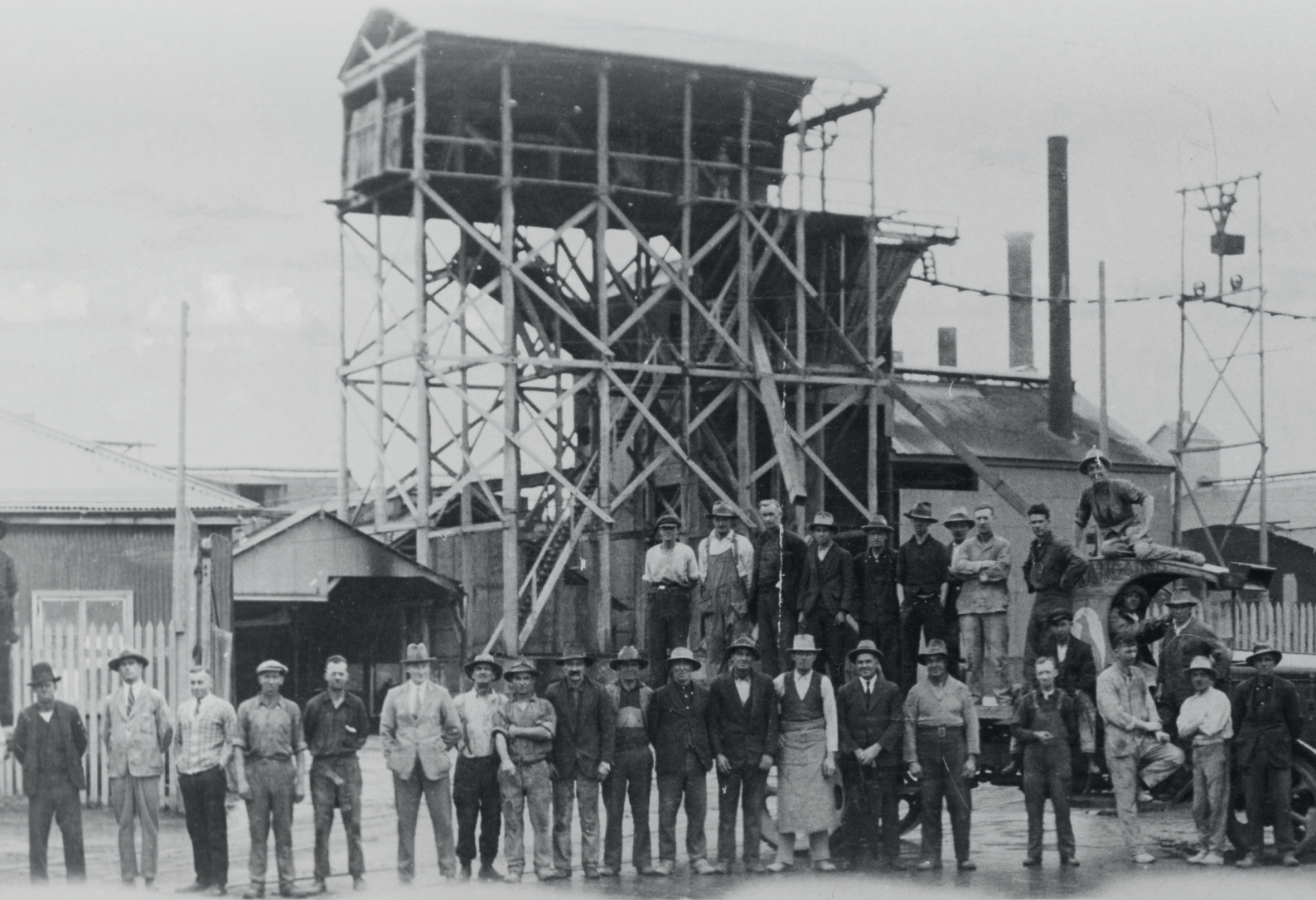




ADBRI

Building Australia since 1882



2022 Annual Report

Building a Better Australia

PROUDLY
CELEBRATING

140
YEARS

We're committed to helping build a better Australia



Dongara kiln 7, Western Australia

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Acknowledgment 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.

2022 highlights

Demand for Adbri’s products remained strong in 2022, with volume growth delivered across most product lines and price increases driving 8.4% growth in revenue year-on-year to \$1.7 billion. Full year profit was impacted by higher operating costs caused by both inflationary pressures and wet weather events.

Operations

Completion of the **Zanows** acquisition extending our vertical integrated footprint in South East Queensland

Launch of **Net Zero Emissions Roadmap**, including new medium-term 2030 targets

\$96.8m cash proceeds from the **sale of non-core** property, plant and equipment

Quicklime supply agreement with **Alcoa** extended until October 2024 post year end

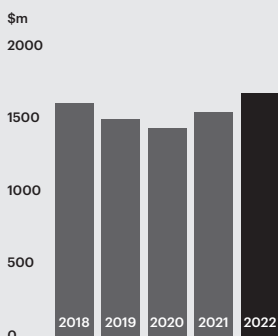
Financial

View our operating and financial review
Page 06 →

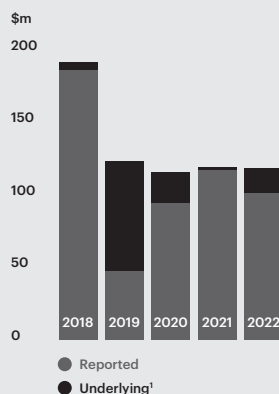
\$102.6m
 statutory NPAT

\$118.0m
 underlying NPAT, including property sales

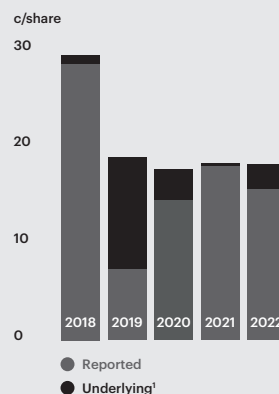
\$1.7b
 Revenue



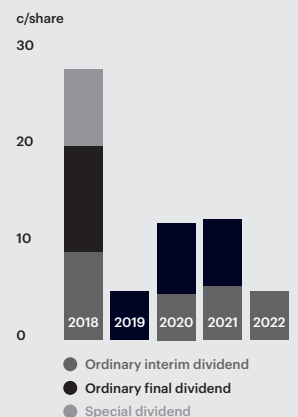
\$118.0m
 Underlying¹ net profit after tax



18.1 c/share
 Underlying¹ earnings per share



Dividends approved



1. Underlying measures include property profits and exclude significant items.

Chairman and Interim CEO's report

It was a significant year for Adbri with the business celebrating 140 years since its story began. We have grown from Brighton Cement Works in South Australia into one of the country's leading manufacturers of cement, lime, concrete, aggregates, masonry products and industrial minerals supplying to customers in the construction, infrastructure, mining and retail sectors.

The past year has also been one of the most challenging for the Company in its long history. Our results were delivered against the backdrop of a difficult macroeconomic environment which included the global economic instability resulting in inflationary pressures and wet weather events across Australia.

The Company also underwent a substantial leadership transition in the latter part of the year with the former Managing Director and CEO and Chief Financial Officer stepping down from active duties as the Company accelerates its transformational agenda.

Safety

Safety remains of paramount importance at Adbri. We continually aim to embed a culture of 'Work Safe, Home Safe'. Disappointingly, our total recordable injury frequency rate (TRIFR) increased to 7.9 in 2022, compared to 6.3 in 2021.

At every level of the organisation Adbri acknowledges that these numbers are too high, and while our injury severity rates have reduced significantly, we still have more to do in delivering safety improvements across the business. We are investing in engineering solutions, and are focused on leadership behaviours including visible leaderships walks, critical control verifications, training across our workforce and contractor partners, and workplace inspections. Measures like the visible leadership walks are targeted at advancing a workplace culture that promotes safety as our top priority, with leaders visiting sites and having quality conversations with our team members.

Financial performance

Revenue grew 8.4% year-on-year, however our full year financial performance was impacted by challenging macroeconomic factors including supply chain constraints, labour shortages, input cost inflation, and rain events across the eastern seaboard of Australia that impacted our customers.

Profit

The increase in revenue to \$1.7 billion (2021: \$1.6 billion) was largely driven by price increases introduced during the year. However, increased costs and wet weather impacted our ability to deliver our products efficiently, which ultimately more than offset price and volume increases across some product lines.

Statutory net profit after tax for 2022 was \$102.6 million, down from \$116.7 million in 2021. On an underlying¹ basis, net profit after tax including property profits² was \$118.0 million (down 0.9% from 2021: \$119.1 million). Underlying¹ net profit after tax includes \$40.3 million profit from property² (2021: \$6.1 million).

Cost inflation was the major driver behind the decrease in profit, with ongoing volatile electricity and diesel pricing experienced across the business. General inflationary pressures were felt across all areas of the business, including joint ventures and operations, as rising labour, steel and energy costs impacted indirect services such as repairs and maintenance and other contracted services.

Balance sheet

As part of its proactive capital management strategies, Adbri extended and increased its bank debt facilities through 2022. This has resulted in available bank debt facilities increasing by \$50.0 million to \$940.0 million with an average maturity profile of 4.3 years as at 31 December 2022 (2021: 5.1 years). At year end, Adbri had net debt of \$576.4 million (2021: \$437.4 million); up on the prior year due to the Zanows acquisition and the Kwinana Upgrade project, partially offset by surplus land sales.

Dividend

In October 2022, Adbri paid a fully franked interim dividend of 5 cents per share. Considering the capital required for the completion of the Kwinana Upgrade project, the Board has decided not to declare a final dividend for the year. The Board continually reviews the Company's capacity to return funds to shareholders.

Sustainability

We are committed to operating a sustainable business, exemplified by the release of our Net Zero Emissions Roadmap in May 2022. The Roadmap sets out the actions and medium-term targets we will progress as we decarbonise our business to meet our goal of net zero emissions by 2050, in line with the Paris Agreement.

