aid with retention through the period of the transaction and to ensure continuity of management for Adbri. In particular, the Board has been mindful that, because of his fixed term appointment, the CEO does not participate in our LTI program, and also the CFO is a recent appointment and does not have significant amounts of unvested incentives on foot to encourage retention through this period of uncertainty.

Conclusion

Adbri's remuneration structures have been designed to align executive outcomes with the shareholder experience over the long-term. The Board is pleased that remuneration outcomes in 2023, which have seen short term incentives earned at a good level and our 2019 long term incentives lapse not having reached the threshold level of performance, are aligned to the shareholder experience and reflect the Company's performance over the relevant performance periods.

Thank you for your interest in our Remuneration Report.

Dean Jenkins
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 2023. 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 Deloitte Touche Tohmatsu.

1 Key management personnel

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

Name	Position	Status	Date as KMP (if not full year)
Executive KMP			
Mark Irwin	Chief Executive Officer (CEO)[1]	Full Year	
Jared Gashel	Chief Financial Officer (CFO)	Part year	Appointed 5 July 2023
Brett Brown	Chief Operating Officer – Cement and Lime	Full year	
Andrew Dell	Chief Operating Officer – Concrete, Aggregates and Masonry	Full year	
Dianne Mong	Acting Chief Financial Officer[2]	Part year	Ceased 4 July 2023
Peter Barker	Interim Chief Financial Officer	Part year	Ceased 19 March 2023
Non-executive Directors			
Raymond Barro	Chair	Full year	
Samantha Hogg	Deputy Chair and Lead Independent Director[3]	Full year	
Rhonda Barro	Non-executive Director	Full year	
Dean Jenkins	Independent Non-executive Director	Full year	
Emma Stein	Independent Non-executive Director	Full year	
Geoff Tarrant	Non-executive Director	Full year	
Michael Wright	Independent Non-executive Director	Full year	
Dr Vanessa Guthrie AO	Deputy Chair and Lead Independent Director	Part year	Ceased 28 February 2023

1. Appointment as Chief Executive Officer effective 15 April 2023. Interim Chief Executive Officer from 17 October 2022 to 14 April 2023.
2. Appointed 20 March 2023.
3. Appointment as Deputy Chair and Lead Independent Director effective 1 March 2023. Independent Non-executive Director to 28 February 2023.

2 Remuneration governance

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

Our governance framework for determining Executive KMP and Non-executive Director remuneration is outlined below:

Our governance framework

Board	P&C Committee	Management
The Board reviews and approves: – The overall remuneration policy; – Non-executive Director remuneration; – The remuneration of the CEO, including the CEO's participation in the short-term and long-term incentive schemes; – Recommendations from the CEO on remuneration for Executive KMP (other than the CEO), including their participation in incentive schemes; and – Awards under incentive schemes, performance targets, assessment of the extent to which performance conditions have been satisfied.	The P&C Committee review and make recommendations to the Board on: – The remuneration policies and framework for the Group; – Non-executive Director remuneration; and – Executive KMP incentive arrangements including setting targets and assessing performance.	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, accounting and 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 Chair of the P&C Committee seeks independent advice from external advisors on various remuneration related matters. – Any advice or recommendations provided by external advisors is used to assist the Board – it is not a substitute for the Board and P&C Committee process.	

3 Executive KMP remuneration policy and framework

3.1 Remuneration policy

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

Remuneration principles

Attract and retain	Pay-for-performance	Behaviours and culture
Provide competitive rewards to attract and retain highly capable Executive KMP.	Reflect the level of responsibility, potential and achievement for delivering to business strategy and results.	Differentiate reward for behaviour and performance to reinforce our vision, strategy and operational objectives. Have regard to market practice and market conditions to attract the necessary skill sets, knowledge and diversity enabling the organisation to strategically foster the 'One Adbri' culture of transformation, growth and delivery.

Remuneration principles		
Shareholder alignment Encourage sustainable long-term growth and value aligned to the interests of shareholders.	**Market competitive** Salary with benefits appropriately assessed and positioned against key national markets and peer comparator companies.	**Transparent** Provide transparency and clarity on what, to whom and on what basis remuneration has been paid. Ensure rewards are appropriate for actual performance delivery and outcomes.

3.2 Total remuneration framework

Adbri's remuneration strategy is designed to attract, motivate and retain high-calibre individuals for achieving high performance and delivering solid, sustainable long-term results for shareholders, while conforming to rigorous governance and risk management principles.

Executive KMP are rewarded based upon a total remuneration framework. The design of the framework is based upon our reward principles and is comprised of three components: fixed annual remuneration (FAR), short-term incentive (STI) and long-term incentive (LTI) as set out below.

Executive KMP are also eligible for the receipt of shares issued in accordance with Adbri's Tax Exempt Employee Share Plan (TEES Plan). See Note 27 of the Financial Statements for further details.

	FAR	STI	LTI
Purpose	Provide competitive base pay to attract and retain the skills needed to manage the business.	To reward achievement of financial and non-financial performance targets linked to the Group's annual business objectives.	To focus Executive KMP on the Group's long-term business strategy to create and protect shareholder value over a four-year performance period.
Link to Adbri's strategy and performance	– Determined by the role's scope and complexity, and the incumbent's skills, experience, knowledge and capability. – Set with reference to market benchmarks in the relevant and comparable industry sectors in Australia.	– Performance is assessed against a balanced scorecard, comprising financial and sustainability performance measures. – Financial performance measures are set with reference to market conditions, relevant industry performance, exchange rates and associated costs. – Sustainability performance measures include safety, diversity, emissions and operational excellence as a minimum.	– Seeks to align Executive KMP remuneration with the Company's strategic direction, thereby creating long-term shareholder value.

3 Executive KMP remuneration policy and framework continued

3.2 Total remuneration framework continued

3.2.1 Remuneration structure

The following diagram sets out the remuneration structure and timing for delivery for Executive KMP (noting the CEO was not eligible to receive LTI grants in 2023).

		Year 1	Year 2	Year 3	Year 4
FAR	**100% cash**	Base salary, statutory superannuation and other benefits/allowances			
STI Subject to financial (70%) and non-financial performance (30%)	50% in cash 50% in deferred rights	50% cash			
			25% deferred rights Shares allocated on exercise subject to a disposal restriction		
			25% deferred rights Shares allocated on exercise subject to a disposal restriction		
LTI Subject to financial performance	100% performance rights (Awards)	50% subject to Total Shareholder Return (TSR)			
		25% subject to Earnings Per Share (EPS)			
		25% subject to Return on Capital Employed (ROCE)			

3.2.2 Remuneration mix

The following charts outline the target remuneration mix for Executive KMP in 2023.

CEO[1]

STI **55%**

FAR **45%**

Other Executive KMP (Avg)

STI **35%**

LTI **22%**

FAR **43%**

1. CEO fixed term contract does not include an LTI component, hence the STI weighting to FAR.

4 2023 Executive KMP remuneration approach

4.1 Fixed annual remuneration

FAR 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.

No FAR increase was made for Executive KMP in 2023. Following the 2023 annual remuneration review, an increase of 3.5% to FAR will be made for the CEO, Chief Operating Officer – Cement & Lime, and the Chief Operating Officer – Concrete, Aggregates and Masonry in 2024.

4.2 Short-Term Incentive

Adbri's STI is the Company's 'at risk' component of the total remuneration framework for Executive KMP.

A summary of the key features of the 2023 STI is as follows:

Feature	Description
General	
Eligibility	The CEO and other Executive KMP who are able to have a direct impact on the Group's performance against the relevant performance hurdles.
Opportunity	CEO: 120% of FAR. Other Executive KMP: 80% of FAR. The Interim and Acting CFO did not participate in the Executive STI Plan. The Acting CFO remained eligible for an STI Award under the Senior Leader STI Plan in relation to her ongoing role in GM Finance.
Vehicle	50% of STI awards will be delivered in cash and 50% of STI awards will be deferred into rights (Deferred Rights) (unless otherwise determined by the Board).
Performance conditions	
Overview	The STI is assessed against a mix of financial (50–70%), and sustainability measures (30–50%) and is subject to a safety gateway. Financial measures are intended to align the interests of Executive KMP with shareholders, ensure they are rewarded on the Group's annual business objectives and create sustainable value for shareholders from both earnings and cash flow. 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 such as 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. Sustainability measures are based on stretch targets across a range of areas agreed with the Executive KMP in order to drive performance outside of pure financial results that contribute to long-term value creation for shareholders. Stretch targets provide incentives beyond budget to enhance shareholder returns. All performance conditions are set by the Board.
Performance conditions and weightings	The weightings of financial and strategy and sustainability performance conditions vary by role, as outlined below.

	Performance condition	Group Executive KMP – CEO	Group Executive KMP – CFO	Divisional Executive KMP
Financial (50–70%)	Group underlying net profit after tax (NPAT)	50%	60%	25%
	Divisional earnings before interest and tax (EBIT)	N/A	N/A	15%
	Group free cash flow	10%	10%	10%
	Kwinana Upgrade Project	10%	N/A	N/A
Sustainability (30–50%)	Safety	10%	10%	10%
	Inclusivity & Diversity	10%	10%	10%
	Emissions	10%	10%	10%
	Operational Excellence	N/A	N/A	20%

In addition, a modifier applies to the STI, which provides the Board a discretion to manage the performance on a range of factors, including fatalities.

See Section 5.2.1 for further information on the 2023 STI performance conditions.

4 2023 Executive KMP remuneration approach continued

4.2 Short-Term Incentive continued

Feature	Description
Calculation of awards	
Vesting schedule	The portion of the STI subject to financial measures will 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% The portion of the STI subject to strategy and sustainability measures is set at a stretch level of performance. **Sustainability target achieved** / **STI % for strategy and sustainability target** At threshold – 80% Between threshold and target – Pro rata At target – 100% Between target and stretch – Pro rata Stretch – 120%
Timing of the award	Assessment of performance against the performance conditions will occur following finalisation of the Group's full year results. If performance is below the threshold/ranking level for any performance condition, no portion of the STI subject to that condition will vest. 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 around the release of the Company's annual results.
Deferred rights – disposal restrictions and dividends	Deferred Rights awarded as part of the 2023 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 2025 (two-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 2026 (three-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 fully paid ordinary 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.
Governance	
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.

Feature	Description
Cessation of employment or a change of control	
Cessation of employment	Where an Executive KMP resigns or is terminated for cause, all STI entitlements will be forfeited. In all other circumstances, a pro-rata portion of the STI (based on the proportion of the performance period elapsed) will remain on foot and may be paid at the end of the performance period, to the extent that the applicable performance conditions are satisfied at that time. Any amount achieved by the Participant is paid in cash and no portion will be delivered as Deferred Rights. Deferred Rights that have not yet been exercised, must be exercised within the earlier of 60 days of cessation or the date that they lapse. Awards which are not exercised within that period will lapse. Shares allocated upon exercise will not be subject to any disposal restrictions. Disposal restrictions will cease for all relevant shares at the date of cessation. The Board retains discretion to determine a different treatment.
Change of control	On a change of control, a pro-rata portion of the STI (based on the proportion of the performance period elapsed) may be paid, to the extent the applicable performance conditions are satisfied at that time. Where a Participant holds Deferred Rights, the Deferred Rights must be exercised within 30 days of the relevant event occurring, or such other period determined by the Board, otherwise they will lapse. All Shares allocated in respect of Deferred Rights that are subject to disposal restrictions under the Plan, will be released from all such restrictions. The Board retains discretion to determine a different treatment.

4.3 Long-Term Incentive

Adbri's Executive Performance Share Plan (LTI) seeks to reward Executive KMP for creating strong shareholder value over the medium and longer term relative to the market.

A summary of the key features of the 2023 Award LTI are as follows:

Feature	Description
General	
Eligibility	The LTI is offered to Executive KMP whose behaviour and performance have a direct impact on the Group's long-term performance.
Opportunity	CEO: Not eligible to participate in 2023. Other Executive KMP: 50% of FAR.

4 2023 Executive KMP remuneration approach continued

4.3 Long-Term Incentive continued

Feature	Description
Vehicle	Rights to receive fully paid ordinary shares in Adbri (Awards) is calculated based on the LTI opportunity divided by the VWAP of shares 5 days prior to and following the full year result.
Performance conditions, vesting and exercise	
Performance conditions and weightings	Awards will only vest to the extent the following performance conditions are met over the four-year period from 1 January 2023 to 31 December 2026: – Total Shareholder Return (TSR) – 50% weighting; – Earnings Per Share (EPS) – 25% weighting; and – Return on Capital Employed (ROCE) – 25% weighting. The 2023 Award LTI performance conditions are outlined below. Following the annual Company results announcement concerning the final year of the performance period, the Board will evaluate and test performance against each performance condition to determine the extent to which the 2023 Award LTI vests.

Condition	Detail and vesting schedule
TSR (50% weighting)	The Company's TSR growth over the performance period to equal or exceed the growth in the median company in a bespoke comparator group, being a select group of 21 companies on the S&P/ASX that Adbri competes with for capital and talent. TSR has been chosen because it provides a link between Executive KMP remuneration and changes in value experienced. The peer group for the TSR performance condition is composed of the following companies:

Boral Limited	Iluka Resources Limited	Orica Limited
Brickworks Limited	Incitec Pivot Limited	Orora Limited
CSR Limited	James Hardie Industries plc	Oz Minerals Limited
Downer EDI Limited	Lendlease Group	Regis Resources Limited
Evolution Mining Limited	Mineral Resources Limited	Reliance Worldwide Corporation Ltd
Fletcher Building Limited	Northern Star Resources Limited	Sims Limited
IGO Limited	Nufarm Limited	St Barbara Limited

TSR growth will be measured using average share price over the three months ending 31 December 2023 and 31 December 2026 respectively.

TSR rank in bespoke peer group	Awards subject to TSR condition that vest (%)
Less than 50th percentile	0%
Equal to 50th percentile	50%
Between 50th and 75th percentile	Pro-rata between 50% and 100%
At or above 75th percentile	100%

Feature	Description
Performance conditions and weightings continued	(see nested table below)

Condition	Detail and vesting schedule
EPS (25% weighting)	The compound annual growth in the Company's EPS over the performance period to equal or exceed 5% p.a., based on the actual EPS disclosed in the audited annual accounts of the Company for financial year ended 31 December 2023 (as the EPS 'base point') and the financial year ended 31 December 2026. The Board retains discretion to adjust earnings across the performance period for individually material items. EPS has been chosen because dividends form a fundamental value proposition to shareholders in the sector in which Adbri operates.
ROCE (25% weighting)	The average of the Company's ROCE in each year over the performance period to equal or exceed 0.5% p.a. below the average of each annual budget ROCE over the relevant period. The Board will retain absolute discretion to adjust earnings (e.g., due to acquisitions, restructuring, capital expenditure) and funds employed across the performance period when testing ROCE. ROCE has been chosen to ensure that near term decision making delivers benefits to shareholders over the longer term.