Further improvements were made in the use of refuse derived fuel (RDF), particularly at our Birkenhead operation in South Australia. The use of alternative fuels are an integral component of our decarbonisation strategy and we are industry leading in this regard. During the year we achieved a 12% reduction in operational emissions against our short-term 2024 target, set against a 30 June 2019 baseline.

Building a more diverse workforce continues to be a focus for our business. In 2022 our female workforce remained steady at 16%, despite a number of initiatives implemented to increase workforce diversity. We will continue to drive these initiatives to become a more diverse and inclusive company. Full details of our sustainability performance, including our diversity report, can be found in the Sustainability Report available on the Adbri website. We will continue to regularly update our stakeholders on our sustainability performance, including our Roadmap, as we look to realise our ambition of net zero emissions by 2050.

1. Underlying measures include property profits and exclude significant items.

2. Property profits relate to gain on Rosehill land compulsorily acquired, sale of Moorebank and Kewdale land, and exclude post-tax gain on disposal of plant and equipment of \$5.9million related to Rosehill compulsory acquisition, which is included in statutory and underlying profit.



South Wharf, Victoria

Delivery against strategy

Adbri's overarching strategy is built on our purpose of *Building a Better Australia*. The strategic priorities that drive this include reducing cost and improving operational efficiency, transforming the lime business, growing concrete and aggregates, enhancing our capability in infrastructure and actively managing landholdings.

Reduce cost and improve operational efficiency

Mitigating cost continues to be a core focus for the business. The cost reduction program delivered savings for the year, however inflationary pressures eroded these benefits.

In the latter part of the year, we decentralised our organisational structure to drive operational efficiency and connectivity of our support functions within the business.

The growing use of alternative fuel at our Birkenhead cement facility continues to improve our operational efficiency, with the substitution rate averaging 39.5% for 2022. It also forms a major part of our decarbonisation strategy, allowing us to reduce our reliance on natural gas and exposure to the energy market. We will continue to assess options to increase our use of alternative fuels such as RDF, as well as new and emerging alternative fuels, and extending our operational efficiency program to other parts of the business, particularly our concrete and aggregate businesses.

The review of the Kwinana Upgrade project is largely complete, and whilst there are capital cost pressures likely to push the final budget above our most recent cost estimate of \$290 million, the project review work confirmed its robust economics due to strong operational cost savings. The final component of the review will help determine an updated capital cost estimate, and a schedule for achieving commissioning and commencement of operations.

Once the Kwinana Upgrade is commissioned and operational in 2024, the benefits from ceasing cement operations at Munster and operating solely at Kwinana are estimated to deliver greater operating cost savings than originally projected.

Construction continues, with the remaining packages of work still to be awarded being predominately on site construction related. These are expected to be higher costs than originally budgeted and will be awarded in coming weeks.

Transform lime business

The Group continues to focus on its lime recovery strategy to build volumes from new and existing customers. Revenue from lime was in line with the prior year but this was based on significantly lower volumes due to the partial loss of historic volumes to Alcoa. Pleasingly, after the period end, we announced an extension to our quicklime supply agreement with Alcoa to the end of October 2024.

There continues to be an increasing number of customers, who have previously relied on imports, turning to domestically manufactured lime supply. Adbri's position as a reliable Australian manufacturer of lime is driving growth in the business. We are making good progress in diversifying our customer base and repricing to reflect our advantage over imports.

Chairman and Interim CEO's report continued

Grow concrete and aggregates

Revenue increased for the year in our concrete and aggregates business, despite weather impacts. We completed the acquisition of Zanows Concrete and Quarries. This extends our vertically integrated footprint and adds to our network of long-term quality concrete and quarry assets in South East Queensland. While we saw a business impact from the wet weather conditions in 2022, by December we saw a strong rebound for concrete, aggregates and masonry, with this anticipated to continue into 2023.

We are actively focusing on improving operational efficiency and integrating our recent acquisitions into the Adbri business model. We anticipate that our recent acquisitions and joint ventures will benefit the Group in coming years.

Enhance capability in infrastructure

Adbri is continuing to prioritise infrastructure as an area for growth and increased exposure to this sector this year.

Key infrastructure projects secured or delivered in the year included the Brisbane International Airport apron works, RAAF Base Tindal Western Access Road in the Northern Territory, Western Sydney Airport civil and pavements package and Gold Coast Light Rail – Stage 3.

At the end of the year, we had a win ratio of 20.8% on concrete and 40.3% on aggregate tenders submitted and awarded throughout the year, with our infrastructure order book increasing by \$34.5 million since 31 December 2021.

Actively manage land holdings

During the second half, we finalised the sale of land holdings at Moorebank in New South Wales and Kewdale in Western Australia in line with our strategy of actively managing surplus land holdings. This generated cash proceeds of \$57.0 million from the Moorebank sale and \$5.7 million from the Kewdale sale. These divestments followed the sale of Rosehill in New South Wales, and relocation of our operations nearby, as part of the Government's compulsory land acquisition.

We also consulted with stakeholders and the community regarding excess land at the Munster site as we continue to identify opportunities where value can be maximised and realised from our significant portfolio of surplus land holdings.

Board and leadership changes

In October and November respectively, Interim CEO, Mark Irwin and Interim CFO, Peter Barker were appointed following former Managing Director and CEO, Nick Miller and former Chief Financial Officer, Theresa Mlikota, stepping down from active duties. The Board thanks Nick and Theresa for their contributions to Adbri, particularly in guiding the Company through the COVID-19 pandemic.

While the Board is prioritising the recruitment process for the permanent CEO and CFO positions, management, led by our Interim CEO, is quickly executing on a transformational agenda. This aims to improve the resilience of our business in the face of the ongoing complex external business environment, applying a wealth of experience from previous executive roles at some of Australia's leading industrial companies.

We also welcomed two new Independent Non-executive Directors, Mr Dean Jenkins and Ms Samantha Hogg, to the Board in 2022. Both Mr Jenkins and Ms Hogg are strong and experienced additions, with Ms Hogg appointed as Deputy Chair and Lead Independent Director from 1 March 2023, following the resignation of Dr Vanessa Guthrie AO from the Board.

On behalf of the Board and shareholders, we thank Dr Guthrie for her valuable contribution, dedication and counsel over the past five years. We also acknowledge the retirement, at last year's AGM, of Independent Non-executive Director, Mr Ken Scott-Mackenzie after more than a decade of dedicated service on Adbri's Board.

Looking ahead

Under our new leadership structure we are accelerating our transformation program aimed at improving Adbri's resilience as we build a better Adbri. We are focused on:

- operational efficiency improvements;
- business simplification;
- workforce development and diversity;
- acceleration of our strategy to divest surplus assets such as land to realise value and recycle capital; and
- implement our Net Zero Emissions Roadmap.

Looking forward, we anticipate that State and Federal Governments will continue to embed emission reduction targets and measures into legislation. We are currently engaging with governments and regulatory bodies on a number of proposed changes, including the Safeguard Mechanism reform. Adbri believes that cement and lime production is an important sovereign capability that must be maintained and the reform should continue to support domestic manufacturing and avoid potential carbon leakage offshore.

The outlook for Australia's mining sector remains strong as demand for critical minerals to deliver the global energy transition continues. This will balance possible price volatility and demand reductions expected for other commodities.

Residential construction is anticipated to decline in 2023, with the conclusion of the HomeBuilder scheme and rising interest rates. However, the backlog of residential construction works, attributed to the shortage of trades and wet weather in 2022, will continue to underpin good order books in 2023. Heightened activity in the industrial and infrastructure sectors is also anticipated, supporting demand for cement, concrete and aggregates.

The Company anticipates cost headwinds to persist in 2023. However, the strong demand for products and the benefits of price increases should rebuild resilience and margin.

Acknowledgements

In the face of some very difficult external challenges and a period of transformational change, our people have demonstrated their capabilities and capacity to adapt and deliver for our customers and stakeholders. Our people are the driving force behind our growth agenda and will be essential for our ongoing success.

We extend our thanks to Adbri's customers, partners, joint ventures and the communities in which we operate, and also to our shareholders for their support.



Raymond Barro
Chairman



Mark Irwin
Interim CEO

Financial Summary

	2022	2021
Revenue	1,700.3	1,569.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	282.7	270.8
Depreciation, amortisation and impairments	(125.5)	(95.9)
Earnings before interest and tax (EBIT)	157.2	174.9
Net finance cost ¹	(20.6)	(19.1)
Profit before tax	136.6	155.8
Tax expense	(34.1)	(39.1)
Non-controlling interests	0.1	-
Net profit attributable to members (NPAT)	102.6	116.7
Underlying ² EBITDA	295.3	274.2
Underlying ² EBIT	179.2	178.3
Underlying ² net profit after tax excluding property ³ attributable to members	77.7	113.0
Underlying ² net profit after tax including property ³ attributable to members	118.0	119.1
Basic earnings per share (EPS) (cents)	15.7	17.9
Underlying ² EPS (cents)	18.1	18.3
Ordinary dividends per share – fully franked	5.0	12.5
Net debt ⁴ (\$million)	576.4	437.4
Leverage ratio ⁵ (times)	2.0	1.6
Gearing ⁶ (%)	44.3	34.5
Underlying ² return on funds employed ⁷ (%)	9.5	10.6
Reported return on funds employed ⁸ (%)	8.4	10.4

1. Net finance cost is finance costs shown gross in the income statement offset by interest income included in other income.
2. Underlying measures include property profits and exclude significant items.
3. Property profits relate to gain on Rosehill land compulsorily acquired, sale of Moorebank and Kewdale land, and exclude post-tax gain on disposal of plant and equipment of \$5.9 million related to Rosehill compulsory acquisition, which is included in statutory and underlying profit.
4. Net debt is calculated as total borrowings less cash and cash equivalents and excludes lease liabilities.
5. Leverage ratio is net debt/rolling 12 month underlying EBITDA (includes property profits and excludes significant items). Net debt is calculated as total borrowings, inclusive of capitalised borrowing costs, less cash and cash equivalents and excludes lease liabilities.
6. Gearing is net debt/equity attributable to owners of the Company.
7. Underlying return on funds employed is underlying EBIT/net debt + equity attributable to owners of the Company.
8. Reported return on funds employed is reported EBIT/net debt + equity attributable to owners of the Company.