EPS	Awards subject to EPS condition that vest (%)
Less than 5%	0%
At 5%	50%
Between 5% to 10%	Pro-rata between 50% and 100%
At 10% or greater	100%

ROCE	Awards subject to ROCE condition that vest (%)
More than 0.5% p.a. below average of annual budget ROCE	0%
0.5% p.a. below the average annual budget ROCE	50%
Between 0.5% p.a. and 0.5% p.a. above the average annual budget ROCE	Pro-rata between 50% and 100%
Above 0.5% p.a. or higher than the average of annual budget ROCE	100%

The Board retains discretion to adjust the performance conditions or vesting schedules in exceptional circumstances to ensure a participant is neither advantaged nor disadvantaged by matters that may materially affect achievement of the performance conditions.

Feature	Description
Exercise of Awards	Following testing of the performance conditions, vested awards will be automatically exercised. One fully paid ordinary share in Adbri (Share) will be allocated for each vested award. Awards are granted at no cost to Executive KMP and no amount is payable by Executive KMP on the exercise of the awards.
Holding period	To strengthen the alignment between the interests of the shareholders and Executive KMP, as well as encourage a focus on longer term shareholder value, a one-year holding period will apply to Shares allocated upon vesting of awards, commencing from the date of allocation.

4 2023 Executive KMP remuneration approach continued

4.3 Long-Term Incentive continued

Feature	Description
Governance	
Clawback	The rules of the Plan provide the Board with the ability to clawback awards or Shares 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 KMP'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 Executive KMP. 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). Under the Company's Share Trading Policy, Company securities acquired under an incentive plan must never be hedged prior to vesting or while subject to a holding lock of similar dealing restriction. Until the awards vest, Executive KMP have no legal or beneficial interest in Shares, no entitlement to receive dividends and no voting rights in relation to any securities granted under the 2023 Award LTI, or any of the other Awards. Any Shares allocated to Executive KMP following exercise of an award may only be dealt with in accordance with the Company's Share Trading Policy and are subject to the generally applicable insider trading prohibitions.
Cessation of employment or a change of control	
Cessation	Where an Executive KMP resigns or is terminated for cause, all LTI entitlements will be forfeited. In all other circumstances, a pro-rata portion of the LTI (based on the proportion of the performance period elapsed) will remain on foot and may be paid at the end of the performance period, to the extent the applicable performance conditions are satisfied at that time. The Board retains discretion to determine a different treatment.
Change of control	On a change of control, a pro-rata portion of the LTI (based on the proportion of the performance period elapsed) may vest, to the extent the applicable performance conditions are satisfied at that time. The Board retains discretion to determine a different treatment.

5 Linking Executive KMP remuneration to Company performance

5.1 Company performance

The Group delivered underlying NPAT attributable to members excluding property profits and significant items of $111.7 million for the year ended 31 December 2023, 43.8% higher than the prior year, and a statutory NPAT attributable to members of $92.9 million, 9.5% lower than the prior period which benefited from $46.2 million of property and Rosehill plant, property and equipment earnings. Revenue grew by 13.1% year-on-year to $1.92 billion, mainly attributed to improved pricing and strong demand during the year.

Our improved earnings performance highlights the effectiveness of the efficiency initiatives we implemented during the year, including:

- Implemented a decentralised business model with a focus on pricing and cost management discipline
- Improved safety performance, with TRIFR[1] improving 10% to 7.1 from 31 December 2022
- Progressed the Kwinana Upgrade project, which is over 70% complete as at 31 January 2024
- Solid price traction across all product lines resulting in margin expansion

1. Total Reportable Injury Frequency Rate (TRIFR) is the number of recordable injuries per million of man hours worked, including employees and contractors.

The Group's cash flow generation also improved on the back of the improved business performance. Due to the continued investment in the KWUP, net debt increased to $682.1m on 31 December, representing a leverage ratio[1] of 2.2 times underlying EBITDA[2].

The Board has decided not to declare a final dividend considering the capital requirements for the Kwinana Upgrade and elevated leverage.

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

		2019	2020	2021	2022	2023	CAGR%
Sales	$m	1,517.0	1,454.2	1,569.2	1,700.3	1,922.9	6.1
NPAT reported attributable to members	$m	47.3	93.7	116.7	102.6	92.9	18.4
NPAT underlying attributable to members including property	$m	123.0	115.6	119.1	118.0	106.6	(3.5)
NPAT underlying excl. property attributable to members	$m	123.0	114.9	113.0	77.7	111.7	(2.4)
Share price	$/share	3.46	3.35	2.82	1.66	3.00	(3.5)
Dividends declared	cents/share	5.0	12.0	12.5	5.0	–	(100.0)
Franking	%	100.0	100.0	100.0	100.0	100.0	0.0
Operating cash flow	$m	193.2	256.2	195.2	166.4	215.0	2.7
Basic earnings per share	cents	7.3	14.4	17.9	15.7	14.2	18.1
Basic earnings per share (underlying)	cents	18.9	17.6	17.3	11.9	17.1	(2.5)

5.2 STI

5.2.1 Performance assessment

STI outcomes reflect Executive KMP accountability for performance outcomes delivered throughout the year. In respect of financial targets, the Board compares the actual results against the budget for the reporting year and assesses the degree to which the Group meets targets. For the CEO and other Executive KMP, the Board considers performance against the agreed strategy and sustainability targets.

Performance condition	Reason chosen	Performance assessment	Vesting outcome
Financial performance – 50–70% weighting			
Group NPAT Underlying excluding property profits and significant items	NPAT is used as the primary condition for measuring Group financial performance as it closely reflects shareholder experience.	Group underlying NPAT achieved was significantly above the STI target due to improved business performance across all business divisions.	100%
Divisional EBIT	The Chief Operating Officers of the operational divisions have a component of the STI attributed to the contribution of their division (including significant Joint Ventures), which is assessed using EBIT.	The Cement and Lime division achieved significantly above the STI performance target. The Concrete, Aggregates and Masonry division achieved significantly above the STI performance target. Business performance achieved through strong market demand, pricing discipline and operational efficiency initiatives.	100%

1. Leverage ratio – net debt/underlying EBITDA (excludes property profits and significant items). Net debt is inclusive of capitalised borrowing costs.
2. Underlying measures exclude property profits and significant items.

5 Linking Executive KMP remuneration to Company performance continued

5.2 STI continued

5.2.1 Performance assessment continued

Performance condition	Reason chosen	Performance assessment	Vesting outcome
Group free cash flow excluding KWUP capex and property	Free cash flow recognises the importance of cash management to drive shareholder value through an ability to return capital to shareholders.	The Group free cash flow significantly achieved above the STI target. This is due to improved business performance and focus on cash management.	100%
Kwinana Upgrade Project (CEO)	Significant investment has been made in the Kwinana Upgrade Project, and delivery of the Kwinana Upgrade Project is crucial to Adbri's future cement production.	Status of the Kwinana Upgrade Project is on schedule to meet the revised project target budget and timelines after detailed assessment by management and the Board.	60%
Sustainability performance – 30–50% weighting			
Safety Drive improvements in safety from December 2022	The health and safety of our people is our number one priority. In addition, a Visual Leadership metric applies to the 2023 STI. Executive KMP are required to complete and document Visual Leadership walks throughout the year.	Improvements have been made in our lead indicator areas and a 10% improvement in Total Recordable Injury Frequency Rate (TRIFR) compared to last year. However, the TRIFR target was not met.	0%
Inclusivity Reduce female attrition	To support the achievement of the Company's long-term targets with respect to female participation in the workforce our focus was retaining female talent in our operations.	Female participation increased from 16% in 2022 to 18.5%. However, target to reduce female attrition was not met.	0%
Emissions Reduced Scope 1 and 2 emissions	To support our long-term goal of becoming Net-Zero by 2050, year-on-year reduction of our Scope 1 and 2 emissions is a focus across our operations.	CY2023 absolute scope 1 and 2 emissions of 1,886,498 tCO_2e represents a 10% reduction against FY22 scope 1 and 2 emissions of 2,105,996 tCO_2e, exceeding our stretch target.	120%
Operational excellence	To support key priority deliverables to drive revenue, cost and key project outcomes.	COO key performance outcomes were mostly met with stretch improvement on sales margins, market growth, and customer contractual terms.	83%–85%

5.2.2 2023 STI outcomes

In 2023, for all financial targets (other than Kwinana), actual performance achieved was above the stretch target. Accordingly, a 100% payout for financial performance is reflective of the Executive KMP's contributions in 2023.

Kwinana Upgrade Project achieved target scheduled delivery and budget and therefore a 60% payout was achieved.

For sustainability, the emissions target achieved above the stretch target and safety and diversity did not meet the threshold targets.

The table below summarises the STI outcomes for Executive KMP for 2023. The Interim CFO and Acting CFO were not eligible to participate in the 2023 Executive STI.

					ACTUAL STI PAID IN THE FORM OF		
Executive KMP	Maximum STI opportunity[1] $	Actual STI as % of STI maximum %	Lapsed STI %	Actual STI total $	Cash STI $	Equity deferred (2-years) $	Equity deferred (3-years) $
Current							
Mark Irwin[2]	1,717,200	74	26	1,263,600	631,800	315,900	315,900
Jared Gashel[3]	240,460	77	23[3]	186,016	93,008	46,504	46,504
Brett Brown	471,658	74	26	349,739	174,869	87,435	87,434
Andrew Dell	469,368	75	26	349,812	174,906	87,453	87,453
Former							
Peter Barker	–	–	–	–	–	–	–
Dianne Mong[4]	42,593	94	6	39,930	39,930	–	–

1. The maximum STI opportunity is calculated on the basis of full year FAR, unless the Executive KMP joined partway through the year, in which case the calculation is pro rata.
2. The CEO's participation in the 2023 STI is for the full 2023 year in recognition of his ongoing contributions as Interim CEO.
3. The CFO's participation in the 2023 STI is prorata. Lapsed STI for the CFO is calculated based on a pro rata basis.
4. The Acting CFO STI is calculated on 30% of FAR on a pro rata basis. The STI is assessed on a mix of Company financial (70%) and individual performance (30%) KPIs.

5 Linking Executive KMP remuneration to Company performance continued

5.3 LTI

In 2023, Adbri tested the 2019 LTI Award for vesting against the TSR and EPS performance conditions and it was determined that performance over the four-year performance period failed to meet the threshold for vesting performance conditions, without any vesting to Executive KMP.

Performance condition	Weighting	Performance assessment	Result
TSR	50	Adbri's TSR growth was negative 62.7 percent placing the Company's percentile at 4.97, which is below the vesting threshold for TSR of 50.	0
EPS	50	The compound annual growth in EPS over the performance period of negative 49.6% on an underlying basis and negative 56.3% on a statutory basis was below the vesting threshold for EPS of 5.0	0

There was no Board discretion applied to the performance result.

	Awards							
Executive KMP	Held at 1 Jan 2023 Number	Granted during the year[2] Number	Exercised/ vested during the year[3] Number	Lapsed/ forfeited during the year[4] Number	Held at 31 Dec 2023[5] Number	Value of 2023 awards at grant date[6] $	Fair value of 2023 award at grant date $/Award	Value per share at the date of exercise[7] $
Current								
Mark Irwin[1]	–	–	–	–	–	–	–	–
Jared Gashel	–	81,888	–	–	81,888	113,825	1.39	–
Brett Brown	289,202	160,622	–	(44,146)	405,678	195,958	1.22	–
Andrew Dell	262,377	159,842	–	(34,301)	387,918	195,008	1.22	–
Former								
Peter Barker	–	–	–	–	–	–	–	–
Dianne Mong	–	–	–	–	–	–	–	–

1. For completeness, the CEO was not eligible to participate in the LTI.
2. This represents the maximum number of Awards granted in 2023 that may vest to each Executive KMP. The Awards were granted between 13 June 2023 to 20 July 2023. As the Awards granted in 2023 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.
3. During the 2023 year, only the 2019 LTI Awards were eligible for vesting. The threshold conditions for vesting of these Awards were not met and all 2019 LTI Awards lapsed. The number of Awards that vested during the period and were exercisable at 31 December 2023 is nil. The number of Awards that vested but were not yet exercisable at 31 December 2023 is nil.
4. This includes the portion of 2019 LTI Awards that reached the end of their performance period on 31 December 2022 that did not meet the performance conditions and were forfeited.
5. Awards subject to performance conditions which remain unvested (2020, 2021, 2022 and 2023 LTI Awards), and which will be tested for vesting during the period 2024 to 2027.
6. Fair value of Awards granted during 2023 as at grant date.
7. 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

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Overview of policy</td><td>
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.
No fees are payable to Non-executive Directors for service on the Nomination and Governance 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.
</td></tr>
<tr><td>Aggregate fees approved by shareholders</td><td>Total fees, including committee fees, were set within the maximum aggregate amount of $1,600,000 per annum, approved at the 2017 Annual General Meeting.</td></tr>
<tr><td>Base fees for 2023</td><td>
Fees for the Chair and Non-executive Directors are reviewed annually and considered against peer companies. In 2023, no increase was applied given uncertain trading conditions at the start of 2023 and to maintain market relativity. Fees payable to Non-executive Directors are inclusive of contributions to superannuation. The table below provides the annual fees payable to Directors.
<table>
<tr><th>Base fees including super (Board)</th><th>$</th></tr>
<tr><td>Chair</td><td>135,517</td></tr>
<tr><td>Deputy Chair and Lead Independent Director</td><td>271,034</td></tr>
<tr><td>Non-executive Director</td><td>135,517</td></tr>
</table>
<table>
<tr><th>Committee fees including super</th><th>Committee Chair $</th><th>Committee Member $</th></tr>
<tr><td>Fee for each committee except Nomination and Governance Committee</td><td>31,273</td><td>15,637</td></tr>
<tr><td>Nomination and Governance Committee</td><td>0</td><td>0</td></tr>
</table>
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.
</td></tr>
</table>

6 Non-executive Directors' fees continued

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 or within five years of the policy being adopted, whichever is later) a shareholding equivalent in value to one year's base fees (Minimum Shareholding) and thereafter to maintain at least that level of shareholding throughout their tenure. Non-executive Directors who are in office when this policy was adopted will have five-years from July 2018 to achieve the minimum shareholding requirement.

Details of the current shareholdings for Non-executive Directors as at 31 December 2023 are provided in Section 8.1 of this report.

6.3 Non-executive Directors' statutory remuneration

		Fees and allowances			
Non-executive Director	**Year**	**Directors' base fees (incl. superannuation)**	**Committee fees (incl. superannuation)**	**Total**	**Post-employment benefits superannuation contributions[1]**
Current Non-executive Directors					
Raymond Barro	2023	135,517	15,637	151,154	14,671
	2022	135,517	15,637	151,154	14,052
Rhonda Barro	2023	135,517	15,637	151,154	14,671
	2022	135,517	15,637	151,154	14,052
Geoff Tarrant	2023	135,517	15,637	151,154	14,671
	2022	135,517	15,637	151,154	14,052
Emma Stein	2023	135,517	46,910	182,427	17,707
	2022	135,517	46,910	182,427	16,959
Michael Wright[2]	2023	135,517	33,879	169,396	16,436
	2022	135,517	40,928	176,445	16,416
Dean Jenkins[3]	2023	135,517	39,092	174,609	16,964
	2022	48,609	–	48,609	4,619
Samantha Hogg[4]	2023	248,448	15,637	264,085	24,686
	2022	103,115	9,710	112,825	10,568
Former Non-executive Directors					
Dr Vanessa Guthrie AO[5]	2023	45,172	7,818	52,991	–
	2022	271,034	46,910	317,944	–
Ken Scott-Mackenzie	2022	56,465	19,546	76,011	6,910

1. Superannuation contributions are made on behalf of Non-executive Directors which satisfy the Group's obligations under applicable Superannuation Guarantee Charge legislation.
2. Mr Wright ceased as a member of the People and Culture Committee effective 1 March 2023.
3. Mr Jenkins was appointed as People and Culture Committee Chair and as a member of the Safety, Health, Environment and Sustainability Committee both effective 1 March 2023.
4. Ms Hogg was appointed Deputy Chair and Lead Independent Director and Chair of Nomination and Governance Committee both effective 1 March 2023.
5. Dr Guthrie AO ceased as a Non-executive Director effective 28 February 2023.

7 Executive KMP service agreements and statutory remuneration tables

7.1 Executive KMP service agreements

The remuneration and other terms of employment for KMP are set out in formal employment contracts referred to as 'Service Agreements'.

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

	CEO	Other Executive KMP
Notice period	Ongoing term of service with six-months' (during 2023) or three-months' (during 2024) notice by either party (or payment in lieu). Where employment is terminated for cause during the Term, the Company may terminate without notice.	Ongoing term of service with six-months' notice by either party (or payment in lieu). Where employment is terminated for cause during the Term, the Company may terminate without notice.

7 Executive KMP service agreements and statutory remuneration tables continued

7.2 Executive KMP statutory remuneration

The following statutory table sets out the statutory accounting expense in whole dollars of all remuneration-related items for Executive KMP and has been prepared in accordance with the accounting standards and has been audited.

		Short-term benefits				Equity based benefits				
	Year	FAR[1]	Cash STI[2]	Other Benefits	Post-employment benefit Superannuation[3]	Deferred STI[2]	TEE[4]	LTI[5]	Total	Percentage of remuneration consisting of awards[6]
Executive KMP										
Mark Irwin	2023	1,160,845	631,800	–	20,022	631,800	–	–	2,444,467	–
	2022	219,000	–	–	–	–	–	–	219,000	–
Jared Gashel	2023	269,455	93,008	–	13,699	93,008	–	11,159	480,329	2.3
Brett Brown	2023	529,854	174,869	–	26,346	174,869	999	40,168	947,106	4.2
	2022	531,770	53,151	–	24,430	53,150	959	30,796	694,7256	4.4
Andrew Dell	2023	527,154	174,906	5,660[7]	26,346	174,906	999	42,810	952,782	4.5
	2022	528,498	26,568	–	25,002	26,568	959	(786)	606,809	(0.1)
Former Executive KMP										
Dianne Mong[8]	2023	134,518	39,930	–	7,457	–	–	–	181,905	–
Peter Barker[9]	2023	162,000	–	–	–	–	–	–	162,000	–
	2022	104,000	–	–	–	–	–	–	104,000	–
Nick Miller[10]	2022	1,221,732	93,726	1,838,758[11]	21,229	93,726	959	444,040	3,714,171	12.0
Theresa Mlikota	2022	597,416	–	823,415[11,12]	20,988	–	959	(87,151)	1,355,628	(6.4)

1. FAR is prorated for the period the individuals are Executive KMP. FAR for Mr Gashel, Ms Mong and Mr Barker is therefore pro-rated according to the KMP service period.
2. STI includes amounts relating to performance accrued at the end of each year but not paid until the subsequent year.
3. Includes Company contributions to superannuation and allocations by employees made by way of salary sacrifice of fixed remuneration.
4. The TEES refer to the Adbri Limited Tax-Exempt Employee Share Plan. the Plan offers eligible employees up to $1,000 of Adbri shares. Eligible employees are permanent (full or part-time employees) who have two or more years' service as at 31 December of the year prior to the offer and have not resigned on or before the date of award.
5. 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 Executive KMP may ultimately realise should the equity instruments vest. The notional value of Awards as at the date of their grant has been determined in accordance with the accounting policy Note 28.
6. 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.
7. Other benefits include service award payment in recognition of years of service to the Company.
8. Ms Mong ceased as Executive KMP on 4 July 2023. Remuneration was paid in full and no additional entitlements arise during the period.
9. Mr Barker ceased as Executive KMP on 19 March 2023. Remuneration was paid in full and no additional entitlements arise during the period.
10. MD Performance Awards granted to Mr Miller in 2022, vested in 2023 at fair value of $612,103.
11. Amounts related to the 2022 accrual of notice periods and other accrued entitlements includes monthly salary paid to Mr Miller and Ms Mlikota during their notice periods (17 October 2022 – 15 October 2023 and 11 November 2022 – 2 May 2023 respectively) and accrued annual leave. Neither Mr Miller nor Ms Mlikota have vested long service leave. These amounts are not termination benefits. See footnote 12 for further detail on the former CFO's arrangements.
12. This includes payments totalling $345,704 made to Ms Mlikota over the six month period following cessation of employment, in respect of contractual post-employment restrictions. These amounts are considered termination benefits.

8 Additional statutory disclosures

8.1 Equity holdings of Executive KMP

A summary of Executive KMP current shareholdings in the Company as at 31 December 2023 is set out below. The balances reported include shares held directly, indirectly, or beneficially by each Executive 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 2023.

While the Board has introduced minimum shareholding guidelines for Non-executive Directors, the Board considers Executive KMP's 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 KMP incentives.

		Granted as remuneration during the year				
	Balance at beginning of year	LTI	TEES	Deferred STI	Net movement due to other changes	Balance at end of year
Current Executive KMP						
Mark Irwin	–	–	–	–	–	–
Jared Gashel	–	–	–	–	–	–
Brett Brown	107,837	–	578	0[3]	–	108,415
Andrew Dell	67,537	–	578	0[4]	–	68,115
Current Non-executive Directors						
Raymond Barro[1]	279,178,329	–	–	–	258	279,178,587
Rhonda Barro[2]	278,787,781	–	–	–	–	278,787,781
Geoff Tarrant	30,000	–	–	–	–	30,000
Emma Stein	53,403	–	–	–	–	53,403
Michael Wright	50,000	–	–	–	–	50,000
Dean Jenkins	57,500	–	–	–	24,547	82,047
Samantha Hogg	–	–	–	–	–	–
Former Executive KMP						
Dianne Mong	–	–	–	–	–	–
Peter Barker	–	–	–	–	–	–
Former Non-executive Directors						
Dr Vanessa Guthrie AO	105,000	–	–	–	–	105,000

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. 30,698 2022 Deferred STI rights were granted to Mr Brown during the year but was not exercised (and therefore not converted to shares) at 31 December 2023.
4. 15,344 2022 Deferred STI rights were granted to Mr Dell during the year but was not exercised (and therefore not converted to shares) at 31 December 2023.

8.2 Loans and other transactions

There are no loans to KMP outstanding in the current or prior year.

All other transactions with KMP and their related entities and other related parties are conducted on an arm's length basis and made on normal commercial terms and conditions.

Consolidated income statement

For the year ended 31 December 2023	Notes	Consolidated 2023 $M	Consolidated 2022 $M
Continuing operations			
Revenue from contracts with customers	5	1,922.9	1,700.3
Cost of sales		(1,282.5)	(1,155.1)
Freight and distribution costs		(377.4)	(351.8)
Gross profit		263.0	193.4
Other income	5	9.1	72.5
Marketing costs		(22.2)	(21.6)
Administration costs		(110.6)	(101.5)
Finance costs	6	(28.3)	(23.9)
Impairment	2(b), 15(c)	(12.4)	(6.3)
Share of net profits of joint ventures and associate accounted for using the equity method	22(b)	29.0	24.0
Profit before income tax		**127.6**	**136.6**
Income tax expense	7(a)	(34.8)	(34.1)
Profit for the year		**92.8**	**102.5**
Profit is attributable to:			
Equity holders of the company		92.9	102.6
Non-controlling interests		(0.1)	(0.1)
		92.8	**102.5**

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	4	14.2	15.7
Diluted earnings per share	4	14.1	15.6

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 31 December 2023	Notes	Consolidated 2023 $M	2022 $M
Profit for the year		**92.8**	**102.5**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	20(a)	(2.6)	0.1
Changes in the fair value of cash flow hedges	20(a)	(8.8)	14.0
Income tax relating to these items	7(c)	2.7	(4.2)
Items that will not be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation	26(b)	(2.1)	(0.1)
Other comprehensive (loss)/income for the year, net of tax		**(10.8)**	**9.8**
Total comprehensive income for the year		**82.0**	**112.3**
Total comprehensive income for the year is attributable to:			
Owners of the Company		82.1	112.4
Non-controlling interests		(0.1)	(0.1)
Total comprehensive income for the year		**82.0**	**112.3**

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

Consolidated balance sheet

As at 31 December 2023	Notes	Consolidated 2023 $M	Consolidated 2022 $M
Current assets			
Cash and cash equivalents	8(a)	69.5	139.9
Trade and other receivables	9	245.9	248.5
Inventories	10	181.2	172.9
Current tax assets		–	15.4
Assets held for sale	11	46.3	18.9
Total current assets		**542.2**	**595.6**
Non-current assets			
Receivables	9	87.0	81.5
Retirement benefit asset	26(b)	3.1	6.6
Investments accounted for using the equity method	22	228.2	226.5
Property, plant and equipment	12	1,369.4	1,218.5
Right-of-use assets	13	73.7	71.5
Intangible assets	14	307.3	307.8
Non-current financial assets	21(a)	9.3	17.4
Total non-current assets		**2,078.0**	**1,929.8**
Total assets		**2,620.9**	**2,525.4**
Current liabilities			
Trade and other payables		175.6	215.9
Borrowings	17	4.3	–
Lease liabilities	13	6.0	5.4
Provisions	16	42.1	39.8
Current tax liabilities		2.1	–
Other current liabilities		5.2	5.8
Total current liabilities		**235.3**	**266.9**
Non-current liabilities			
Borrowings	17	747.3	716.3
Lease liabilities	13	81.9	77.4
Deferred tax liabilities	7(e)(f)	109.1	100.5
Provisions	16	60.5	61.2
Total non-current liabilities		**998.8**	**955.4**
Total liabilities		**1,234.1**	**1,222.3**
Net assets		**1,386.8**	**1,303.1**
Equity			
Share capital	18	742.5	741.2
Reserves	20(a)	5.6	13.8
Retained earnings	20(b)	636.6	545.9
Capital and reserves attributable to owners of the Company		1,384.7	1,300.9
Non-controlling interests		2.1	2.2
Total equity		**1,386.8**	**1,303.1**

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

Consolidated statement of changes in equity

For the year ended 31 December 2023 Consolidated	Notes	Share capital $M	Reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $M
		Attributable to owners of Adbri Limited					
Balance at 1 January 2023		**741.2**	**13.8**	**545.9**	**1,300.9**	**2.2**	**1,303.1**
Profit/(loss) for the year		–	–	92.9	92.9	(0.1)	92.8
Other comprehensive income (loss)		–	(8.6)	(2.2)	(10.8)	–	(10.8)
Total comprehensive income/ (loss) for the year		**–**	**(8.6)**	**90.7**	**82.1**	**(0.1)**	**82.0**
Transactions with owners in their capacity as owners:							
Employee/Executive Equity Participation Share Plan	18(b) 20(a)	1.3	0.4	–	1.7	–	1.7
Balance at 31 December 2023		**742.5**	**5.6**	**636.6**	**1,384.7**	**2.1**	**1,386.8**
Balance at 1 January 2022		**741.2**	**3.7**	**521.8**	**1,266.7**	**2.3**	**1,269.0**
Profit/(loss) for the year		–	–	102.6	102.6	(0.1)	102.5
Other comprehensive income (loss)		–	9.9	(0.2)	9.7	–	9.7
Total comprehensive income/ (loss) for the year		**–**	**9.9**	**102.4**	**112.3**	**(0.1)**	**112.2**
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	19	–	–	(78.3)	(78.3)	–	(78.3)
Executive Performance Share Plan	20(a), 26	–	0.2	–	0.2	–	0.2
		–	0.2	(78.3)	(78.1)	–	(78.1)
Balance at 31 December 2022		**741.2**	**13.8**	**545.9**	**1,300.9**	**2.2**	**1,303.1**

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

Consolidated statement of cash flows

For the year ended 31 December 2023	Notes	Consolidated 2023 $M	2022 $M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,119.8	1,863.3
Payments to suppliers and employees (inclusive of goods and services tax)		(1,905.5)	(1,683.1)
Joint venture distributions received		18.6	17.0
Interest received		4.4	1.3
Interest paid		(23.3)	(15.0)
Other income		5.7	2.0
Income taxes paid		(25.0)	(34.1)
Income tax refunds		20.3	15.0
Net cash inflow from operating activities	8(b)	**215.0**	**166.4**
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(316.2)	(255.1)
Payment for acquisition of businesses, net of cash acquired		–	(56.8)
Proceeds from sale of property, plant and equipment		7.2	96.8
Proceeds from sale of business		0.9	–
Loans to joint venture entities		(2.5)	(3.1)
Net cash (outflow) from investing activities		**(310.6)**	**(218.2)**
Cash flows from financing activities			
Drawdown of borrowings	8(d)	81.4	233.2
Repayment of borrowings	8(d)	(47.2)	(80.0)
Lease payments	8(d)	(9.1)	(8.0)
Dividends paid to Company's shareholders	19	–	(78.3)
Net cash inflow from financing activities		**25.1**	**66.9**
Net (decrease)/increase in cash and cash equivalents		**(70.5)**	**15.1**
Cash and cash equivalents at the beginning of the financial year		139.9	124.7
Effects of exchange rate changes on cash and cash equivalents		0.1	0.1
Cash and cash equivalents at end of year		**69.5**	**139.9**

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

Notes to the financial statements

1 Summary of material accounting policies

Adbri Limited (Adbri, or 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 27 February 2024. The Directors have the power to amend and reissue the financial statements.

The material 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 (the Group).

(a) Basis of preparation

These 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 basis, 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 the Group 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

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and in effect for an accounting period that begins on or after 1 January 2023.

Set out below are the new and revised Standards and amendments in effect for the current year that are relevant to the Group:

Pronouncement	Impact
AASB 2021–2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	Requires the disclosure of material accounting policy information and clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates. The application of the amendments did not have a material impact on the Group's consolidated financial statements but has changed the disclosure of accounting policy information in the financial statements, set out on pages 46 and 105, by removing accounting policies which the group does not consider material to primary users of this financial report.
AASB 17 – *Insurance Contracts effective 01 January 2023*	Requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: – discounted probability-weighted cash flows – an explicit risk adjustment, and – a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The application of this standard has no material impact on the Group's consolidated financial statements.
AASB 2021–5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	Clarified that deferred taxes must be recognised where, on initial recognition of an asset or liability, the transaction gives rise to equal taxable and deductible temporary differences. The application of this amendment has no material impact on the Group's consolidated financial statements.