Operating and financial review

Adbri's revenue increased by 8.4% in 2022, while full year statutory net profit after tax reduced by 12.1%, reflective of the challenging macroeconomic environment, to \$102.6 million.

Demand overview

The Company generally benefited from strong demand for Adbri's products in 2022, with volume growth delivered across most product lines, despite the wet weather conditions experienced on the eastern seaboard of Australia. A detailed analysis of the risks posed by climate change is provided in Note 1 of the Financial Statements.

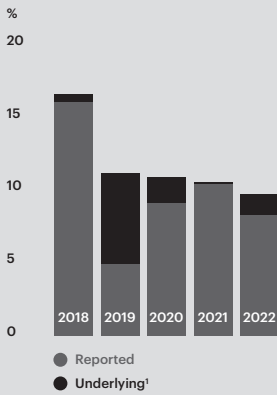
Cement and cementitious materials volumes increased 4.8% compared to the prior comparative period (pcp), driven by increased demand from the residential sector in Victoria and the industrial and mining sectors in South Australia and Western Australia.

Concrete volumes were generally stable compared to the pcp, whilst aggregate volumes increased 14.9%. The demand for concrete and aggregates from residential, commercial and industrial sectors was strong in the eastern states, along with supply of aggregates to some key infrastructure projects, including the Western Sydney Airport. Nationally, masonry demand was lower, particularly in the retail sector as consumer discretionary expenditure reduced.

Demand for domestically manufactured lime increased as customers sought security from local suppliers. This increased demand partially offset the anticipated reduction in Alcoa's historic contract volumes. We continue to be the key supplier of lime and cement to the mining sector in South Australia, Western Australia and the Northern Territory.

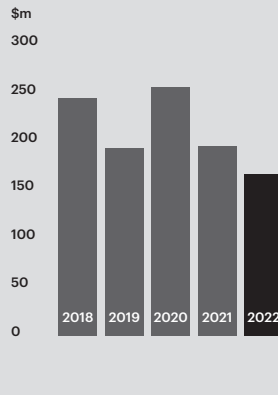
9.5%

Return on funds employed



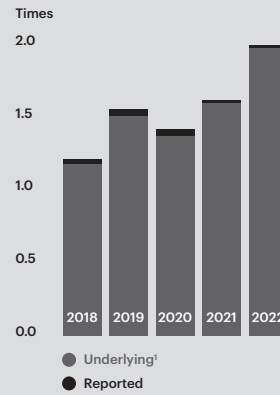
\$166.4m

Cash flow from operations



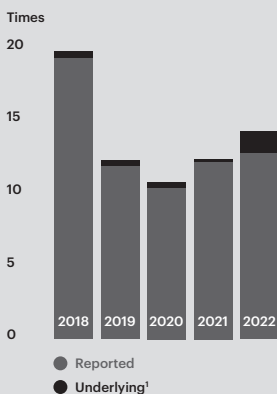
2.0

Leverage



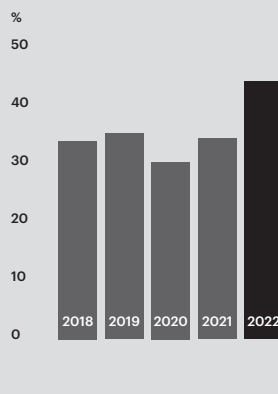
14.3

Interest cover



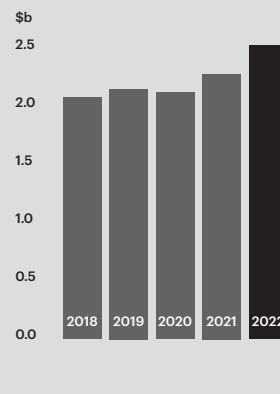
44.3%

Net debt to equity



\$2.5b

Total assets



1. Underlying measures include property profits and exclude significant items.

Earnings overview

Revenue increased by 8.4% to \$1.7 billion (2021: \$1.6 billion) with strong demand across most product ranges and improved average selling prices.

Statutory NPAT reduced by 12.1% to \$102.6 million (2021: \$116.7 million), while underlying¹ NPAT (including property profits²) of \$118.0 million decreased by 0.9% compared to last year (2021: \$119.1 million). A reconciliation from underlying to statutory net profit after tax is provided in the Directors' Report.

Excluding property profits² and significant items, underlying NPAT reduced by 31.2% to \$77.7 million (2021: \$113.0 million), with increased revenue insufficient to mitigate the impacts of increasing operating costs and wet weather that slowed supply.

Underlying¹ EBITDA (including property profits² of \$576 million) of \$295.3 million was 7.7% higher than the pcp (2021: \$274.2 million). Underlying EBITDA (excluding property profits²) of \$237.7 million was 10.8% lower than the pcp (2021: \$266.6 million). Underlying¹ EBIT (including property profits²) increased by 0.5% to \$179.2 million (2021: \$178.3 million) as depreciation and amortisation expenses increased from recent investment activity.

Our joint ventures and operations experienced similar conditions to our wholly-owned operations. Earnings contribution from joint ventures and operations were down 24.7% on 2022, driven by higher operating costs, wet weather events, and one-off acquisition expenses.

As at 31 December 2022, net debt was \$576.4 million (2021: \$437.4 million) reflecting higher capital expenditure, including the Kwinana Upgrade project and settlement of the Zanows acquisition. This was partially offset by the proceeds from property, plant and equipment sales.

Cement and lime

Strong demand across all sectors

Building on the 12% growth in national cement revenue in 2021, revenue increased by a further 6.3% in 2022. Mining continued to drive sales in South Australia, Western Australia and the Northern Territory, along with strong demand from the commercial, infrastructure and residential sectors.

Supplementary cementitious materials sales were also strong as demand for lower carbon products increased year-on-year. In New South Wales, wet weather and the loss of an exclusive supply contract contributed to lower sales. Demand in Western Australia remained solid, with domestic General Purpose (GP) cement sales up 2.9% on the prior year and supplementary cementitious sales slightly up on the prior year.

The average selling price of GP cement increased by 9.1% across all of our markets, excluding our supply agreement to Independent Cement Limited (ICL). In late 2022, we secured a one-year extension on the ICL cementitious materials supply agreement based on similar volumes to 2022 and with pricing terms reflective of the current market conditions. Domestic neat supplementary cementitious materials average selling price also increased by 3.7%.

A price increase for cement in April, alongside a significant out-of-cycle price increase in August, partially offset widespread rising inflationary costs. In the fourth quarter of 2022, the average selling price for cement was up 11.9% compared with the pcp. The longer-lead times in contracts for mining backfill binder materials made it difficult to recover inflationary costs in 2022; however, we will benefit from price increases in 2023.

Revenue for lime decreased by 0.9%, with a reduction in the historical Alcoa supply volumes partly offset by growth in the number of new customers returning to locally manufactured lime as they sought supply chain certainty. Improved pricing outcomes were achieved as new contracts were secured, better reflecting price parity to imports.

The average selling price of quicklime in Western Australia increased by 13.6% compared with 2021, while average prices in South Australia remained stable.

The unprecedented increase in global energy costs impacted profitability of our energy-intensive cement and lime operations. Surging electricity prices, combined with near record gas prices on the short-term trading market, increased manufacturing costs. The price of our imported clinker also increased driven by similar increases in energy prices, elevated international shipping costs and a weaker Australian Dollar. Overall, the Cement and Lime division was able to control costs below national inflation levels.

Concrete and aggregates

Solid demand from the residential and infrastructure sectors

Revenue from concrete and aggregates increased 12.5% on the pcp driven by strong demand, out-of-cycle price increases, and contribution from the Zanows acquisition, completed in April 2022.

Concrete sales volumes were largely stable compared to pcp, despite south-eastern Australia recording the highest rainfall levels since 1900. Despite strong demand in New South Wales and Queensland, volumes were below the pcp as wet weather impacted our customers' worksites. Victoria saw a 4.1% increase in volume, driven by demand from the residential and industrial sectors. Volumes in South Australia were marginally higher compared to 2021, augmented by residential, commercial and industrial sector demand. The Northern Territory recorded the strongest growth with a 26.4% increase in 2022. This can be attributed to infrastructure projects such as RAAF Base Tindal.

Following price increases in the first half of the year, as well as out-of-cycle price increases in the second half, we achieved a 7.7% increase in the average selling price of concrete. Most of this was achieved in the latter half of the year, with the average selling price improving 9.4% in the third quarter, and 15.5% in the fourth quarter against the respective pcp. Despite this improvement, we were unable to counter the full year inflationary costs challenges with concrete profitability adversely impacted.

Aggregate sales volumes were up 14.9% on 2021, driven by our increased supply to infrastructure projects in Queensland, South Australia and the Northern Territory. Aggregate price increases were applied in the second half of the year, however higher sales volumes of low-grade materials resulted in the average selling price remaining stable.

1. Underlying measures include property profits and exclude significant items.

2. Property profits relate to gain on Rosehill land compulsorily acquired, sale of Moorebank and Kewdale land, and exclude post-tax gain on disposal of plant and equipment of \$5.9 million related to Rosehill compulsory acquisition, which is included in statutory and underlying profit.

Operating and financial review continued

Masonry

Stable revenue with continued demand for contracting

Masonry revenue remained stable in 2022, with continued growth in contracting revenue and price traction from out-of-cycle price increases. Wet weather and a reduction in discretionary expenditure impacted sales in the retail sector. Sales volumes were lower in all states, except South Australia, where volumes were stable compared to the prior year, and Western Australia which experienced a modest increase.

Price increases in both the first and second half of the year achieved an overall 6.4% growth in average selling price. However, this did not offset rising fuel, pallets and raw material costs.

Growth in average selling price compared to the pcg was strong in the second half, with selling prices in the third quarter improving 9.8% on the pcg, followed by a 7.0% improvement in the fourth quarter compared to the pcg.

The masonry contracting business continued its strong growth throughout the year with revenue increasing 55.3% on the pcg. The business experienced strong demand in the South East Queensland residential market, and also completed significant works at the Riverina Intermodal Freight and Logistics Hub at Wagga Wagga in New South Wales.

As announced in December 2022, the Group divested its masonry production site in Moorebank, New South Wales, realising a before tax accounting gain of \$45.5 million.

Joint ventures and operations

Contributions to earnings from joint ventures and operations were down on the pcg by 24.7%, driven by increased operational and interest costs, impact of wet weather on sales, and one-off acquisition costs.

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

ICL's contribution to earnings decreased 8.4%, largely due to increased production, cartage and finance costs. The joint venture was also adversely impacted by wet weather. Price increases were implemented in the second half to improve performance.

Batesford Quarry (Batesford/50% ownership)

Batesford's contribution to earnings increased 8.6%, driven by strong demand for agricultural lime and the benefit from price increases implemented across all product lines.

Sunstate Cement Ltd (Sunstate/50% ownership)

Sunstate's contribution to earnings decreased 21.1%. The joint venture experienced increased demand in the South East Queensland markets, offset by inflationary pressures, including energy and interest expenses, that impacted performance. Price increases were implemented in July and December 2022 to address performance.

Mawsons Group (Mawsons/50% ownership)

Mawsons' contribution to earnings decreased 70.3%, driven by higher fuel, repairs and maintenance costs, adverse weather (including flooding that impacted operations in the second half of the year), and transaction expenses associated with the Milbrae acquisition. The Milbrae business experienced a significant drop in revenue associated with reduced mining activity.

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

Aalborg's contribution to earnings were down slightly on last year. This result was impacted by higher operating costs and unfavourable foreign exchange rates.

B&A Sands Pty Ltd (50% ownership)

The contribution to earnings from B&A Sands, trading as Metro Quarry Sands, was a small loss, largely due to increased repairs, maintenance and stripping costs and one-off acquisition costs.



Adbri's architectural bricks featured in a new home in Victoria



Kwinana Upgrade project, Western Australia

Cash flow and working capital

Operating cash flow of \$166.4 million was \$28.8 million lower than 2021, driven by lower earnings and an increase in working capital of \$15.4 million, associated with higher receivables and inventory levels. The Group continues to closely monitor the trading activity of its customers, particularly in the building sector, and proactively manages any credit default risks identified.

Capital expenditure for the year was \$255.1 million (up \$114.6 million), with \$91.1 million associated with the Kwinana Upgrade project. Capital expenditure was split between stay-in-business capital of \$123.9 million (up \$17.9 million on 2021) and development capital of \$131.2 million (up \$96.7 million on 2021).

Stay-in-business capital expenditure included \$14.5 million for the replacement concrete site and plant following the compulsory acquisition of the Company's facility at Rosehill.

Business acquisition payments of \$56.8 million related to the purchase of Zanows' concrete and quarries business, completed on 1 April 2022.

Property, plant and equipment disposal proceeds of \$96.8 million include funds received from Sydney Metro for the Rosehill compulsory acquisition and cost reimbursement, the sale of the Group's masonry plant site at Moorebank in New South Wales, and a land sale at Kewdale, Western Australia.

In 2022, the Group drew down \$153.2 million from its borrowing facilities to fund the Zanows acquisition and the Kwinana Upgrade project. Financing cash outflows in the year also reflect the payment of the 2021 final dividend of \$45.7 million and 2022 interim dividend of \$32.6 million.

Net debt and dividends

Net debt increased by \$139.0 million over the year to \$576.4 million at 31 December 2022. This represented a leverage ratio¹ of 2.0 times underlying EBITDA and gearing of 44.3%, while interest cover² was 14.3 times underlying EBITDA. These key credit metrics remain investment grade and within banking covenants. The gearing ratio is within the Board's target range of 25–45%. The leverage ratio is at the higher end of the Board's target range of 1.0–2.0 times net debt/EBITDA as anticipated during the construction of the Kwinana Upgrade project.

During the year, Adbri augmented and increased the tenor of its bank debt facilities, with bank debt facilities increasing by \$50.0 million to \$940.0 million and an average maturity profile of 4.3 years at 31 December 2022.

The Board has decided not to declare a final dividend for the year considering the capital required for the completion of the Kwinana Upgrade project. The Board continually reviews the Company's capacity to return funds to shareholders.

Finance cost and tax

Net finance costs increased by \$1.5 million to \$20.6 million. Interest and finance charges increased by \$4.4 million, with higher borrowings and interest rate rises taking effect during the year. Interest income increased by \$2.9 million, generally in line with the increased interest rates.

Statutory income tax expenses decreased from \$39.1 million to \$34.1 million due to a decrease in pre-tax profits and favourable deferred tax movements related to property profits³. The effective income tax expense rate at 25.0% remained stable compared to 2021.

1. Leverage ratio – net debt/rolling 12 months underlying EBITDA (includes property profits and excludes significant items). Net debt is calculated as total borrowings, inclusive of capitalised borrowing costs, less cash and cash equivalents and excludes lease liabilities.
2. Interest cover – rolling 12 months underlying EBITDA (includes property profits and excludes significant items)/12 months net finance costs (net finance cost is the finance costs shown gross in the income statement offset by interest income included in other income).
3. Property profits relate to gain on Rosehill land compulsorily acquired, sale of Moorebank and Kewdale land, and exclude post-tax gain on disposal of plant and equipment of \$5.9 million related to Rosehill compulsory acquisition, which is included in statutory and underlying profit.

Financial statements 2022

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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 2022.

Directors

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

RD Barro (Chairman)

Dr VA Guthrie AO (Deputy Chair and Lead Independent Director)

RR Barro

SL Hogg (appointed on 29 March 2022)

DS Jenkins (appointed on 23 August 2022)

ND Miller (resigned as a Director effective as at 27 October 2022)

KB Scott-Mackenzie (retired on 19 May 2022)

ER Stein

GR Tarrant

MJM Wright

Principal activities

During the year the principal activities of the Group consisted of the manufacture and distribution of cement, and cementitious products, lime, premixed concrete, aggregates, sand and concrete masonry products.

Review of operations

Information on the principal activities, operations and financial position of the Group and its business strategies and prospects is set out in the Chairman and Interim Chief Executive Officer's report, and operating and financial reviews on pages 2 to 9 of this Annual Report.

A summary of the financial results for the year ended 31 December 2022 is set out below:

	Consolidated	
	2022	2021
	\$M	\$M
Statutory results		
Revenue from contracts with customers	1,700.3	1,569.2
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)	282.7	270.8
Depreciation, amortisation and impairment	(125.5)	(95.9)
Earnings before interest and tax (EBIT)	157.2	174.9
Net finance cost ¹	(20.6)	(19.1)
Profit before tax	136.6	155.8
Income tax expense	(34.1)	(39.1)
Net profit after tax	102.5	116.7
Attributed to:		
Members of Adbri Ltd (NPAT)	102.6	116.7
Non-controlling interests	(0.1)	-
Basic earnings per share (cents)	15.7	17.9
Ordinary dividend per share (cents)	5.0	12.5
Franking (%)	100.0	100.0
Net debt ² (\$million)	576.4	437.4
Net debt/equity attributable to owners of the Company (%)	44.3	34.5
Net debt/net debt + equity (%)	30.7	25.6

1. Net finance cost is the finance costs shown gross in the income statement offset by interest income included in other income.

2. Net debt is calculated as total borrowings (net of capitalised borrowing costs), less cash and cash equivalents and excludes lease liabilities.

Directors' report continued

Review of operations continued

The results were impacted by a number of significant items. The table below sets out the underlying financial results for the year ended 31 December 2022 which have been adjusted for significant items. An explanation of the significant items and reconciliation of reported results to underlying results is provided on page 13.

	Consolidated	
	2022 \$M	2021 \$M
Underlying results		
Revenue from contracts with customers	1,700.3	1,569.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	295.3	274.2
Depreciation and amortisation	(116.1)	(95.9)
Earnings before interest and tax (EBIT)	179.2	178.3
Net finance cost ¹	(20.6)	(19.1)
Profit before tax	158.6	159.2
Income tax expense	(40.7)	(40.1)
Net profit after tax	117.9	119.1
Attributed to:		
Members of Adbri Ltd (NPAT)	118.0	119.1
Non-controlling interests	(0.1)	-
Earnings per share (cents)	18.1	18.3
Leverage ratio ² (times)	2.0	1.6

1. Net finance cost is the finance costs shown gross in the income statement offset by interest income included in other income.

2. Leverage ratio is calculated as net debt/rolling 12 months underlying EBITDA (includes property profits and excludes significant items). Net debt is calculated as total borrowings, inclusive of capitalised borrowing costs, less cash and cash equivalents and excludes lease liabilities.

Net profit after tax

Full year reported NPAT decreased 12.1% on 2021 to \$102.6 million.

Underlying NPAT decreased 0.9% from \$119.1 million in 2021 to \$118.0 million.

Property profits contributed \$40.3 million to NPAT in the year, compared to \$6.1 million in 2021.

Reconciliation of underlying profit

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

The following table reconciles underlying earnings measures to statutory result.