1 Summary of material accounting policies continued

(a) Basis of preparation continued

(iv) New accounting standards and interpretations not yet adopted

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

(b) Climate-change related impacts

The Group makes estimates and assumptions concerning the future, including climate-related matters.

There is considerable uncertainty over assumptions made under various climate change scenarios and how they may impact the Group's business operations and the subsequent impact on cash flow projections.

The Group regularly assesses its assumptions to reflect the market it operates within, the sustainability targets it sets and the commitments made to investors and other stakeholders.

The estimates and assumptions, notably those relating to assets and goodwill impairments, useful lives of assets, capital expenditure and research and development, recovery of deferred tax assets, provisions and contingent liabilities, insurance costs and defined benefit pension plans have been based on the available information and regulations in place as at 31 December 2023, and are aligned with the Group's sustainability targets.

During the year, the Group has assessed the impact of the reformed Safeguard Mechanism legislation as at 1 July 2023. The Safeguard Mechanism legislation sets declining baselines for greenhouse gas emissions from our sites, with the requirement to purchase and surrender Australian Carbon Credit Units (ACCUs) or Safeguard Mechanism Credits (SMCs) for emissions in excess of these baselines. Adbri is confident the Safeguard Mechanism legislation as at 1 July 2023 will not have a material impact on earnings.

(i) Risk management

Adbri's climate change risk assessments are aligned with the Taskforce for Climate-related Financial Disclosures (TCFD) approach and include an analysis of both transitional and physical risks.

The physical risks due to the impact of climate change, such as flooding, changes in precipitation patterns or extreme variability in weather patterns, might lead to higher logistics and transportation costs and reduced production capacities. Physical climate change impacts and the need to adapt to a changing climate are included as material risks on the Adbri risk register.

Climate change transition risks include the growing number of climate policy frameworks which may lead to an increased cost of emitting greenhouse gases and associated costs of fuels, coupled with more stringent obligations relating to the products brought to the market (carbon footprint of final products over their lifecycle).

The market, policy, reputational and technology risks associated with the transition to a low carbon economy are also considered material risks to the business. Adbri is exposed to a variety of regulatory frameworks to report on and reduce emissions, which could affect Adbri's business activities.

Our assessment of the potential impacts to our operations against a variety of scenarios, and across multiple time horizons, is ongoing, and the scenario analyses undertaken in 2020 and 2022 continue to inform our strategy and business planning.

In addition to setting a goal to reach net zero emissions by 2050, Adbri has set short-term targets for 2024. FY2030 targets have also been set as part of the Group's Net Zero Emissions Roadmap which was published in 2023.

There are many uncertainties which are likely to impact Adbri's achievement of its net zero transition including:

- Government policies;
- Carbon pricing mechanisms locally and internationally;
- Market demand for low-carbon products and solutions;
- Availability and cost of alternative fuels and lower emissions energy; and
- Commercialisation of technologies that lower process emissions.

In 2023, in order to mitigate climate change risks, the Group has been taking action to reduce energy consumption and Green House Gases (GHG) emissions through the use of alternative fuels and supplementary cementitious materials.

(ii) Impairment testing

Cash flow projections used in the impairment testing process are based upon financial budgets approved by the Board, external forecasts of market growth rates, and expected operating margins and capital expenditure, including, where reliably available, projected expenditure required to meet the Group's emission reduction targets (including the impact of the Safeguard mechanism legislation.

(iii) Useful lives of assets

Useful lives of assets may be affected by climate-related matters. Any changes in useful lives, as a result of climate-related matters, will have a direct impact on the amount of depreciation and/or amortisation, recognised each year. Management's view of useful lives has taken into consideration all available information that impacts on the Group's emission reduction targets.

(iv) Taxes

Climate-related matters have been considered in the assessment of the future taxable profits on which the recognition of deferred tax assets are based.

Business plans used for the recognition of deferred tax assets have been aligned with the ones used in the impairment testing process, taking into account the Group's emission reduction targets.

(v) Insurance

The change in climate may result in more regular and intense climate events which can have a significant impact on the Group's production should there be damage to premises or business interruption. This may increase the Group's insurance costs or give rise to more frequent uninsurable events.

(vi) Defined benefit pension plans

Climate-related risks, alongside other risks, are regularly reviewed and monitored with the Trustee of the defined benefits plan. Where changes are made to investment or governance approaches to better manage climate-related risk, the implications for expected returns, and employer costs or contributions are also considered.

(vii) Provisions and contingent liabilities

The Group's provisions and contingent liabilities for the 2023 financial year have taken into consideration the Group's current climate-related targets

(c) 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 2023 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.

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 Plan 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.

(d) 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 the functional currency of the Company as well as the Group's 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 consolidated balance sheet presented are translated at the closing rate at the date of the consolidated balance sheet;
- Income and expenses for each consolidated income statement and consolidated 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, 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.

1 Summary of material accounting policies continued

(e) 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 Consolidated Income Statement.

(f) Rounding of amounts

The Company is of a kind referred to in the ASIC Legislative 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 millions of dollars, unless otherwise stated.

(g) 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 incurring that GST.

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 in other receivables or liabilities in the Consolidated 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.

(h) Trade and other payables

The amounts are unsecured and usually paid within the Group's standard terms.

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.

The two operating segments as reported to the chief operating decision maker (CEO) have been identified as follows:

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

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:

31 December 2023	Cement, Lime, Concrete and Aggregates $M	Masonry $M	Unallocated $M	Total $M
Total segment operating revenue	1,704.5	163.3	–	1,867.8
Inter-segment revenue	(121.1)	–	–	(121.1)
Revenue from external customers	**1,583.4**	**163.3**	**–**	**1,746.7**
Depreciation and amortisation	122.9	5.7	7.2	135.8
Impairment:				
Other Assets	0.6	–	–	0.6
Property, plant and equipment	4.0	–	–	4.0
Joint venture investment	7.8	–	–	7.8
Total impairment	**12.4**	**–**	**–**	**12.4**
EBIT	**178.0**	**4.8**	**(33.7)**	**149.1**
Underlying EBIT[1]	**191.7**	**4.9**	**(21.5)**	**175.1**
Share of net profits of joint ventures and associate entities accounted for using the equity method	29.0	–	–	29.0

1. Underlying measures excludes property profits and significant items.

Notes to the financial statements continued

2 Segment reporting continued

(b) Segment information provided to the CEO continued

31 December 2022	Cement, Lime, Concrete and Aggregates $M	Masonry $M	Unallocated $M	Total $M
Total segment operating revenue	1,487.4	149.8	–	1,637.2
Inter-segment revenue	(90.4)	–	–	(90.4)
Revenue from external customers	**1,397.0**	**149.8**	**–**	**1,546.8**
Depreciation and amortisation	107.6	5.5	6.1	119.2
Impairment:				
Other assets	0.3	–	–	0.3
Property, plant and equipment	3.0	–	–	3.0
Goodwill	3.0	–	–	3.0
Total impairment	**6.3**	**–**	**–**	**6.3**
EBIT	**136.2**	**48.6**	**(27.6)**	**157.2**
Underlying EBIT[1]	**139.8**	**3.8**	**(22.0)**	**121.6**
Share of net profits of joint ventures and associate entities accounted for using the equity method	24.0	–	–	24.0

1. Underlying measures exclude property profits/(losses) and significant items.

During the financial year Management carried out a detailed assessment of methodology used to allocate centralised support function costs to Cement, Lime, Concrete and Aggregates and Masonry segments. The revised allocation method better reflects the current operating structure adopted by the Group. Prior year segment EBIT and underlying EBIT reported results have been updated in line with the revised methodology for enhanced comparability. Overall reported EBIT and underlying EBIT for FY22 remains unchanged.

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

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

	Consolidated	
	2023 $M	2022 $M
Total segment operating revenue	1,867.8	1,637.2
Inter-company revenue elimination	(121.1)	(90.4)
Other	9.1	6.4
Freight revenue	164.3	144.4
Royalties	2.8	2.7
Revenue from continuing operations	**1,922.9**	**1,700.3**

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 underlying EBIT to operating profit before income tax is provided as follows:

	Consolidated	
	2023 $M	2022 $M
Underlying EBIT[1]	175.1	121.6
Corporate restructuring and strategic initiative	(5.0)	(4.8)
Impairment/write offs	(12.4)	(9.4)
Change in loss provision	(2.3)	(1.3)
Acquisition expenses	–	(3.8)
JV acquisition costs	–	(2.7)
Property profit/(expense)	(6.3)	57.6
Net finance cost[2]	(21.5)	(20.6)
Profit/(loss) before income tax	**127.6**	**136.6**

1. Underlying measures exclude property profits/(losses) and significant items.
2. Net finance cost is the finance costs shown gross in the income statement offset by interest income included in other income.

(c) Other segment information

Revenues of $303.9 million (2022: $272.3 million) are derived from a single customer. These revenues are attributable to the Cement, Lime, Concrete and Aggregates segment.

Segment assets information is as follows:

31 December 2023	Cement, Lime, Concrete and Aggregates $M	Masonry $M	Unallocated $M	Total $M
Segment assets (excl Goodwill)	764.9	215.0	1,339.6	2,319.5
Goodwill	301.4	–	–	301.4

31 December 2022	Cement, Lime, Concrete and Aggregates $M	Masonry $M	Unallocated $M	Total $M
Segment assets (excl Goodwill)	637.3	210.4	1,376.3	2,224.0
Goodwill	301.4	–	–	301.4

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 Aactual outcomes. The areas involving significant estimates and assumptions are listed below.

- Inventories – Note 10
- Impairment tests – Note 15
- Provisions for close-down and restoration costs – Note 16
- Retirement benefit obligations – Note 26

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	
	2023 Cents	2022 Cents
Basic earnings per share	14.2	15.7
Diluted earnings per share	14.1	15.6

		Consolidated	
Weighted average number of shares used as the denominator	Note	2023 Shares	2022 Shares
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	18	653,329,543	652,627,555
Adjustments for calculation of diluted earnings per share:			
Awards	27	3,739,758	3,838,017
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share		657,069,301	656,465,572

	Consolidated	
Reconciliation of earnings used in calculating earnings per share	2023 $M	2022 $M
Profit after tax	92.8	102.5
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	**92.9**	**102.6**

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

The Group supplies construction materials and industrial minerals to customers from a broad range of industry segments throughout Australia. Revenue from the sale of goods is recognised at a point in time when control of the product has transferred, risk of loss has been transferred to the customer, and there is objective evidence that all criteria for acceptance has been satisfied. Revenue is recognised based on the price specified in the sales order, net of any discounts. Any instances of product returns and warranty claims are accounted for on a case-by-case basis.

(ii) Interest income

Finance income comprises interest income recognised on financial assets at amortised cost. Interest income is recognised as it accrues, using the effective interest rate method.

A disaggregation of revenue at a product level is provided in Note 2.

	Consolidated	
	2023 $M	**2022 $M**
Revenue		
Revenue from contracts with customers	1,920.1	1,697.6
Royalties	2.8	2.7
	1,922.9	**1,700.3**
Other income		
Net (loss)/gain on disposal of property, plant and equipment	(4.4)	65.6
Rental income	1.5	1.6
Interest from joint ventures and other parties	6.8	3.3
Other income	5.2	2.0
	9.1	**72.5**
Total revenue from contracts with customers and other income	**1,932.0**	**1,772.8**

Net loss of $4.4 million on disposal of property, plant and equipment during the year predominantly comprises of reversal of gain related to land at Hilltop, New South Wales, originally recognised in FY2021, following default by the purchaser which is recognised in other income (2022: gain of $65.6 million).

6 Expenses

Profit before income tax includes the following specific expenses:

	Notes	Consolidated 2023 $M	2022 $M
Depreciation	12, 13	134.2	114.1
Amortisation of intangibles	14	1.7	5.1
Impairment of property, plant and equipment	12	4.0	3.0
Impairment of joint venture	15	7.8	–
Impairment of goodwill		–	3.0
Impairment of other assets		0.6	0.3
Employee benefits expenses		204.6	187.0
Superannuation expense		16.3	14.7

Accounting policy – borrowing costs

Borrowing costs that are directly attributable to 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 as incurred.

	Consolidated 2023 $M	2022 $M
Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	36.6	24.5
Unwinding of the discount on restoration provisions	2.5	2.0
Total finance costs	**39.1**	**26.5**
Amount capitalised[1]	(10.8)	(2.6)
Total finance costs	**28.3**	**23.9**

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 4.8% p.a. (2022: 3.0% 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 for changes in deferred tax assets and liabilities attributable to temporary differences and 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.

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 of 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.

Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense.

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.

Notes to the financial statements continued

7 Income tax continued

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

	Consolidated 2023 $M	Consolidated 2022 $M
Profit before income tax expense	**127.6**	**136.6**
Tax at the Australian tax rate of 30.0% (2022 – 30.0%)	38.3	41.0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	0.1	0.2
Non-assessable income	(3.1)	(3.5)
Rebateable dividends	(1.5)	(0.5)
Other adjustments	(0.2)	1.4
Goodwill impairment	–	0.9
Previously unrecognised capital tax losses offset against capital gains	(0.3)	(5.3)
(Over)/under provided in prior years	1.5	(0.1)
Adjustments for current tax of prior periods	–	–
Aggregate income tax expense	**34.8**	**34.1**
Aggregate income tax expense comprises:		
Current tax on profits for the year	25.0	11.7
Net deferred tax expense/(benefit)	8.3	22.5
(Over)/under provided in the prior year	1.5	(0.1)
	34.8	**34.1**

(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:

	Consolidated 2023 $M	Consolidated 2022 $M
Net deferred tax expense/(benefit)	0.4	0.2

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

	Consolidated 2023 $M	Consolidated 2022 $M
Changes in the fair value of cash flow hedges	2.7	4.2

(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised:

	Consolidated 2023 $M	Consolidated 2022 $M
Revenue losses	0.8	0.8
Capital losses	5.4	4.9

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.

(e) Non-current deferred tax assets

	Consolidated	
	2023 $M	2022 $M
The balance comprises temporary differences attributable to:		
Share-based payment reserve	0.9	0.3
Provisions	29.3	28.2
Lease liabilities	26.3	24.8
Other assets	4.5	2.6
Deferred tax assets – before offset	**61.0**	**55.9**
Offset deferred tax liabilities (Note 7(f))	(61.0)	(55.9)
Net deferred tax assets – after offset	**–**	**–**
Movements:		
Opening balance at 1 January – before offset	55.9	64.2
Recognised in the income statement	4.9	(11.1)
Acquired in business combinations	–	1.4
Recognised in other comprehensive income	0.4	(0.2)
Under/(over) provision in prior year	(0.2)	1.6
Closing balance at 31 December – before offset	61.0	55.9

(f) Non-current deferred tax liabilities

	Consolidated	
	2023 $M	2022 $M
The balance comprises temporary differences attributable to:		
Property, plant and equipment	124.4	109.2
Right-of-use assets	22.1	21.5
Inventories	16.6	15.3
Other	7.0	10.4
Deferred tax liabilities – before offset	**170.1**	**156.4**
Offset deferred tax assets (Note 7(e))	(61.0)	(55.9)
Net deferred tax liabilities – after offset	**109.1**	**100.5**
Movements:		
Opening balance at 1 January – before offset	156.4	145.5
Recognised in the income statement	13.1	15.6
(Over)/under provision in prior year	0.6	(4.7)
Closing balance at 31 December – before offset	170.1	156.4

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 2023 $M	Consolidated 2022 $M
Current		
Cash at bank and in hand	66.6	137.5
Term deposits	2.9	2.4
Cash and cash equivalents	**69.5**	**139.9**

(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 any individual bank accounts that are overdrawn with the rest of the bank accounts with positive cash balances. The value of individual bank accounts that were overdrawn 31 December 2023 was $nil (2022: $nil).