Full Year Ended 31 December	2022			2021		
	Profit before tax \$M	Income tax \$M	Profit after tax \$M	Profit before tax \$M	Income tax \$M	Profit after tax \$M
Statutory profit attributable to members	136.7	(34.1)	102.6	155.8	(39.1)	116.7
Minority interest	(0.1)	-	(0.1)	-	-	-
Statutory profit	136.6	(34.1)	102.5	155.8	(39.1)	116.7
Impairment/write-offs	9.4	(2.8)	6.6	-	-	-
Change in loss provision	1.3	(0.4)	0.9	(3.3)	1.0	(2.3)
Corporate restructuring and strategy costs	4.8	(1.5)	3.3	5.9	(1.8)	4.1
Acquisition costs	3.8	(1.1)	2.7	0.8	(0.2)	0.6
Joint venture acquisition costs ¹	2.7	(0.8)	1.9	-	-	-
Underlying profit (including property profits²)	158.6	(40.7)	117.9	159.2	(40.1)	119.1
Minority interest	0.1	-	0.1	-	-	-
Underlying profit attributable to members (including property profits²)	158.7	(40.7)	118.0	159.2	(40.1)	119.1
Property profits ²	(57.6)	17.3	(40.3)	(7.6)	1.5	(6.1)
Underlying profit attributable to members (excluding property profits²)	101.1	(23.4)	77.7	151.6	(38.6)	113.0

1. Amount included in share of net profits of joint ventures and associate accounted for using the equity method.

2. Property profits relate to gain on Rosehill land compulsorily acquired, sale of Moorebank and Kewdale land, and exclude post-tax gain on disposal of plant and equipment of \$5.9million related to Rosehill compulsory acquisition, which is included in statutory and underlying profit.

Impairment

These relate to impairment charge for properties classified as held for sale where expected sale proceeds are less than the carrying value and associated goodwill, along with accelerated amortisation for intangible assets deemed to be not in use. There was no impairment charge in the prior corresponding period.

Change in loss provision

In late 2017, Adbri became aware of certain financial discrepancies which related to transactions whereby it had been underpaid for products supplied. A further \$1.3 million in costs for this matter were incurred in FY22.

Corporate restructuring costs

One-off redundancies and corporate strategy costs of \$4.8 million were recognised in the period.

These relate to redundancies associated with the organisational restructure and various other strategic initiatives currently underway.

Acquisition costs/joint venture acquisition costs

During the year, acquisition costs related to the following acquisitions made directly by the Group and by the joint ventures, where the Group's interest is equity accounted for were incurred:

- acquisition of Zanows' Concrete & Quarries by the Group;
- acquisition of Milbrae by the Mawsons joint venture; and
- acquisition of Metro Quarries Group by the B&A Sands joint venture.

Directors' report continued

Dividends paid or declared by the Company

During the 2022 financial year, the following dividends were paid:

- A final ordinary dividend in respect of the year ended 31 December 2021 of 7.0 cents per share (fully franked) was paid on 11 April 2022. This dividend totalled \$45.7 million; and
- An interim dividend in respect of the year ended 31 December 2022 of 5.0 cents per share (fully franked) was paid on 5 October 2022. This dividend totalled \$32.6 million.

Since the end of the financial year, considering the capital required for the completion of the Kwinana Upgrade project, 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 details mitigation

Risk description	Risk scenario	Mitigation
Climate change – transition to a low-carbon economy	<p>Greenhouse gas (GHG) emissions are driving climate change and the potential impacts on the environment, economy, and communities, underpin international agreements such as the Paris Agreement, to accelerate the transition to a low carbon economy. A range of actions is being undertaken by governments, regulators, the corporate sector, and individuals.</p> <p>Governments are increasing efforts to meet their own carbon reduction targets, 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'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 GHG emissions. For this reason, clinker and lime manufacturing are considered hard-to-abate industrial processes.</p> <p>The transition to a low 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 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.</p> <p>Apart from the transition impacts, Adbri also has physical assets that could be impacted by more intense, acute weather events or slow onset events such as rising sea levels or changes to rainfall patterns.</p> <p>In addition, there is the potential that Adbri's actions or inactions may not meet stakeholder expectations resulting in regulatory action and/or fines and/or a drop in share price/class action.</p>	<p>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 low emissions technologies and evolving stakeholder expectations.</p> <p>We have invested in the innovative use of alternative fuels in our kilns to reduce the consumption of fossil fuels such as gas. We also use low carbon materials such as slag and fly ash (supplementary cementitious materials (SCMs)) to substitute for emissions-intensive clinker in our cement and as additions in concrete manufacturing.</p> <p>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.</p> <p>In May 2022, Adbri launched its Net Zero Emissions (NZE) Roadmap as part of its commitment to a low carbon future by 2050.</p> <p>Key short-term actions are for 50% kiln fuel to be sourced from alternative fuel in SA by 2024 and to increase use of SCMs nationally.</p> <p>For the longer term, there are three key parts to the roadmap: Reduce emissions through process and energy efficiency improvements, create new lower carbon products with increased use of SCMs and collaborate with key partners to realise emerging and breakthrough technology.</p>

Risk description	Risk scenario	Mitigation
<p>Environmental, Social and Governance (ESG) considerations</p>	<p>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.</p> <p>Adbri’s operational footprint and activities are often near residential areas and the general community.</p> <p>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.</p> <p>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.</p>	<p>Adbri is committed to meeting societal expectations with respect to modern slavery law, environmental and community matters and actively seeks to reduce or negate any negative impacts upon the community in which it operates.</p> <p>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.</p> <p>Priorities and key focus areas have been established by Adbri within its sustainability framework to drive action and mitigation of ESG risks including:</p> <ul style="list-style-type: none"> • Reducing any adverse environmental impacts • Developing low carbon products • Circular economy approach to use of refuse derived fuel replacing fossil fuels • Engaging our people and being an inclusive employer • Building strong relationships with local communities • Delivery of a Reconciliation Action Plan • Engaging with the finance and investment community <p>Maintaining sound practices to avoid financial related risks and delivering a return on invested capital for shareholders.</p>
<p>Macroeconomic conditions</p>	<p>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.</p>	<p>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.</p> <p>Adbri maintains long-term contracts with major customers as much as possible and raw material suppliers to minimise loss of business and earnings through market cycles.</p> <p>During 2022, Adbri completed the acquisition of Zanows Concrete & Quarries in South East Queensland. This acquisition is another example of progress to the Company’s vertical integration strategy.</p>

Directors' report continued

Risk details mitigation continued

Risk description	Risk scenario	Mitigation
<p>Competitive landscape/loss of customer</p>	<p>Australia, with its relatively open access to global participants, is a competitive market. Heightened competition combined with fluctuations in the macroeconomic environment can lead to product price volatility and impact upon the financial performance of the Group.</p> <p>There are also risks of increased competition by overseas suppliers directly entering local markets or customers moving to a self-supply model and importing themselves.</p> <p>There is also a risk that the Group is not able to achieve/maintain sufficient pricing to offset inflationary costs.</p>	<p>Through a focus on cost control and productivity improvement, the Group's production facilities are efficient and competitive. These facilities are supported by a distribution network throughout Australia, ensuring that Adbri can provide a competitive value offering to customers.</p> <p>The Group engages proactively with its customer base to ensure their operational needs are fully met.</p> <p>We continue to develop our product range to address the changing needs of our customers and the increased focus on delivering products with a greener environmental footprint.</p>
<p>Workforce attraction and retention</p>	<p>Inability to attract and retain a suitably skilled and diverse workforce is a risk to company performance in the conduct of its business.</p> <p>Demand for skilled labour may exceed supply giving rise to a shortage of labour and in turn lower production and/or sales</p> <p>Adbri may not meet its stakeholders' expectations in relation to the number of female or Indigenous employees or those seeking a better work life balance, putting more pressure on maintaining a workforce that will deliver Adbri's strategic initiatives and business plans.</p>	<p>Adbri has established a flexible work policy and guidelines for employees that can work from home to be able to do so.</p> <p>Investment has been made in a new recruitment and candidate management system to improve the process and capture identified talent.</p> <p>Gender balanced interview panels are encouraged and females and Indigenous candidates are included in short lists.</p>
<p>Regulatory compliance</p>	<p>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.</p> <p>Non-compliance or changes to regulatory requirements could lead to substantial penalties, cost impositions on operations and loss of licence to operate.</p>	<p>The Group employs a range of initiatives to meet or exceed regulatory compliance including:</p> <ul style="list-style-type: none"> • Employment of specialists to support operational staff in areas such as human resources, and health, safety, environment and sustainability; • The use of engineering solutions to improve operations; and • Regular training and competency testing of employees; <p>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.</p>
<p>Key equipment failure</p>	<p>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.</p>	<p>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.</p>

Risk description	Risk scenario	Mitigation
<p>Change of control</p>	<p>Adbri's major shareholder, the Barro Group, currently holds a beneficial interest in 43% of the Company's stock. The Barro Group can also increase their shareholding by 3% every 6 months, under the Corporations Law 'creep provisions'.</p> <p>As a substantial shareholder in Adbri, Barro currently holds three Adbri board positions.</p> <p>Adbri is at considerable risk of a change of control event, should the Barro Group choose to increase their shareholding to exceed 50%.</p> <p>A change in control could have material impacts on the business, including increased Directors' & Officers' insurance costs, and impacts to joint venture agreements, sales contracts, workers compensation self-insurance status and potential market disclosures.</p>	<p>The Board maintain strong governance protocols to ensure any conflicts of interest are managed appropriately. The Board seeks to maintain a majority of independent directors and seeks to ensure that board committee chair positions are held by independent directors.</p> <p>The Group's funding facilities specifically accommodate a change in control brought about by the Barro Group increasing its shareholding, ensuring that it will not constitute an event of default or review event requiring repayment. The Australian Competition and Consumer Commission (ACCC) has concluded that the Barro Group's 43% shareholding did not represent a substantial lessening of competition in the sector.</p>
<p>Serious injury or fatality</p>	<p>Adbri directly employs approximately 1,500 people and operates across approximately 150 locations, undertaking cement, lime, concrete and concrete product manufacturing, and distribution activities.</p> <p>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.</p> <p>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.</p>	<p>Adbri has a strong focus on safety. Continuous improvement and sustaining excellence in safety remain key priorities for the Group. Adbri's Safety Step Change program commenced in 2019 and introduced the Work Safe, Home Safe vision, in combination with critical risk management, lifesaving rules, the early intervention program (InitialCARE), safe transport initiatives and visible leadership each contributing to the ongoing reduction in our recordable injuries.</p> <p>Ongoing consultation, communication, and coordination with workers through HSE committees, business communications, HSE alerts, toolbox meetings, sharing 'what looks good' initiatives, incident notification and investigations are important routine actions to remind personnel of our Work Safe, Home Safe message and to take steps to prevent recurrences.</p> <p>Adbri's Site Pass, an online contractor licence verification and induction system, supports effective communication of Adbri's site safety issues and management to the Group's relevant stakeholders.</p> <p>The Group employs dedicated professionals in the field of health and safety to manage health and safety outcomes and to provide the Group's employees with adequate education and training with respect to health and safety matters in the workplace.</p> <p>Critical incident and crisis management procedures are formalised and rehearsed in case a serious event (safety related or otherwise) occurs to guide the Company in its response and management.</p> <p>The Group maintains workers' compensation insurance or a self-insured licence in each state and territory which provides financial protection to workers and the organisation against losses which may arise with respect to workplace injuries.</p> <p>The Group's health and safety policies and processes are routinely subject to internal and external audits.</p>