(ii) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 21. 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 2023 $M	Consolidated 2022 $M
Profit for the year	**92.8**	**102.5**
Depreciation, amortisation and other impairment	148.3	125.5
Share-based payments	1.3	(0.4)
Finance charges on remediation provision	2.4	2.0
Interest on lease liabilities	3.1	2.8
(Gain)/loss on sale of non-current assets	4.4	(65.6)
Share of profits of joint ventures, net of dividends received	(12.8)	(7.0)
Non-cash retirement benefits expense	0.4	0.5
Non-cash remediation (asset increase)/obligation	(2.3)	(2.3)
Capitalised interest	(10.7)	(2.6)
Other	(3.7)	(1.3)
Net cash provided by operating activities before changes in assets and liabilities	**223.2**	**154.1**
Change in operating assets and liabilities, net of effects from purchase of business combinations:		
(Increase)/decrease in inventories	(8.3)	(17.9)
Decrease/(increase) in prepayments	(4.2)	(1.3)
(Increase)/decrease in receivables	1.3	(23.5)
Increase/(decrease) in trade creditors	(40.5)	26.0
(Decrease)/increase in provisions	1.6	(1.9)
(Increase)/decrease in income taxes receivable	17.5	(1.1)
Increase/(decrease) in deferred taxes liabilities	8.6	20.6
Increase/(decrease) in other operating assets	15.8	11.4
Net cash inflow from operating activities	**215.0**	**166.4**

(c) Net debt components

	Consolidated 2023 $M	Consolidated 2022 $M
Cash and cash equivalents	69.5	139.9
Borrowings – repayable less than one year	(4.3)	–
Borrowings – repayable after more than one year	(747.3)	(716.3)
Net debt[1]	**(682.1)**	**(576.4)**

1. The net debt calculation does not include lease liabilities of $87.9 million at 31 December 2023 (2022: $82.8 million).

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

	Other assets	Liabilities from financing activities				
	Cash and cash equivalents $M	Borrowings due within 1 year $M	Borrowings 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 2022	**124.7**	**–**	**(562.1)**	**(4.8)**	**(76.7)**	**(518.9)**
Cash flows	15.1	–	(153.2)	8.0	–	(130.1)
Acquisition – new leases/remeasurement of existing leases	–	–	–	–	(6.6)	(6.6)
Other non-cash movements	0.1	–	(1.0)	(8.6)	5.9	(3.6)
Net debt as at 31 December 2022	139.9	–	(716.3)	(5.4)	(77.4)	(659.2)
Lease liabilities	–	–	–	5.4	77.4	82.8
Net debt excluding lease liabilities at 31 December 2022	**139.9**	**–**	**(716.3)**	**–**	**–**	**(576.4)**
Net debt as at 1 January 2023	**139.9**	**–**	**(716.3)**	**(5.4)**	**(77.4)**	**(659.2)**
Cash flows	(70.5)	(4.3)	(34.2)	9.1	–	(99.9)
Acquisition – new leases/remeasurement of existing leases	–	–	–	–	(13.5)	(13.5)
Other non-cash movements	0.1	–	3.2	(9.7)	9.0	2.6
Net debt as at 31 December 2023	69.5	(4.3)	(747.3)	(6.0)	(81.9)	(770.0)
Lease liabilities	–	–	–	6.0	81.9	87.9
Net debt excluding lease liabilities at 31 December 2023	**69.5**	**(4.3)**	**(747.3)**	**–**	**–**	**(682.1)**

BALANCE SHEET ITEMS

9 Trade and other receivables

Accounting policy – trade and other receivables

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

The Group applies the simplified approach to providing for expected credit losses for all trade receivables as set out in Note 21(c).

	Consolidated	
	2023 $M	2022 $M
Current		
Trade receivables	187.5	187.0
Loss allowance provision (see note 21(c))	(5.6)	(9.7)
	181.9	**177.3**
Amounts receivable from joint ventures	40.5	36.7
Prepayments	13.1	8.9
Other receivables	10.4	25.6
Total current	**245.9**	**248.5**
Non-current		
Loans to joint ventures	87.0	81.5
Movement in loss allowance provision		
Opening balance at 1 January	9.7	10.4
Provision utilised during the year	(7.8)	–
Provision movement during the year	3.7	(0.7)
Closing balance at 31 December	**5.6**	**9.7**

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 21(c).

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 cashflow 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.

Significant estimates – bulk inventory quantities

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	
	2023 $M	**2022 $M**
Current		
Finished goods	72.5	63.4
Raw materials and work-in-progress	72.1	76.1
Engineering spare parts stores	36.6	33.4
	181.2	**172.9**

Inventory expense

Inventories recognised as expense during the year ended 31 December 2023 and included in cost of sales amounted to $1,136.3 million (2022: $1,091.4 million).

There was no material adjustment to inventories' net realisable value during the year ended 31 December 2023 (2022: $nil).

11 Assets held for sale

Accounting policy – assets held for sale

Assets are classified as held for sale if it is highly probable that the carrying amount will be recovered through a sale transaction rather than through continued use. Assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Items classified as held for sale constitute land parcels identified as not being part of the Group's long-term strategy. For segment reporting purposes, these assets are reflected in the Cement, Lime, Concrete and Aggregates segment.

	Consolidated	
	2023 $M	2022 $M
Land	44.5	17.1
Buildings	0.2	0.2
Property plant and equipment	1.6	1.6
	46.3	**18.9**

12 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.

(i) Mineral reserves

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

(ii) Major plant replacement assets

The costs of replacing major components of complex assets are depreciated on a straight-line basis over the estimated useful life, generally being the period until the next scheduled replacement of 2–25 years, or in the case of recurring shutdown capital depreciated over the period until the next scheduled shutdown (generally 1 year).

(iii) Leasehold property

The cost of improvements to or on leasehold properties is amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life, whichever is 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 1–40 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.

Asset retirement cost is initially recognised in conjunction with provision for remediation for quarries. The initial recognition is on inception of the quarry or for business acquisitions on acquisition date. Following initial recognition, asset retirement cost is depreciated over the useful life of the quarry. Annual reviews are undertaken to assess changes to the useful life and cost calculated initially.

	Freehold land $M	Buildings $M	Leasehold property $M	Plant and equipment $M	Mineral Reserves $M	Asset retirement cost $M	In course of con-struction $M	Total $M
Consolidated at 31 December 2023								
Cost or fair value	188.8	152.5	9.9	1,772.8	226.9	56.5	345.8	2,753.2
Accumulated depreciation	–	(89.4)	(6.8)	(1,195.4)	(70.7)	(21.5)	–	(1,383.8)
Net carrying amount	**188.8**	**63.1**	**3.1**	**577.4**	**156.2**	**35.0**	**345.8**	**1,369.4**
Reconciliation								
Opening net book amount	209.4	67.2	3.5	565.2	150.5	37.0	185.7	1,218.5
Additions	–	–	–	–	–	–	313.0	313.0
Transfers to asset categories	3.5	0.9	–	134.6	9.9	3.1	(152.0)	–
Disposals	–	(0.1)	–	(4.7)	–	(2.8)	0.3	(7.3)
Reclassification to intangibles	–	–	–	–	–	–	(1.2)	(1.2)
Reclassification to assets held for sale	(24.1)	(0.2)	–	–	(0.1)	–	–	(24.4)
Impairment loss	–	(0.3)	–	(3.7)	–	–	–	(4.0)
Depreciation/amortisation	–	(4.4)	(0.4)	(114.0)	(4.1)	(2.3)	–	(125.2)
Carrying amount at 31 December 2023	**188.8**	**63.1**	**3.1**	**577.4**	**156.2**	**35.0**	**345.8**	**1,369.4**
Consolidated at 31 December 2022								
Cost or fair value	209.4	152.2	9.9	1,701.0	215.9	56.2	187.2	2,531.8
Accumulated depreciation	–	(85.0)	(6.4)	(1,135.8)	(65.4)	(19.2)	(1.5)	(1,313.3)
Net carrying amount	**209.4**	**67.2**	**3.5**	**565.2**	**150.5**	**37.0**	**185.7**	**1,218.5**
Reconciliation								
Opening net book amount	206.4	71.6	3.7	505.0	152.6	36.7	112.2	1,088.2
Additions	–	–	–	–	–	–	252.9	252.9
Transfers to asset categories	25.5	1.3	0.3	147.4	0.8	0.3	(175.6)	–
Disposals	–	–	–	(2.2)	–	(0.1)	(0.4)	(2.7)
Reclassification to intangibles	–	–	–	–	–	–	(1.9)	(1.9)
Reclassification to assets held for sale	(25.4)	(1.9)	–	(3.2)	(3.0)	–	–	(33.5)
Impairment loss	–	–	–	(0.4)	(1.1)	–	(1.5)	(3.0)
Depreciation/amortisation	–	(4.5)	(0.5)	(93.9)	(5.6)	(1.9)	–	(106.4)
Zanows acquisition	2.9	0.7	–	12.5	6.8	2.0	–	24.9
Carrying amount at 31 December 2022	**209.4**	**67.2**	**3.5**	**565.2**	**150.5**	**37.0**	**185.7**	**1,218.5**

13 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. The lease payments are discounted using the lessee's incremental borrowing rate, 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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised as an expense of $1.8 million (2022: $2.9 million) 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.

AASB 16 *Leases* specifically excludes leases to explore for or use minerals and non-regenerative resources, therefore any leases of quarry assets con`tinue to be accounted for pursuant to the policy elaborated upon in Note 12 Property, Plant and Equipment.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated	
	2023 $M	2022 $M
Right-of-use assets		
Property	50.7	49.4
Plant and equipment	23.0	22.1
	73.7	**71.5**

Additions to the right-of-use assets during the 2023 financial year were $8.8 million (2022: $2.6 million).

	Consolidated	
	2023 $M	2022 $M
Lease liabilities		
Current	6.0	5.4
Non-current	81.9	77.4
	87.9	**82.8**

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Consolidated	
	2023 $M	**2022 $M**
Amortisation charge of right-of-use assets		
Property	5.5	4.7
Plant and equipment	3.5	3.0
	9.0	**7.7**
Interest expense (included in finance cost)	3.1	2.8
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	68.9	68.9
	81.0	**79.4**

The total cash outflow for leases in 2023 was $76.8 million (2022: $75.6 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.

	Consolidated	
	2023 $M	**2022 $M**
Within one year	70.2	71.3
Later than one year but not later than five years	118.4	126.7
Later than five years	18.3	14.6
	206.9	**212.6**

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. The options are included in the initial valuation when it is reasonably certain that the option will be exercised. 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.

14 Intangible assets

Accounting policy – intangible assets

(i) Goodwill

Goodwill is measured as described in Note 1(e). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of joint ventures and associates is included in the carrying amount of joint ventures of the equity accounted investment.

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. Refer Note 15 for further details. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to CGUs which are expected to benefit from the business combination for the purpose of impairment testing.

(ii) Software

Costs incurred in acquiring software and licences that the Group can control and 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 services 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.

(iii) Software as a service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access a provider's software over the contract period. The ongoing fees incurred to access the provider's software is recognised as an operating expense when the services are received.

Software codes developed for the Company that modify or create additional capability to existing systems and software, and which meet the definition of an intangible asset, are recognised as software assets and are amortised over the useful life of the software on a straight-line basis.

	Consolidated			
31 December 2023	Goodwill $M	Software $M	Other intangibles $M	Total $M
Cost	301.4	28.8	7.1	337.3
Accumulated amortisation	–	(24.2)	(5.8)	(30.0)
Carrying amount at 31 December 2023	**301.4**	**4.6**	**1.3**	**307.3**
Opening balance at 1 January 2023	**301.4**	**4.8**	**1.6**	**307.8**
Additions	–	1.2	–	1.2
Amortisation charge	–	(1.4)	(0.3)	(1.7)
Closing balance at 31 December 2023	**301.4**	**4.6**	**1.3**	**307.3**

	Consolidated			
31 December 2022	Goodwill $M	Software $M	Other intangibles $M	Total $M
Cost	304.4	27.5	10.2	342.1
Accumulated amortisation	(3.0)	(22.7)	(8.6)	(34.3)
Carrying amount at 31 December 2022	**301.4**	**4.8**	**1.6**	**307.8**
Opening balance at 1 January 2022	**272.5**	**4.7**	**4.9**	**282.1**
Zanows acquisition	31.9	–	–	31.9
Impairment charge	(3.0)	–	–	(3.0)
Amortisation charge	–	(1.8)	(3.3)	(5.1)
Reclassification from property plant and equipment	–	1.9	–	1.9
Closing balance at 31 December 2022	**301.4**	**4.8**	**1.6**	**307.8**

15 Impairment tests

Goodwill accounting policy is described in Note 14.

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

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

	Consolidated	
	2023 $M	2022 $M
Cement, Lime, Concrete and Aggregates	301.4	301.4
Masonry	–	–
	301.4	**301.4**

Pursuant to AASB 136 *Impairment of Assets*, the recoverable amount of a CGU is based on the higher of Fair value less cost to sell (FVLCS) and Value in use (VIU) assessment.

In December, following receipt of a non-binding indicative proposal from CRH ANZ Pty Ltd (CRH) and Barro Properties Pty Ltd (Barro Properties) Adbri entered into a process and exclusivity deed to progress a potential transaction under which CRH would acquire 100% of the Adbri shares not held by the Barro Group for $3.20 per share in cash. On 27 February 2024, the Company and CRH entered into a binding scheme implementation agreement to proceed with the proposed scheme of arrangement.

The table below summarises Management's assessment of FVLCS based on the takeover offer:

	$
Shares on issue	653,329,543
Price per share	3.20
Market capitalisation	2,090,654,537
Add Net Debt	682,100,000
Implied enterprise value	2,772,754,537
Carrying value	2,241,000,000
Headroom/(Deficit)	531,754,537

Notwithstanding the headroom as demonstrated by the FVLCS calculation, Management has carried out a VIU assessment as at 31 December 2023, which also indicates no impairment.

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

	Growth rate[1]		Discount rate[2]	
	2023 %	2022 %	2023 %	2022 %
Cement, Lime, Concrete and Aggregates	2.5	2.5	8.9	8.8
Masonry	2.5	2.5	9.2	9.1

1. Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period of five years. This growth rate is based on expected long-term performance in the market.
2. Discount rate applied to cash flow projections is based on the Group's weighted average cost of capital adjusted to reflect an estimate of specific risks assumed in the cash flow projects.