Directors' report continued

Risk details mitigation continued

Risk description	Risk scenario	Mitigation
Foreign currency	<p>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.</p>	<p>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 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.</p>
Production quality	<p>The Group's key products of cement, lime, concrete, aggregates, and masonry products are sold in accordance with relevant quality standards and customer specifications.</p> <p>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.</p> <p>Products that do not meet the relevant quality standard could result in end use customers being financially disadvantaged.</p>	<p>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.</p>
Cyber attack	<p>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.</p> <p>Potential loss of data or records, interruption to operations, adverse reputational impacts, and cost to respond to ransom requests.</p>	<p>Adbri has long-standing systems and procedures to safeguard security of its information. These controls are routinely reviewed and upgraded or reinforced as necessary to ensure their adequacy.</p> <p>Adbri further enhanced its security posture via investing in an external security operating centre to augment security systems, controls, and procedures to provide protection against both internal and external parties.</p> <p>Controls are regularly tested by internal and external audit.</p>
Energy pricing	<p>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.</p>	<p>The Group employs a portfolio approach to energy procurement, looking to diversify the sourcing risk at competitive prices. This portfolio approach has resulted in a mix of contracted arrangements for the supply of energy and spot purchases on gas trading markets.</p> <p>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.</p>

Risk description	Risk scenario	Mitigation
Access to capital	<p>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 tenors, it may be subjected to increased establishment and interest expenses.</p>	<p>Adbri adopts a conservative approach to capital management and seeks to maintain its investment grade like credit metrics, ensuring the balance sheet can withstand market shocks and retain the flexibility to fund capital projects and make investments which deliver earnings growth.</p> <p>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.</p> <p>As part of its pro-active capital management strategies, Adbri completed an augmentation and increased tenor of current bank debt facilities in December 2022. This has results in bank debt facilities of \$940 million and average maturity profile of 4.3 years at 31 December 2022.</p>
Interest rates	<p>The Group's debt portfolio is exposed to changes in interest rates, which may result in increased interest costs.</p> <p>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.</p>	<p>The Group manages exposure to interest rate risk through a formalised hedging program. A portion of the Group's drawn debt is hedged at fixed rates 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.</p> <p>Adbri's vertical integration strategy and balanced geographical and sector exposure mitigate any potential reduction in demand from the residential construction sector.</p>
Supply chain	<p>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.</p> <p>Adbri relies on imported product for both domestic processing and supply direct to its joint venture companies and other customers.</p> <p>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.</p> <p>To support continuity of supply, firm supply and freight contracts are in place.</p> <p>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.</p> <p>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.</p> <p>Linked to the current skills shortages arising from COVID-19 impacts and increasing demand in infrastructure and mining sectors, is increasing driver unavailability for distribution for goods resulting in potential supply chain disruption and increased costs.</p>	<p>Adbri has formal procurement and international shipping functions with resources expert in sourcing and supply chain risk management.</p> <p>If necessary, Adbri is able to purchase clinker, cement, and slag from their respective spot markets in lieu of contracted suppliers.</p> <p>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.</p> <p>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.</p>

Directors' report continued

Risk details mitigation continued

Risk description	Risk scenario	Mitigation
Trade credit	<p>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.</p> <p>Changes in macroeconomic conditions and customer specific issues impacting cash flows available to settle purchases factor into the level of risk associated with trade credit outstanding.</p>	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 balances outstanding.
Fraud, bribery, and corruption	<p>The Group operates in an environment that exposes it to the risk of loss from fraud, bribery, and corruption.</p> <p>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.</p>	<p>The Group's Code of Conduct outlines the key principles that governs the Company's behaviour and actions which make clear there is zero tolerance for practices considered as bribery, fraud, or corruption. Employees and contractors are required to adhere to this code as part of their ongoing employment.</p> <p>Process controls are periodically reviewed to incorporate enhanced fraud, bribery, and corruption prevention measures, which are tested through the internal audit program.</p>

State of affairs

Other than set out in the Chairman and Interim Chief Executive Officer's report, and the operating and financial review on pages 3 to 9 of this Annual report, no significant changes occurred in the state of affairs of the Group during the financial year.

Events subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Chairman and Interim Chief Executive Officer's report, and the operating and financial review on pages 3 to 9 of this Annual Report refer to likely developments in Adbri's operations in future financial years and the expected results of those operations.

Environmental performance

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

Environmental performance is monitored by site and business division, and information about the Group's performance is reported to and reviewed by the Group's senior management, the Board's Safety, Health, Environment and 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 2022, 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.

Cockburn Cement Limited

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

On 29 July 2020, DWER commenced a prosecution against Cockburn Cement which charged Cockburn Cement with 15 charges pursuant to s49(5) of the Act of causing an unreasonable emission (odour) from Cockburn Cement's operations at Munster, Western Australia. Cockburn Cement asserts that it operates within applicable requirements, denied the charges and has entered a plea of not guilty to each charge.

The trial was held from 25 July 2022 to 12 August 2022. Shortly before the trial commenced the prosecution dropped two of the fifteen charges. Judgment was delivered on 2 December 2022. Of the remaining thirteen charges, Cockburn Cement was found not guilty of seven charges, and guilty of six charges. The sentencing hearing for the six charges where a guilty verdict was entered, is listed on 2 March 2023. Any appeal against the guilty verdicts will be further considered after the sentencing hearing.

On 22 March 2021, DWER notified Cockburn Cement about a further investigation. On 24 January 2022, Cockburn Cement received a second 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. Cockburn Cement asserts that it operates within applicable requirements, denies the charges and has entered a plea of not guilty to each charge. This prosecution has not been listed for trial as the prosecution has not yet completed provision of disclosure.

All charges will be determined by the Courts of Western Australia.

Cockburn Cement maintains that it operates within applicable requirements and confirms that it has not received any notice alleging breach of its operating licence conditions.

Further information about the Group's environmental performance is set out in the 2022 Sustainability Report which can be found on the Adbri website.

Director profiles

<p>Raymond Barro BBus, CPA, FGIA, FCIS Chairman</p>	<p>Raymond was appointed Chairman in May 2019.</p> <p>He has over 30 years' experience in the premixed concrete and construction materials industry.</p> <p>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.</p> <p>Raymond is a Fellow of the Governance Institute of Australia.</p> <p>Board member since August 2008</p> <p>Member Safety, Health, Environment and Sustainability Committee</p>
<p>Dr Vanessa Guthrie AO PhD, BSc (Hons), FAICD, FTSE Deputy Chair and Lead Independent Director</p>	<p>Vanessa is a highly experienced Non-executive Director who has worked in mining and resources for 30 years.</p> <p>Her career includes multiple leadership roles across operations and sustainability, including environment, community, Indigenous affairs, corporate development and sustainability.</p> <p>Vanessa's understanding of the resources sector and its operational environment is underpinned by qualifications in geology, environment, law and business management. She was awarded an Honorary Doctor of Science from Curtin University in 2017 for her contribution to sustainability, innovation and policy leadership in the resources industry and was awarded an Officer of the Order (AO) in 2021.</p> <p>Vanessa is a Fellow of the Australian Academy of Technological Sciences and Engineering and Australian Institute of Company Directors, former Chair of the Minerals Council of Australia, and actively promotes gender diversity in the resources sector.</p> <p>Board member since February 2018</p> <p>Chair People and Culture Committee; Nomination and Governance Committee</p> <p>Member Safety, Health, Environment and Sustainability Committee</p> <p>Current Directorships Santos Limited (Appointed July 2017) Lynas Rare Earths Limited (Appointed October 2020) Orica Limited (Appointed February 2023) Tronox Holdings Plc (Appointed February 2019)</p> <p>Former Directorships Vimy Resources Limited (Appointed October 2017, ceased November 2018)</p>

Directors' report continued

Director profiles continued

<p>Rhonda Barro Non-executive Director</p>	<p>Rhonda has over 45 years of extensive experience in the construction materials industry.</p> <p>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 material sector.</p> <p>She has held numerous leadership roles in community organisations and is a Fellow of the Williamson Community Leadership Program.</p> <p>Board Member since May 2019</p> <p>Member People and Culture Committee</p>
<p>Samantha Hogg BComm, MAICD Independent Non-executive Director</p>	<p>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.</p> <p>She has held senior executive positions at Western Mining Company across a broad range of portfolios including finance, strategic projects, marketing and corporate services.</p> <p>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.</p> <p>Board member since March 2022</p> <p>Member Audit, Risk and Compliance Committee</p> <p>Current Directorships Cleanaway Waste Management Limited (Appointed November 2019) IGO Limited (Appointed January 2023)</p> <p>Former Directorships DeGrey Mining Limited (Appointed January 2022, ceased October 2022)</p>
<p>Dean Jenkins BE (Aero) Hons, GAICD Independent Non-executive Director</p>	<p>Dean has over 25 years' experience in the transport, manufacturing, engineering, energy and resources sectors both domestically and overseas.</p> <p>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.</p> <p>His commercial management capability and experience in strategy, manufacturing and mineral processing markets brings valuable experience to his directorship.</p> <p>Board member since August 2022</p>