15 Impairment tests continued

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

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

The Group tests annually whether goodwill and indefinite life intangible assets have suffered any impairment. Other intangible assets and other non-current assets are tested for impairment when evidence of an impairment trigger is present. The recoverable amounts of CGUs have been determined based on VIU or FVLCS calculations, whichever is higher. The following key inputs used in the VIU calculation require significant judgement and estimates:

- future cash flows – these are based on the Board approved 2024 financial budgets, external forecasts of market growth rates, and expected operating margins and capital expenditure. Projected cash flows are forecast for a period of five years and reflect the strategies to achieve the Group's emission reduction targets (including the impact of the Safeguard mechanism legislation);
- discount rates – these are pre-tax determined by current market inputs and adjusted for any CGU specific risks identified. Management engages independent experts in discount rates assessment;
- long-term growth rates – cash flows beyond five years are estimated using expected growth rates based on long term performance expectation of each CGU in its respective market.

Estimates and judgements are continually evaluated utilising historical experience coupled with expectations of future events.

(c) Impairment charge

During the year, an impairment charge totalling $12.4 million (2022: $6.3 million) has been taken. The impairment charge relates to business assets and joint venture investment, deemed as not part of the Group's long term strategic plan, where expected future cash flow generation, pursuant to FVLCS and VIU assessment, is less than the carrying value.

The following table summarises the total impairment recorded in the period by segment.

	Cement, Lime, Concrete and Aggregates $M	Masonry $M	Unallocated $M	Total $M
2023				
Property, plant and equipment and other assets	4.6	–	–	4.6
Joint venture investments	7.8	–	–	7.8
Total	**12.4**	**–**	**–**	**12.4**
2022				
Property, plant and equipment and other assets	3.3	–	–	3.3
Goodwill	3.0	–	–	3.0
Total	**6.3**	**–**	**–**	**6.3**

16 Provisions

Accounting policy – provisions

Provisions are recognised in line with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and other relevant technical pronouncements

(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 as a current provision for employee benefits as there is no unconditional right to defer settlement of these obligations. 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 as a provision for employee benefits. These obligations are therefore 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 currencies 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, as well as incurred but not reported claims. The provision is based on an actuarial assessment. Introduction of AASB 17 *Insurance Contracts*, effective 1 January 2023, has had no impact on how the Group's accounts for and reports the self-insurance arrangements.

(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.

Material 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.

Following key inputs used in the rehabilitation cost assessment require updating judgement and estimates:

- estimated useful life and closure dates of the quarries;
- technological changes and advances;
- legislative changes and community expectations;
- supplier cost estimates.

Management constantly reviews judgement and estimates by engaging external experts as appropriate. Given the considerably long life span and dispersed closure dates of the quarry assets, the financial impact of actual closure cost being different to Management's estimate is not expected to be material in any given financial period.

Provision for close-down and restoration costs at the end of the year was $61.2 million (2022: $61.2 million).

16 Provisions continued

Material estimates– future cost to rehabilitate continued

	Consolidated	
	2023 $M	2022 $M
Current		
Employee benefits	35.4	35.5
Restoration provisions	3.1	2.1
Other provisions	3.6	2.2
	42.1	**39.8**
Non-current		
Employee benefits	2.4	2.1
Restoration provisions	58.1	59.1
	60.5	**61.2**

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	
	2023 $M	2022 $M
Current leave obligations expected to be settled after 12 months	4.9	5.2

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

	Restoration provisions $M	Other provisions $M
Opening balance at 1 January	61.1	2.3
Charged to income statement	(0.2)	17.5
Charged to balance sheet	0.4	–
Unwind of discount	2.5	–
Payments	(2.6)	(16.2)
Closing balance at 31 December	**61.2**	**3.6**

CAPITAL STRUCTURE AND RISK MANAGEMENT

17 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	
	2023 $M	2022 $M
Current		
Bank loans – secured	4.3	–
Non-current		
Bank loans – secured	25.0	–
Bank loans – unsecured[1]	722.3	716.3
	747.3	**716.3**

1. Net of capitalised establishment cost.

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 21(b).

18 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

	2023 Shares	2022 Shares	2023 $M	2022 $M
Issued and paid up capital				
Fully paid	653,329,543	652,627,555	742.5	741.2

(b) Movements in ordinary shares capital

	Number of shares	Total $M
Opening balance 1 January 2023	652,627,555	741.2
Shares issued under Employee Share Plan	701,988	1.3
Closing balance 31 December 2023	**653,329,543**	**742.5**

18 Share capital continued

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person, or by proxy, is entitled to one vote and, on a poll, each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

Under the Dividend Reinvestment Plan (DRP), holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the DRP at a price determined by the Board. The operation of the DRP for any dividend is at the discretion of the Board, which suspended the DRP in February 2015, 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[1].

The leverage ratio is calculated as follows:

	Consolidated	
	2023 $M	2022 $M
Total borrowings (excluding lease liabilities)	751.6	716.3
Less: cash and cash equivalents	(69.5)	(139.9)
Net debt	682.1	576.4
Underlying EBITDA[1]	311.0	237.6
Leverage ratio[2]	2.2	2.4

1. Underlying measures exclude property profits and significant items.
2. Leverage ratio is calculated as net debt/underlying EBITDA. Net debt is calculated as total borrowings, inclusive of capitalised borrowing costs, less cash and cash equivalents and excludes lease liabilities.

(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 27.

19 Dividends

	Consolidated	
	2023 $M	**2022 $M**
Dividends paid during the year		
No dividends were paid during the year in relation to the current or prior financial years (FY 2022: 2021 final dividend of 7.0 cents and 2022 interim dividend of 5.0 cents, franked at 100%)	–	78.3
Since the end of the year, the board has recommended that no payment of a final dividend in respect of the year ended 31 December 2023 be made (2022: nil). The aggregate amount of the previous financial year's proposed final dividend payout, not recognised as a liability at the end of the year.	–	–
Franked dividend		
Franking credits available for subsequent reporting periods based on a tax rate of 30%	131.5	109.4

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) Franking credits/debits that will arise from the payment of any current tax liability/receipt of any current tax receivable;

(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.

20 Reserves and retained earnings

(a) Reserves

	Consolidated	
	2023 $M	**2022 $M**
Reserves		
Foreign currency translation reserve	(0.5)	2.1
Share-based payment reserve	–	(0.4)
Cash flow hedge reserve	6.1	12.1
	5.6	**13.8**
Foreign currency translation		
Opening balance at 1 January	2.1	2.2
Currency translation differences arising during the year	(2.6)	0.1
Closing balance at 31 December	**(0.5)**	**2.1**
Share-based payment reserve		
Opening balance at 1 January	(0.4)	(0.6)
Share based payment expense	–	0.4
Deferred tax	0.4	(0.2)
Closing balance 31 December	**–**	**(0.4)**

20 Reserves and retained earnings continued

(a) Reserves continued

	Consolidated	
	2023 $M	2022 $M
Cash flow hedge reserve		
Opening balance at 1 January	12.2	2.4
Revaluation – gross	(8.8)	14.0
Deferred tax on movement in reserve	2.7	(4.2)
Closing balance 31 December	**6.1**	**12.2**

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(d) and accumulated in a separate reserve within equity.

Share-based payments

The share-based payments reserve is used to recognise the fair value of awards issued but not exercised. Refer Note 27.

Cash flow hedges 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 21. 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	
	2023 $M	2022 $M
Opening balance 1 January	545.9	521.8
Net profit for the year	92.8	102.5
Actuarial gain/(loss) on defined benefit obligation net of tax	(2.1)	(0.1)
Dividends	–	(78.3)
Closing balance 31 December	**636.6**	**545.9**

21 Financial risk management

- The Group's activities expose it to a variety of financial risks that are managed in accordance with the Company's risk management framework that focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance where deemed material. The table below summarises the key risks and management approach.

Risk		Exposure arising from	Measurement	Management
Market risk	Foreign exchange	Movement arising on the financial assets and liabilities not denominated in Australian Dollars	Cash flow forecasting	Foreign currency forwards and foreign currency options
	Interest rate	Borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Credit risk		Financial assets such as cash, trade receivables and derivative financial assets	Ageing analysis	Investment guidelines for counterparties
			Credit ratings	Diversification of counterparties
Liquidity risk		Borrowings and other liabilities	Cash flow forecasting	Tenure of facilities is maintained for a period that provides flexibility in meeting future liquidity needs

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.

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.

21 Financial risk management continued

(a) Derivatives

The Group has the following derivative financial instruments recognised in the balance sheet:

	Consolidated	
	2023 $M	2022 $M
Asset/(liabilities)		
Foreign currency forwards – cash flow hedges	–	(0.2)
Interest rate swaps – cash flow hedges ((b)(ii))	9.3	17.4
Total derivative financial instrument assets/(liabilities)	**9.3**	**17.2**

(i) Classification of derivatives

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.

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 and other receivables, loan 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 those with maturities greater than 12 months after the balance sheet date. Refer to Note 9 for details relating to trade receivables.

Financial assets through profit or loss

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 transaction (cash flow hedges).

At the 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 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 20. 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.

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 that they are expected to be settled after the end of the reporting period.

Cash flow hedges that qualify for hedge accounting

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

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 in the cost of hedging reserve within equity.

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 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, 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 recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivative instruments that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives see Note 21(e).

21 **Financial risk management** continued

(a) **Derivatives** continued

(iii) Hedging reserves

The Group's hedging reserves disclosed in Note 20(a) relate to the following hedging instruments:

	Cost of hedging $M	Forward rate component of currency forwards $M	Interest rate swaps $M	Total hedging reserves $M
Opening balance 1 January 2023	(0.1)	0.1	12.2	12.2
Add: change in fair value of hedging instrument recognised in OCI	–	–	(8.8)	(8.8)
Less: deferred tax	–	–	2.7	2.7
Closing balance 31 December 2023	**(0.1)**	**0.1**	**6.1**	**6.1**
Opening balance 1 January 2022	(0.1)	0.3	2.2	2.4
Add: change in fair value of hedging instrument recognised in OCI	–	(0.3)	14.3	14.0
Less: deferred tax	–	0.1	(4.3)	(4.2)
Closing balance 31 December 2022	**(0.1)**	**0.1**	**12.2**	**12.2**

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Australia or the derivative counterparty.

The Group enters into interest rate swaps with similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, 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 $nil million (2022: $0.2 million).

(b) 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 primarily arising from US dollar currency exposures.

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

Exposure

The Group had the following exposure to foreign exchange risk, expressed in Australian Dollars:

	Consolidated	
	2023 $M	2022 $M
Cash – US Dollars	12.4	2.2
Trade receivables – US dollars	0.0	0.9
Forward foreign exchange contracts:		
Buy foreign currency	30.4	129.6
Sell Australian Dollars (cashflow hedge)	(31.2)	(129.8)
Net exposure	(0.8)	(0.2)

The aggregate net foreign exchange gains/(losses) recognised in the profit or loss was $nil (2022: $(0.2) million).

Instruments used by the group

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

The Group Treasury Risk Management Policy is to hedge up to 100% of foreign currency exposure on import of raw material of highly probable purchases for up to a calendar year forward, reflecting the underly tenure of the related raw material procurement contracts. Longer-dated hedge positions are deemed too expensive versus the value-at-risk due to the respective currencies' interest rate spread.

Effects of hedge accounting on the financial position and performance

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

	Consolidated	
	2023 $M	2022 $M
Hedging instrument – forward foreign exchange contracts		
Carrying amount (liability)/asset – $ million	(0.8)	(0.2)
Notional amount US Dollars – $ million	18.8	99.8
Notional amount Yen – $ million	–	10.5
Notional amount EURO – $ million	1.9	19.4
Maturity date	Jan – Apr 2024	Jan – Dec 2023
Hedge ratio	1.1	1.1
Weighted average hedge rate – US Dollars	A$1 : US$0.6690	A$1 : US$0.6800
Weighted average hedge rate – Yen	–	A$1 : Yen 92.9
Weighted average hedge rate – Euro	A$1 : EURO 0.6146	A$1 : EURO 0.6394

Summarised sensitivity analysis

Foreign currency risk relating to assets and liabilities at year end is immaterial as most sales and assets are denominated in Australian Dollars. The Group's purchases that are denominated 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.

21 **Financial risk management** continued

(b) **Market risk** continued

(ii) Interest rate risk

The Group's main interest rate risk arises from bank borrowings with variable rates which expose the Group to changes in interest rates. To mitigate the interest rate risk on variable rate borrowings, the Company entered into interest rate swaps. Cash advances are drawn against the debt facilities, typically for 90 days, at a variable lending rate comprising the fixed bank margin applied to the Australian bank bill swap rate effective at the date of each cash advance. In addition, cash advances on long-term facilities, maturing in 2030, are drawn at fixed rates for the term of the facility.

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

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

	Consolidated			
	2023		2022	
	Weighted average interest rate	Balance $M	Weighted average interest rate	Balance $M
Variable rate instruments:				
Cash at bank, on hand and at call	5.2%	69.5	1.5%	139.9
Bank facilities – unsecured	5.6%	625.0	3.6%	620.0
Fixed rate instruments:				
Bank facilities – secured	6.2%	29.3	–	–
Bank facilities – unsecured	3.7%	100.0	1.2%	100.0

Instruments used by the group

The Group uses fixed interest rate swaps to hedge movements in interest rates for a portion of variable borrowings. The swaps require settlement of net interest receivable or payable every 3–6 months.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	Consolidated	
	2023	2022
Hedging instrument – interest rate swap		
Carrying amount asset/(liability) – $ million	9.3	17.4
Notional amount – $ million	300.0	300.0
Maturity date	21 Nov 2024 – 7 Jan 2025	21 Nov 2024 – 7 Jan 2025
Hedge ratio	1:1	1:1
Weighted average variable rate – % p.a	3.7	2.94
Weighted average fixed rate – % p.a	0.98	0.98

Sensitivity analysis

The following table summarises the sensitivity of the Group's floating rate borrowings to interest rate risk at the end of the reporting period. A 100 basis-point sensitivity has been selected as this is considered reasonable given the current short-term and long-term Australian Dollar interest rates.

	Consolidated			
	2023		2022	
	Impact on post-tax profit $M	Impact on equity $M	Impact on post-tax profit $M	Impact on equity $M
Interest rates – increase by 1%	(2.0)	(1.7)	(3.9)	(3.9)
Interest rates – decrease by 1%	2.0	1.7	3.9	3.9

(c) 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, credit exposures to customers (including joint venture customers), including outstanding receivables and committed transactions, and financial guarantees. Financial guarantees are provided from time to time in the ordinary course of business activities. These guarantees are issued 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.

The Group assesses the credit quality of customers, 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. Sales to non-account customers are settled either in cash, major credit cards or electronic funds transfer, mitigating credit risk. Customers with uncertain credit history provide personal guarantees in order to cover credit exposures.

The Company applies the simplified approach (for general trade receivables) and the general approach (for joint venture receviebls) in providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables (including current joint venture receivables). The loss allowance provision as at 31 December 2023 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					
	2023			2022		
	Expected loss rate %	Gross carrying amount $M	Loss allowance $M	Expected loss rate %	Gross carrying amount $M	Loss allowance $M
Trade Receivables – External						
Current	0.1	109.4	0.1	–	141.8	–
More than 30 days past due	0.1	63.4	0.1	–	62.0	–
More than 60 days past due	1.1	4.6	0.1	–	4.7	–
More than 90 days past due	55.3	10.1	5.3	63.8	15.2	9.7
	–	**187.5**	**5.6**	**–**	**223.7**	**9.7**
Trade Receivables – Joint Ventures						
Current	–	25.5	–	–	23.9	–
More than 30 days past due	–	15.0	–	–	12.8	–
More than 60 days past due	–	0.0	–	–	0.0	–
More than 90 days past due	–	0.0	–	–	0.0	–
	–	**40.5**	–	–	**36.7**	–
Total	**–**	**228.0**	**5.6**	**–**	**223.7**	**9.7**

21 Financial risk management continued

(d) Liquidity risk

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

The Group has $1,100.0 million of bilateral financing facilities (including $1,040.0 million of financing facilities and $60.0 million of contingent instrument lines) at 31 December 2023. The maturities of the debt facilities were extended in 2022. Accounting for these extensions, the facilities have an average maturity of 3.6 years at 31 December 2023 (2022: 4.3 years).

	Consolidated	
Financial arrangements	**2023 $M**	**2022 $M**
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Bank overdrafts	–	4.0
Bank facilities – cash advance	940.0	940.0
Bank facilities – asset financing	100.0	–
Bank facilities – contingent instruments	60.0	60.0
	1,100.0	**1,004.0**
Used at balance date		
Bank overdrafts	–	–
Bank facilities – cash advance	725.0	720.0
Bank facilities – asset financing	29.3	–
Bank facilities – contingent instruments	43.6	39.6
	797.9	**759.6**
Undrawn at balance date		
Bank overdrafts	–	4.0
Bank facilities – cash advance	215.0	220.0
Bank facilities – asset financing	70.7	–
Bank facilities – contingent instruments	16.4	20.4
	302.1	**244.4**
Bank facilities mature during:		
2024	35.0	35.0
2025	50.0	50.0
2026	765.0	765.0
2028	57.9	50.0
2029	100.0	100.0
2030	92.1	–
	1,100.0	**1,000.0**

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

Contractual maturities of financial liabilities	< 6 Months $M	6–12 Months $M	1–2 Years $M	> 2 Years $M	Total $M	Carrying amount (assets)/ liabilities $M
31 December 2023						
Non-derivatives						
Trade payables	175.6	–	–	–	175.6	175.6
Bank facilities – secured	3.0	3.0	6.0	23.0	35.0	29.3
Bank facilities – unsecured	–	–	–	725.0	725.0	718.0
Lease liabilities	4.7	4.5	8.9	131.0	149.1	87.9
Bank guarantees	1.3	6.5	2.5	33.3	43.6	–
	184.6	**14.0**	**17.4**	**912.3**	**1,128.3**	**1,010.8**
Derivatives						
Gross-settled forward foreign exchange and interest rate swap contracts (cash flow hedges):						
(inflow)	(36.6)	(7.7)	–	–	(44.3)	9.3
outflow	31.6	1.7	–	–	33.3	–
	(5.0)	**(6.0)**	**–**	**–**	**(11.0)**	**9.3**
31 December 2022						
Non-derivatives						
Trade payables	215.9	–	–	–	215.9	215.9
Bank facilities	–	–	–	720.0	720.0	716.3
Lease liabilities	4.2	3.9	7.2	127.6	142.9	82.8
Bank guarantees	0.2	2.7	4.7	32.0	39.6	–
	220.3	**6.6**	**11.9**	**879.6**	**1,118.4**	**1,015.0**
Derivatives						
Gross-settled forward foreign exchange and interest rate swap contracts (cash flow hedges):						
(inflow)	(72.9)	(66.8)	(9.8)	(0.2)	(149.5)	18.3
outflow	70.0	62.7	2.9	0.1	135.6	–
	(2.9)	**(4.1)**	**(6.9)**	**(0.1)**	**(13.9)**	**18.3**

21 Financial risk management continued

(e) 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).

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

(i) Recognised fair value measurements

The Group measures and recognises derivatives used for hedging foreign currency risk and interest rate risk at fair value on a recurring basis. The Group held assets in relation to forward exchange contracts of $nil million (2022: liabilities of $0.2 million) at the end of the reporting period. The Group held assets in relation to interest rate swaps of $9.3 million (2022: $17.4 million) at the end of the reporting period. The fair values of the forward exchange contracts and interest rate swaps are measured with reference to forward interest rates and exchange rates at balance date and the present value of the estimated future cash flows (level 2).

(ii) Disclosed fair values

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

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

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

GROUP STRUCTURE

22 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 in line with requirements of AASB 128 *Investments in Associates and Joint Ventures*. As required by AASB 128, the Group has recognised its share of assets, liabilities, revenue and expenses in the joint operations.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the investments 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 Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income respectively. Dividends received are recognised as a reduction in the carrying amount of the investment.

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.

22 Joint arrangements and associate continued

(a) Interests in joint arrangements and associate

Name	Principal place of business	Ownership interest 2023 %	2022 %	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	Masonry for the coal mining industry
B&A Sands Pty Ltd JV[3]	Victoria	50	50	Sand quarrying
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	Premixed concrete
Sunstate Cement Ltd[3]	Queensland	50	50	Cement milling and distribution

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

Effective 14 September 2023, the Group via its subsidiary Direct Mix Holdings Pty Ltd sold its 50% joint venture share in Peninsula Concrete for a consideration of $0.9 million, resulting in a gain on disposal of $0.2 million.

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.

The following table outlines the movement in the carrying value of equity accounted investments.

	Consolidated	
	2023 $M	2022 $M
Movements in carrying value of equity accounted investments		
Opening balance at 1 January	226.5	215.0
Share of equity accounted income	29.0	24.0
Dividends received net of loans to joint ventures $2.5m (FY22: $3.1m)	(16.2)	(12.8)
Reallocations (FY2023: Peninsula concrete disposal/FY2022:B&A Sands to non-current receivables)	(0.7)	0.3
Impairment charge	(7.8)	–
Transfer to reserves	(2.6)	–
Closing balance at 31 December	**228.2**	**226.5**

(b) Summarised financial information for joint ventures and associate

	Consolidated	
	2023 $M	2022 $M
Income statement 100%		
Revenue	1,030.4	934.9
Profit before tax	60.7	61.6
Income tax expense	(15.6)	(12.9)
Net profit from continuing operations	54.7	48.7
The Group's share based on % ownership	**29.0**	**24.0**

(c) Contingent liabilities 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 the 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 adjusted for Consumer Price Index movement between inception of the agreement and date of option being exercised (2022: $90.0 million).

23 Subsidiaries

The Group's material subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held is equal to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

			Ownership interest held by the group	
Name of entity	Place of incorporation	Class of shares	2023 %	2022 %
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

24 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*.

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 2023 of the Closed Group.

	Closed Group	
	2023 $M	2022 $M
Current assets		
Cash and cash equivalents	67.7	137.8
Trade and other receivables	270.7	276.2
Inventories	180.7	172.4
Current tax assets	–	15.6
Asset held for sale	17.4	9.2
Total current assets	**536.5**	**611.2**
Non-current assets		
Receivables	87.0	81.5
Investments accounted for using the equity method	150.2	138.6
Retirement benefit asset	3.1	6.6
Property, plant and equipment	1,346.2	1,175.8
Right-of-use assets	73.7	71.4
Intangible assets	303.1	303.7
Other financial assets	13.5	21.5
Total-non-current assets	**1,976.8**	**1,799.1**
Total assets	**2,513.3**	**2,410.3**
Current liabilities		
Trade and other payables	175.2	217.7
Borrowing	4.3	–
Lease liabilities	6.0	5.3
Provisions	41.9	39.6
Current tax liabilities	2.1	–
Other current liabilities	5.2	5.8
Total current liabilities	**234.7**	**268.4**
Non-current liabilities		
Borrowings	747.3	716.3
Deferred tax liabilities	109.4	100.8
Lease liabilities	81.9	77.4
Provisions	60.5	61.2
Total non-current liabilities	**999.1**	**955.7**
Total liabilities	**1,233.8**	**1,224.1**
Net assets	**1,279.5**	**1,186.2**
Equity		
Share capital	742.5	741.2
Reserves	5.9	11.3
Retained earnings	531.1	433.7
Total equity	**1,279.5**	**1,186.2**

24 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 2023 of the Closed Group.

	Closed Group	
	2023 $M	2022 $M
Profit before income tax	**132.2**	**136.4**
Income tax expense	(34.9)	(36.2)
Profit for the year	**97.3**	**100.2**
Retained earnings 1 January	433.7	411.7
Profit for the year	97.3	100.2
Other comprehensive income	0.1	0.1
Dividends paid	–	(78.3)
Retained earnings 31 December	**531.1**	**433.7**

25 Parent entity financial information

The financial information for the parent entity, Adbri Limited, 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, associates 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 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.

(a) Summary financial information

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

	2023 $M	2022 $M
Balance Sheet		
Current assets	3,078.3	3,022.3
Total assets	3,627.9	3,580.7
Current liabilities	1,797.3	1,756.3
Total liabilities	2,703.8	2,640.9
Net assets	**924.1**	**939.8**
Shareholders' equity		
Share capital	735.4	734.1
Reserves		
Share-based payments	–	(0.4)
Foreign currency translation reserve	(0.1)	(0.1)
Retained earnings	188.8	206.2
Total shareholders' equity	**924.1**	**939.8**
Loss for the year	**(17.4)**	**(14.9)**
Total comprehensive loss	**(17.4)**	**(14.9)**

(b) Guarantees entered into by the parent entity

	2023 $M	2022 $M
Bank guarantees	8.1	12.1

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2023 or 31 December 2022 other than the bank guarantees shown above.

26 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 the 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 Consolidated Statement of Comprehensive Income. They are included in retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Balance Sheet. Past service costs are recognised immediately in the Consolidated 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.

(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 Superannuation (Australia) 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 2023, new employees, who are members of this fund, have become members of the accumulation category of the Plan.

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

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

The defined benefit assets are invested in the Mercer Select Growth investment option. The assets have a 52% weighting to equities and therefore, the Plan has a significant concentration of equity market risk. However, within the equity investments, the allocation both globally and across the sectors is diversified.

(b) Balance sheet amounts

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

	Present value of obligation $M	Fair value of plan assets $M	Net obligation/(asset) $M
At 1 January 2023	**30.2**	**(36.8)**	**(6.6)**
Current service cost	0.9	–	0.9
Interest expense/(income)	1.2	(1.5)	(0.3)
	2.1	**(1.5)**	**0.6**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	–	1.6	1.6
(Gain)/loss from change in financial assumptions	(0.3)	–	(0.3)
Experience (gains)/losses	1.8	–	1.8
	1.5	**1.6**	**3.1**
Contributions:			
Employers	–	(0.1)	(0.2)
Plan participants	0.4	(0.4)	–
Payments from plan:			
Benefit payments	(4.0)	3.9	–
At 31 December 2023	**30.2**	**(33.3)**	**(3.1)**
At 1 January 2022	**39.0**	**(46.0)**	**(7.0)**
Current service cost	1.0	–	1.0
Interest expense/(income)	0.7	(0.8)	(0.1)
	1.7	**(0.8)**	**0.9**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	–	2.3	2.3
(Gain)/loss from change in financial assumptions	(1.3)	–	(1.3)
Experience (gains)/losses	(1.0)	–	(1.0)
	(2.3)	**2.3**	**–**
Contributions:			
Employers	–	(0.5)	(0.5)
Plan participants	0.4	(0.4)	–
Payments from plan:			
Benefit payments	(8.6)	8.6	–
At 31 December 2022	**30.2**	**(36.8)**	**(6.6)**

26 Retirement benefit obligations continued

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2023 Unquoted		31 December 2022 Unquoted	
	$M	%	$M	%
Australian equity	8.0	24%	9.2	25%
International equity	9.3	28%	8.5	23%
Fixed income	6.0	18%	6.6	18%
Property	3.3	10%	3.7	10%
Cash	1.0	3%	3.3	9%
Other	5.7	17%	5.5	15%
Total	**33.3**	**100%**	**36.8**	**100%**

The assets set out in the above table are held in the Mercer Select Growth Investment Fund which does not have a quoted price in an active market. There are no amounts relating to the Company's own financial instruments, and property occupied by, or other assets used by, the Company.

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	2023	2022
Discount rate – % p.a.	5.7	5.0
Future salary increases – % p.a. – first year	3.5	4.0
Future salary increases – % p.a. – second year	3.0	3.0
Future salary increases – % p.a. – thereafter	3.0	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 2023			
Discount rate	0.50 ppts	Decrease by 0.9%	Increase by 0.9%
Future salary increases	0.50 ppts	Increase by 0.4%	Decrease by 0.4%
31 December 2022			
Discount rate	0.50 ppts	Decrease by 0.9%	Increase by 0.9%
Future salary increases	0.50 ppts	Increase by 0.5%	Decrease by 0.5%

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 to be made in 2024 for the year ending 31 December 2023 are $nil (2022: Nil).

The weighted average duration of the defined benefit obligation is 3 years (2022: 4 years).

27 Share-based payments 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 share-based payments 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 vesting period during which the employees become unconditionally entitled to the share-based payments.

The fair value at grant date is independently determined using a pricing model that takes into account the exercise price, the term of the share-based payment, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the payment, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share-based payments. However, the independent valuer has reached the conclusion that historic volatility is not a factor that reliably predicts future volatility or leads to higher or lower Award values because the probability of favourable or adverse price movements is substantially equal or unable to be reliably predicted. Hence, the existence of historic volatility has been disregarded in assessing the fair value of the share-based payments.

The fair value of the share-based payments 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(c)(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 2023, 569,908 shares were issued under the TEES Plan (2022: Nil shares), and Nil shares were issued under the ES Plan (2022: 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.

(b) Executive Performance Share Plan (EPSP)

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. In 2023, 132,080 awards were granted under the EPSP (2022: Nil shares).

Movement in number of awards outstanding	2023	2022
Outstanding at beginning of the year	3,838,017	2,424,343
Granted 2023 LTI award	840,500	1,493,803
Granted 2022 STI deferred rights	132,080	
Expired	(938,759)	(80,129)
Outstanding at the end of the year	**3,739,758**	**3,838,017**
Exercisable at the end of the year	**327,886**	**–**

Awards granted in 2022 include the MD Performance Awards. Refer to the Remuneration report for further details of the MD Performance Award.

The average value per share at the earliest exercise date during the year was not applicable for 2023 or 2022 as no awards vested during the year. 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.

27 Share-based payments plans continued

(b) Executive Performance Share Plan continued

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

Awards granted in 2023 and 2022 – weighted average pricing model inputs	2023 Awards	2022 Awards
Share price at grant date – per share	$2.43	$2.39
Expected future dividends – per share	–	$0.40
Risk-free interest rate – % p.a.	3.83	3.29
Lack of marketability discount – % p.a.	5	3
TSR condition discount	50%	50%
Earliest exercise date	1 May 27	1 May 26
Fair value at grant date	$1.24	$1.12

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 $181,447 during the year (2022: $405,778) in relation to the Long Term incentive plan.

The weighted average remaining contractual life of Awards outstanding at the end of the period was 1.7 years (2022: 2.1 years).