<p>Emma Stein BSc (Physics Hons), MBA, FUWS, FAICD Independent Non-executive Director</p>	<p>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 & building materials sectors.</p> <p>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.</p> <p>She is particularly experienced balancing ESG perspective with profitable outcomes, including finding optimum decarbonisation pathways for hard-to-abate industries and companies moving away from their traditional energy domains.</p> <p>Board member since October 2019</p> <p>Chair Audit, Risk and Compliance Committee</p> <p>Member People and Culture Committee, Nomination and Governance Committee</p> <p>Current Directorships Worley Limited (Appointed December 2020)</p> <p>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)</p>
<p>Geoff Tarrant BBus Non-executive Director</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Board member since February 2018</p> <p>Member Audit, Risk and Compliance Committee</p>
<p>Michael Wright B Eng (Civil), Master Eng Science, Harvard AMP Independent Non-executive Director</p>	<p>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.</p> <p>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.</p> <p>His extensive industry expertise, skillset and focus on safety and sustainability complement the mix of experience, skills, and knowledge of other Adbri Board members.</p> <p>Board member since June 2021</p> <p>Chair Safety, Health, Environment and Sustainability Committee</p> <p>Member People and Culture Committee, Nomination and Governance Committee.</p> <p>Former Directorships Cimic Group Limited (Appointed December 2017, ceased February 2020)</p>

Directors' report continued

Directors' meetings

The number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director is as follows:

Director	Board meetings		Audit, Risk & Compliance Committee		People & Culture Committee		Safety, Health, Environment & Sustainability Committee		Nominations & Governance Committee	
	A	H	A	H	A	H	A	H	A	H
RD Barro	21	21	-	-	-	-	4	4	-	-
Dr VA Guthrie AO	21	21	-	-	5	5	4	4	2	2
RR Barro ¹	20	21	-	-	5	5	-	-	-	-
SL Hogg ²	18	18	5	5	-	-	-	-	-	-
DS Jenkins ³	10	10	-	-	-	-	-	-	-	-
ND Miller ⁴	14	16	-	-	-	-	3	3	-	-
KB Scott-Mackenzie ⁵	7	7	3	3	-	-	2	2	2	2
ER Stein	21	21	8	8	5	5	-	-	2	2
GR Tarrant ⁶	18	21	8	8	-	-	-	-	-	-
MJM Wright	21	21	-	-	5	5	4	4	2	2

A Number of meetings attended.

H Number of meetings held during period of office.

1. Ms Barro was unable to attend one Board meeting convened at short notice due to personal reasons.

2. Ms Hogg was appointed to the Board on 29 March 2022, she was also appointed to the Audit, Risk and Compliance Committee on 18 May 2022.

3. Mr Jenkins was appointed to the Board on 23 August 2022.

4. Mr Miller resigned effective as at 27 October 2022.

5. Mr Scott-Mackenzie retired as a Director on 19 May 2022 and subsequently ceased being a member of the Audit, Risk and Compliance Committee and the Safety, Health, Environment and Sustainability Committee.

6. Mr Tarrant was unable to attend three Board meetings scheduled at late notice due to personal reasons.

Directors' interests

	Ordinary shares
RD Barro	279,178,329
VA Guthrie	105,000
RR Barro	278,787,781
SL Hogg	-
DS Jenkins	28,000
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 27 to 47.

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 27 to 47.

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.

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 2022 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 2022 to 30 April 2023. Due to confidentiality obligations under that policy, the premium payable and further details in respect of the nature of the liabilities insured against cannot be disclosed.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and the Group are important.

Details of the amounts paid or payable to the Company's previous auditors PricewaterhouseCoopers, or the Company's current auditors Deloitte Touche Tohmatsu for audit and non-audit services provided during the year are set out in Note 32 to the Financial Statements on page 103 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 32, 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.

Directors' report continued

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 105.

Rounding off

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

Shares under option

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

Date awards granted	Expiry date	Number of awards
1 January 2019	30 September 2023	481,086
1 January 2020	30 September 2024	869,476
1 January 2021	30 September 2025	993,652
1 January 2022	30 September 2026	1,023,723
1 January 2022	31 July 2025	470,080
Total		3,838,017

The exercise price for these Awards is nil. Further details of Awards are set out in Note 28 and the Remuneration report.

Registered office

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

Corporate governance statement

The corporate governance statement is available on the Adbri Limited website and may be accessed via the following:
<https://www.adbri.com.au/who-we-are/corporate-governance/>

Signed in accordance with a resolution of the Directors.



Raymond Barro

Chairman

Dated: 28 February 2023

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 2022 Remuneration Report.

Executive KMP movements in 2022

In 2022, the Board considered a change in leadership would be appropriate in light of the Group's ongoing growth and strategic priorities.

In October 2022, Nick Miller ceased as the Company's Managing Director (MD) and left the role of Chief Executive Officer (CEO). Nick's contribution, particularly his leadership on safety and managing the Company through the challenges presented by COVID-19, were instrumental to the Group's performance during that time. In addition, Theresa Mlikota, the Company's Chief Financial Officer (CFO), resigned from Adbri in November 2022. Details of the remuneration arrangements for Nick and Theresa for 2022 are outlined in Section 7.

Since that time, Mark Irwin has been leading the Company as Interim CEO, supported by Peter Barker as Interim CFO. Mark and Peter are focused on driving commercial performance to improve margins, offsetting cost pressures, and delivering on cost reduction and operational efficiency initiatives that support returns for Adbri's shareholders. Details of their remuneration arrangements for 2022 are also outlined in Section 7.

The Board's recruitment process for a permanent CEO and CFO is well underway. It is intended that Mark Irwin will continue as Interim CEO for the time being to continue the transformational agenda that stabilises and improves the Company performance.

Company performance

Supported by continued demand for our products, Adbri recorded revenue growth of 8.4% for the financial year ended 31 December 2022. The top line result was achieved despite significant operational challenges associated with inflationary pressures, wet weather events, and shortages of materials and labour which together impacted the full year profit result. Adbri reported an underlying net profit after tax excluding property and significant items (NPAT) of \$77.7 million for 2022. The Group continued to focus on operational and sustainability performance in 2022 and maintaining a strong link to our customers and end markets. The Group's Net Zero Emissions Roadmap was released in May 2022, with several sustainability initiatives progressed during the year.

Remuneration in 2022

Executive KMP fixed remuneration

Executive KMP remuneration is reviewed on an annual basis with reference to the Group's remuneration policy and market competitiveness. A modest average increase of around 3% was made to Executive KMP Fixed Annual Remuneration (FAR) in 2022, in recognition of the competitive and challenging employment market and to align with market remuneration levels and reported CPI increase.

Short-Term Incentive (STI) outcomes

Following feedback from investors and considering recent trends in remuneration frameworks in 2021, the weighting of financial and non-financial performance measures for the 2022 STI were revised to 70% and 30% weighting respectively (as compared to 80% financial and 20% non-financial in prior years). The Board considers this change appropriate to support a stronger Executive KMP focus on the delivery of the Group's strategic, sustainability and inclusivity initiatives.

The Group's financial targets for 2022 were set in late 2021, with STI targets set slightly above industry growth forecasts to challenge the team to improve performance across the business. In 2022, the non-financial STI performance conditions for Executive KMP were also revised, with the intention of increasing Executive KMP focus on the strategic business priorities of safety, inclusivity and sustainability.

In assessing financial performance for the STI, the Board reviews all significant items, both positive and negative, and considers whether it is appropriate to adjust for their impact on STI outcomes. The Board's overall assessment of performance resulted in vesting of 11–23% of the potential maximum STI for all Executive KMP, including the former Managing Director and CEO.

Remuneration report continued

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 2022, the 2018 LTI Awards were tested for both the Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance conditions. Results against both performance conditions failed to meet the threshold for vesting, and as a result, all Awards lapsed, without any vesting to Executive KMPs. No Board discretion was applied given the lack of growth in the share price over the full performance period.

MD Performance Award

In 2022, shareholders approved the grant of the MD Performance Award, being a one-off grant to the former Managing Director and CEO to incentivise the delivery of strategic growth over 2022 to 2024.

Four performance conditions were set with annual targets that would be tested following the end of each financial year in the performance period. 20% of the MD Performance Award will be tested against the 2022 performance targets during 2023, in line with testing of long-term incentives under the LTI Plan. As the former Managing Director and CEO will cease employment in October 2023, a portion of the MD Performance Award will remain on-foot for performance testing at the end of the performance period. Further details are set out in later sections.

Non-executive Director fees

Fees for the Chairman and Non-executive Directors are reviewed annually to maintain market relativity with peer companies and to ensure the continued attraction and retention of high calibre Directors. Following the 2021 review, a 2.2% increase was applied to the base and committee fees for Non-executive Directors during 2022.

Conclusion

Remuneration structures are designed to align employee outcomes with the shareholder experience over the long-term. In 2022, while our Executive Team worked hard to improve Company performance under challenging headwinds, most of the STI and LTI targets were not achieved. While this is a disappointing result, the Board recognises that our remuneration framework and decisions must reflect Company performance and consider the perspectives of our stakeholders, ensuring that the Company is appropriately resourced to deliver value to our shareholders.

The Board remains committed to responding to the challenges of the changing employment environment and maintaining a remuneration framework that incentivises our executives to stretch for outstanding performance.

Thank you for your interest in our Remuneration Report.



Dr Vanessa Guthrie AO

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 2022. 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.