28 Related party transactions

(a) Compensation of key management personnel

	Consolidated	
	2023 $M	2022 $M
Short-term employee benefits	5,081.2	7,308.1
Post-employment benefits	213.7	189.3
Share-based payments	1,170.7	563.2
	6,465.6	**8,060.6**

(b) Other transactions with key management personnel

Raymond Barro, a Director of Adbri Limited, is Managing Director of Barro Group Pty Ltd. Rhonda 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.

Chief Executive Officer, Mark Irwin, and former Interim Chief Financial Officer, Peter Barker, were Directors of Independent Cement and Lime Pty Ltd. Brett Brown, Chief Operating Officer of Adbri Limited was a Director of the Mawson Group and Sunstate Cement Ltd. Andrew Dell, Chief Operating Officer 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, and the Mawsons Group, which are all joint ventures of the Group.

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.

	Consolidated	
	2023 $M	2022 $M
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	128,653	110,127
Purchases from Director related parties	52,750	34,568

(c) Controlled entities

The ultimate parent company is Adbri Limited. Details of interests in controlled entities are set out in Note 23.

(d) Joint arrangement and associate entities

The nature of transactions with joint arrangement and associate entities is detailed below:

Adelaide Brighton Cement Ltd and Morgan Cement International Ltd supplied finished products and raw materials to Sunstate Cement Ltd, Independent Cement and Lime Pty Ltd and Peninsula Concrete Pty Ltd. Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Adbri Masonry Group Pty Ltd, Adelaide Brighton Cement Ltd and Cockburn Cement Ltd purchased finished products, raw materials and transportation services from Sunstate Cement Ltd, Independent Cement and Lime Pty Ltd and Aalborg Portland Malaysia Sdn. Bhd.

All transactions are on normal commercial terms and conditions and transactions for the supply are covered by shareholder agreements.

(e) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	2023 $M	2022 $M
Sales of goods:		
Joint venture entities	327,887	299,157
Purchases of materials and goods:		
Joint venture entities	134,159	108,729
Associate entities	9,068	14,440
Interest revenue:		
Joint venture entities	4,316	2,609
Dividend and distribution income:		
Joint venture entities	18,559	17,035
Defined benefit contributions:		
Contributions to defined benefit funds on behalf of employees	75	528
Loans advanced to:		
Joint venture entities	2,482	3,113

(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	
	2023 $M	2022 $M
Current receivables:		
Joint venture entities (interest)	1,588	1,005
Joint venture entities (trade)	40,435	36,651
Non-current receivables:		
Joint venture entities (loans)	87,015	81,488
Current payables:		
Joint venture entities (trade)	7,756	17,326

28 Related party transactions continued

(g) Loans to/from related parties

Loans to joint venture entities, Independent Cement and Lime Pty Ltd and B&A Sands Pty Ltd, have 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 $4,315,834 (2022: $2,609,375).

29 Events occurring after the reporting period

On December, following receipt of a non-binding indicative proposal from CRH ANZ Pty Ltd (CRH) and Barro Properties Pty Ltd (Barro Properties) Adbri entered into a process and exclusivity deed to progress a potential transaction under which CRH would acquire 100% of the Adbri shares not held by the Barro Group for $3.20 per share in cash.

An Independent Board Committee (IBC) comprising Adbri's independent Non-executive Directors was formed to evaluate the proposal and, if applicable, progress the transaction via a scheme implementation agreement. The Barro Group nominee directors have recused themselves from the Adbri Board and all Board sub-committees while the proposal is under consideration.

On 27 February 2024, the Company and CRH entered into a binding scheme implementation deed to proceed with the proposed scheme of arrangement with the IBC unanimously recommending the scheme to shareholders, in the absence of a superior proposal and subject to an independent expert concluding (and continuing to conclude) that the transaction is in the best interests of shareholders.

On 8 January 2024, Alcoa announced the curtailment of its Kwinana refinery in Western Australia. Adbri is in negotiations with Alcoa regarding its supply agreement which expires in October 2024.

On 26 February 2024, Adbri announced that its wholly owned subsidiary, Adelaide Brighton Cement Ltd, trading as Adbri Cement, has agreed with ICL to the supply and distribution of cementitious materials for a four month period. ICL is a 50:50 joint venture between Adbri and the Barro Group. The interim arrangements will take effect from 1 March 2024 and expire on 30 June 2024, with pricing terms that are reflective of the current market conditions.

Since the end of the financial year, the Board has decided not to declare a final dividend for the year.

Other than the above, no matter or circumstance has occurred subsequent to 31 December 2023 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

30 Commitments for capital and leasing expenditure

Significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities is as follows:

	Consolidated	
	2023 $M	2022 $M
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Within one year	59.4	113.9

On 20 December 2023, the Group announced a long-term agreement for CSL Group Inc. (CSL) to supply and operate a new hybrid electric battery powered limestone transport vessel to support the Company's South Australian cement operations from mid-2026. The agreement is for 20 years, plus two five-year options, with an estimated minimum fixed payment, on a net present value basis, of $35.3 million over the life of the contract.

31 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 network firms practices and non-related audit firms:

	Consolidated	
	2023 $'000	2022 $'000
Audit services		
Deloitte Touche Tohmatsu Australian firm		
Audit and review of financial reports	797.0	745.0
Non-audit services		
Deloitte Touche Tohmatsu Australian firm		
Other assurance services	36.0	181.0

32 Contingency

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

Guarantees

	Consolidated	
	2023 $M	2022 $M
Bank guarantees	43.6	39.6

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. Management continuously monitors the progress of these proceedings and appropriate financial provisions are made in the Group's consolidated financial statements where the recognition criteria in the accounting standards are met. 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 8 to 105 are in accordance with the *Corporations Act 2001*, including:

  (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (iii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 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 24 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 24.

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.

Samantha Hogg
Deputy Chair
Dated: 27 February 2024

Auditor's independence declaration

Deloitte.

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27 February 2024

The Board of Directors
Adbri Limited
Level 4
151 Pirie Street
ADELAIDE SA 5000

Dear Board Members

Auditor's Independence Declaration to Adbri Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Adbri Limited.

As lead audit partner for the audit of the financial report of Adbri Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

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Independent auditor's report to the members of Adbri Ltd

Deloitte.

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Independent Auditor's Report to the members of Adbri Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Adbri Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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. These 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of goodwill and property, plant and equipment (Refer to Notes 12, 14 & 15) The financial report of the Group includes goodwill of $301.4 million and property, plant and equipment of $1,369.4 million as at 31 December 2023.	Our procedures included but were not limited to: • Developing an understanding of the Group's process and controls over the assessment of the recoverable amount of goodwill and property, plant, and equipment; • Assessing whether the Cash Generating Units (CGUs) identified by the Group and the assets and liabilities allocated to them was consistent with the requirements of AASB 136 Impairment of Assets; • In conjunction with our internal valuation specialist, evaluating the Group's methodologies and the documented basis for key assumptions utilised in the ViU impairment models;

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
To assess the recoverable amount of goodwill and property, plant and equipment the Group prepared a fair value less costs of disposal calculation and discounted cash flow value in use models (the ViU impairment models). The impairment models include significant estimates and judgement in relation to revenue and EBIT growth rates, terminal growth rates and discount rates. 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 revenue and EBIT growth rates, terminal growth rates and discount rates.	• Validating the fair value less costs of disposal calculation by comparing the fair value to external market sources, and evaluating the reasonableness of costs of disposal; • Agreeing the forecast cash flows used to develop the ViU impairment models to the most recent budgets formally approved by the Board; • Evaluating how the budgeting process has incorporated management's strategies to achieve the Group's emission reduction targets as set out in the Net Zero Emissions Roadmap; • Challenging the key assumptions used in the future cash flow forecast including revenue and EBIT growth rates, the terminal growth rate and the discount rate with reference to past performance and external data; • Assessing the competency and objectivity of management's expert and the methods applied by them in determining the growth rates and discount rates; • Evaluating the Group's historical accuracy of forecasting cashflows; • Assessing the accuracy of the Group's discounted cashflow models including testing the mathematical accuracy of the ViU impairment models; • Performing a sensitivity analysis on the ViU impairment models, in relation to key assumptions to assess the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired; and • Assessing the adequacy of the disclosures included in Notes 14 and 15 against the requirements of AASB 136 Impairment of Assets.
Estimation of close-down and restoration costs provision (Refer to Note 16) Provisions for close-down and restoration costs associated with quarries and other disturbed areas of $61.2 million were recognised as at 31 December 2023.	Our procedures included but were not limited to: • Developing an understanding of the Group's process and controls over the estimation of the close-down and restoration costs provision; • Developing an understanding of the management expert's basis for determining the close down and restoration costs including the key assumptions utilised in the cost estimates; • Obtaining the provision prepared by the Group and assessing whether the assumptions used in developing the provision meet the measurement objectives of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, are appropriate in the circumstance and whether judgements have been applied consistently;

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

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 forecast costs to rehabilitate sites given current rehabilitation requirements. The expected costs are adjusted for inflation over the useful life of the site and discounted to present value.
 	
Management has engaged an independent expert to assess several sites during the year, in addition to performing internal assessments for sites management considered material.
 	
This was a key audit matter based on the significance of the account balance and the complexity and judgement included in determining the balance of restoration provisions due to the long estimated useful lives associated with many of the sites.
	• Evaluating the provision, assessing whether significant assumptions were applied consistently including assessing the mathematical accuracy of the provision;
	• Assessing the completeness of the provision through inquiries with management, review of meeting minutes and legal contracts, ensuring new site acquisitions are appropriately included and comparing the sites used in developing the provision in the prior year to those used in the current year provision;
	• Assessing the competency and objectivity of management's internal and independent experts and the assumptions applied by them when determining the provision;
	• Developing an expectation of the change in nominal value and comparing against the actual movement;
	• Assessing the appropriateness of the discount rate used in management's calculations and the appropriateness of the disclosure in the financial statements thereof;
	• For a sample of locations:
	  o Obtaining an understanding of the legal or constructive obligation that presently exists;
	  o Assessing the nature, timing and extent of rehabilitation work to be performed by inspecting rehabilitation plans;
	  o Comparing the nominal cost to rehabilitate each respective site included within the provision to internal assessments;
	  o Performing enquiries with management to understand whether there were any significant changes during the period that would impact the estimates made;
	  o Comparing the site valuations made by management's expert to the provision value held in the financial statements;
	  o Inspecting underlying calculations and validating the inputs for appropriateness;
	  o For internal assessments selected we have inspected the underlying calculations and tested, on a sample basis, the inputs used;
	  o For sites being actively remediated, comparing actual costs incurred to rehabilitate, to that previously estimated, to assess the ability of the Group to accurately determine future costs to rehabilitate similar sites; and
	• Assessing the adequacy of the disclosures made in Note 16 against the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023, 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 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, 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 45 of the Directors' Report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Adbri Limited, for the year ended 31 December 2023, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne	Penny Woods
Partner	Partner
Chartered Accountants	Chartered Accountants
Sydney, 27 February 2024	Adelaide, 27 February 2024

Information for shareholders

Annual General Meeting

The 2024 Annual General Meeting of Adbri Limited will be held on Friday, 24 May 2024.

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 Tuesday 19 March 2024.

Security exchange listing

Adbri Limited is quoted on the official list of the Australian Securities Exchange and trades under the symbol 'ABC'. Sydney is Adbri Limited's home exchange.

Registered Office

Level 4, 151 Pirie Street
Adelaide SA 5000

Telephone: 08 8223 8000

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: +61 3 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 by 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:

Chief Financial Officer
Adbri Ltd
Level 8, 1 Market Street
Sydney NSW 2000

Telephone: +61 478 281 043
Email: investors@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.

Information for shareholders continued

Substantial shareholders

Barro Properties Pty Ltd, by a notice of change of interests of substantial shareholder dated 30 May 2019, informed the Company that it or an associate had a relevant interest in 279,710,424 ordinary shares or 43.0% of the Company's issued share capital.

Vanguard Group (The Vanguard Group Inc, and its controlled entities), by a notice of interests of substantial shareholder dated 20 September 2022, informed the Company that it or an associate had a relevant interest in 32,732,862 ordinary shares or 5.016% of the Company's issued share capital.

CRH plc, by notice of initial substantial shareholder dated 18 December 2023, informed the Company that it or an associate had a relevant interest in 279,274,902 ordinary shares or 42.7% of the Company's issued share capital. The interest arose pursuant to a Joint Acquisition Agreement dated 14 December 2023 whereby Barro Properties Pty Ltd and its associates are associates of CRH plc and CRH ANZ Pty Ltd.

UBS Group AG and its related bodies corporate, by a notice in initial substantial shareholder dated 13 February 2024, informed the Company that it or an associate had a relevant interest in 32,824,409 ordinary shares or 5.02% of the Company's issued share capital.

On-market buy back

At 27 February 2024 there is no on-market buy back of the Company's shares being undertaken.

The twenty largest shareholders shown in the Company's Register of Members as at 22 January 2024

Shareholder	Number of ordinary shares held	% of issued capital
Barro Properties Pty Ltd	215,285,359	32.95
HSBC Custody Nominees (Australia) Limited	88,013,089	13.47
J P Morgan Nominees Australia Pty Limited	71,775,399	10.99
Citicorp Nominees Pty Limited	51,427,082	7.87
Barro Group Pty Ltd	32,412,619	4.96
Carltonbridge Pty Ltd	11,416,000	1.75
Argo Investments Ltd	7,681,385	1.18
Cloverdew Pty Ltd	6,580,000	1.01
Churchbridge Pty Ltd	5,040,000	0.77
BNP Paribas Noms Pty Ltd	4,235,725	0.65
Ageflow Pty Ltd	3,630,000	0.56
Rayonbridge Pty Ltd	3,574,000	0.55
National Nominees Limited	3,564,721	0.55
National Exchange Pty Ltd	3,000,000	0.46
Netwealth Investments Limited	2,878,901	0.44
Prudential Nominees Pty Ltd	2,800,000	0.43
Sunstone Finance Pty Ltd	2,000,000	0.31
Equity Trustees Ltd <Adelaide Brighton Te Pln Ac>	1,715,824	0.26
BNP Paribas Nominees Pty Ltd	1,599,076	0.24
BNP Paribas Noms (NZ) Ltd	1,374,563	0.21
Total top 20 shareholders	**520,003,743**	**79.59**
Total remaining shareholders balance	**133,325,800**	**20.41**

Voting rights

All shares at 22 January 2024 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 at 22 January 2024	Number of shareholders	% of issued capital
1 – 1,000	4,492	0.30
1,001 – 5,000	6,314	2.69
5,001 – 10,000	2,650	3.06
10,001 – 100,000	2,585	10.08
100,001 – over	133	83.87
Total shareholders	**16,174**	**100.00**[1]
Less than a marketable parcel of 163 shares	1,095	

1. Rounding of 0.01% of holders.

Unquoted securities

As at 22 January 2024, 2,916,849 Awards were on issue to the senior executive team under the Adbri Limited's Executive Performance Share Plan as part of the Company's long-term and short-term incentive programs. 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's Executive Performance Share Plan and eligible to receive the Awards is eleven.

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ADBRI
Building Australia since 1882