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			
Nick Miller ¹	Managing Director and Chief Executive Officer <i>(referred to as 'former Managing Director and CEO' in this Report)</i>	Part year	Ceased 27 October 2022
Mark Irwin	Interim Chief Executive Officer	Part year	Appointed 18 October 2022
Theresa Mlikota ²	Chief Financial Officer <i>(referred to as 'former CFO' in this Report)</i>	Part year	Ceased 11 November 2022
Peter Barker	Interim Chief Financial Officer	Part year	Appointed 7 November 2022
Brett Brown	Chief Operating Officer – Cement and Lime	Full year	
Andrew Dell	Chief Operating Officer – Concrete, Aggregates & Masonry	Full year	
Non-executive Directors			
Raymond Barro	Chairman	Full year	
Dr Vanessa Guthrie AO	Deputy Chair and Lead Independent Director	Full year	
Rhonda Barro	Non-executive Director	Full year	
Samantha Hogg	Independent Non-executive Director	Part year	Appointed 29 March 2022
Dean Jenkins	Independent Non-executive Director	Part year	Appointed 23 August 2022
Ken Scott-Mackenzie	Independent Non-executive Director	Part year	Ceased 19 May 2022
Emma Stein	Independent Non-executive Director	Full year	
Geoff Tarrant	Non-executive Director	Full year	
Michael Wright	Independent Non-executive Director	Full year	

- Mr. Miller ceased active duties as Managing Director and Chief Executive Officer on 17 October 2022. He resigned from the Board on 27 October 2022 and ceased as Executive KMP on this date. Mr. Miller's notice period ends on 15 October 2023, at which time he will formally cease employment with Adbri. Details of Mr. Miller's remuneration arrangements, including the treatment on cessation of employment in late 2023, are set out in later sections of the Report.
- Ms. Mlikota resigned and ceased active duties as Chief Financial Officer on 11 November 2022. She also ceased as Executive KMP on this date. Ms. Mlikota's notice period ends on 2 May 2023, at which time she will formally cease employment with Adbri. Details of Ms. Mlikota's remuneration arrangements, including the treatment on cessation of employment in mid-2023, are set out in later sections of the Report.

Remuneration report continued

2 Remuneration governance

The governance of remuneration outcomes is a key focus of the Board and the People and Culture (P&C) Committee. Remuneration policies are regularly reviewed to ensure that remuneration for 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		
<p>Board</p> <p>The Board reviews and approves:</p> <ul style="list-style-type: none"> • The overall remuneration policy; • Non-executive Director remuneration; • The remuneration of the Managing Director and CEO, including the Managing Director and CEO's participation in the short-term and long-term incentive schemes; • Recommendations from the Managing Director and CEO on remuneration for Executive KMP (other than the Managing Director and 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. 	<p>P&C Committee</p> <p>The P&C Committee review and make recommendations to the Board on:</p> <ul style="list-style-type: none"> • The remuneration policies and framework for the Group; • Non-executive Director remuneration; and • Executive KMP incentive arrangements including setting targets and assessing performance. 	<p>Management</p> <p>Provides information relevant to remuneration decisions and makes recommendations to the P&C Committee.</p> <p>Obtains remuneration information from external advisors to assist the P&C Committee (i.e., factual information, legal advice, accounting advice and tax advice).</p>
<p>Consultation with shareholders and other stakeholders</p>	<p>Remuneration consultants and other external advisors</p> <ul style="list-style-type: none"> • 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, enabling the organisation to strategically foster the 'One Adbri' culture of transformation, growth and delivery.
Shareholder alignment	Market competitive	Transparent
Encourage sustainable long-term growth and value aligned to the interests of shareholders.	Salary with benefits appropriately assessed and positioned against key national markets and peer comparator companies.	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 28 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Performance is assessed against a balanced scorecard, comprising financial and non-financial performance measures. Financial performance measures are set with reference to market conditions, relevant industry performance, exchange rates and associated costs. 	<ul style="list-style-type: none"> Seeks to align Executive KMP remuneration with the company's strategic direction, thereby creating long-term shareholder value.

Remuneration report continued

3 Executive KMP remuneration policy and framework continued

3.2 Total remuneration framework continued

3.2.1 Remuneration structure

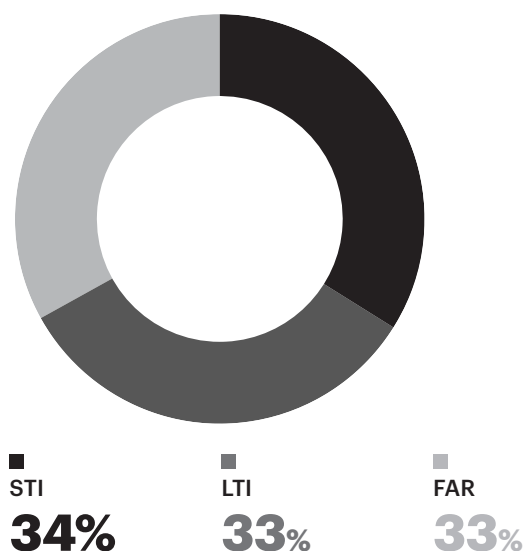
The following diagram sets out the remuneration structure and timing for delivery for Executive KMP.

		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)			

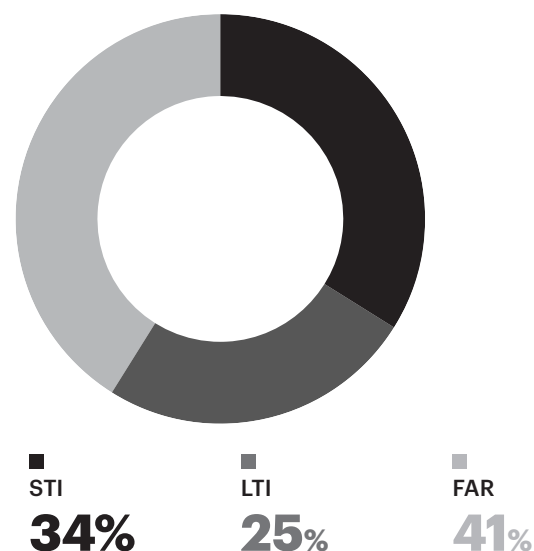
3.2.2 Remuneration mix

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

Managing Director and CEO¹



Other Executive KMP¹



1. The Managing Director and CEO Performance Award made to the former Managing Director and CEO in 2021 has not been included in the remuneration mix on the basis it is a one-off grant and is not intended to form part of Adbri's ongoing remuneration framework.

4 2022 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.

In late 2022, Mark Irwin and Peter Barker were appointed to the interim CEO and CFO roles, following changes to the Group Executive team. Details of their 2022 remuneration are in Section 7 of this Report.

An average increase of around 3% was made for Executive KMP in 2022. Following the 2022 annual remuneration review, no increases to FAR will be made for Executive KMP in 2023.

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 2022 STI is as follows:

Feature	Description
General	
Eligibility	The Managing Director and CEO and other Executive KMP who are able to have a direct impact on the Group's performance against the relevant performance hurdles.
Opportunity	Managing Director and CEO: 100% of FAR. Other Executive KMP: 80% of FAR.
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	<p>The STI is assessed against a mix of financial (70%), strategy and sustainability measures (30%) and is subject to a safety gateway.</p> <p>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.</p> <p>In approving financial targets under the STI, the Board considers a number of factors, including the industry in which we operate and the extraneous factors 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.</p> <p>Strategy and 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.</p> <p>Stretch targets provide incentives beyond budget to enhance shareholder returns.</p> <p>All performance conditions are set by the Board.</p> <p>Performance conditions and weightings.</p>

Remuneration report continued

4 2022 Executive KMP remuneration approach continued

4.2 Short-Term Incentive continued

Overview continued	The weightings of financial and strategy and sustainability performance conditions vary by role, as outlined below.			
			Group Executive KMP	Divisional Executive KMP
		Performance condition		
	Financial (70%)	Group underlying net profit after tax (NPAT)	50%	30%
		Divisional earnings before interest and tax (EBIT)	N/A	20%
		Group free cash flow	10%	10-20%
		Kwinana Project – strategic growth (select Executive KMP only)	10%	0-10%
	Strategy and Sustainability (30%)	Safety	10%	10%
		Inclusivity	10%	10%
		Sustainable Growth	10%	10%
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 2022 STI performance conditions.				
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.			
		Strategy and sustainability target achieved	STI % for strategy and sustainability target	
		At threshold	80%	
		Between threshold and target	Pro rata	
	At target	100%		
	Stretch	120%		

<p>Timing of the award</p>	<p>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.</p> <p>The cash component is paid following the release of the Company's full year results in February. The remainder of the award (the Deferred Rights) is made available as reasonably practicable after the announcement of the Company's full year result based on the 10-day VWAP following release of the Company's annual results.</p> <p>Deferred rights – disposal restrictions and dividends</p> <p>Deferred Rights awarded as part of the 2022 STI are divided into two equal tranches:</p> <ul style="list-style-type: none"> • The Deferred Rights in Tranche 1 and the shares acquired on their exercise may not be sold or otherwise disposed of until after 31 December 2024 (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 2025 (three-year disposal restriction). <p>No dividends (or voting rights) are received on the Deferred Rights during the disposal restriction period.</p> <p>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.</p>
<p>Governance</p>	
<p>Board discretion</p>	<p>The Board has absolute discretion in relation to assessing performance and determining the amount, if any, of STI awards.</p>
<p>Clawback</p>	<p>The STI Plan Rules provide the Board with a broad ability to clawback awards if considered appropriate.</p> <p>In addition to the STI Plan Rules, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.</p>
<p>Cessation of employment or a change of control</p>	
<p>Cessation of employment</p>	<p>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.</p> <p>The Board retains discretion to determine a different treatment.</p>
<p>Change of control</p>	<p>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.</p> <p>The Board retains discretion to determine a different treatment.</p>

Remuneration report continued

4 2022 Executive KMP remuneration approach continued

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 2022 LTI are as follows:

Feature	Description																																			
General																																				
Eligibility	The LTI is offered to Executives KMP whose behaviour and performance have a direct impact on the Group's long-term performance.																																			
Opportunity	Managing Director and CEO: 100% of FAR. Other Executive KMP: 50% – 70% of FAR.																																			
Vehicle	Rights to receive fully paid ordinary shares in Adbri (Awards).																																			
Performance conditions, vesting and exercise																																				
Performance conditions and weightings	<p>Awards will only vest to the extent the following performance conditions are met over the four-year period from 1 January 2022 to 31 December 2025:</p> <ul style="list-style-type: none"> • Total Shareholder Return (TSR) – 50% weighting; • Earnings Per Share (EPS) – 25% weighting; and • Return on Capital Employed (ROCE) – 25% weighting. <p>The 2022 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 2022 LTI vests.</p> <table border="1"> <thead> <tr> <th>Condition</th> <th>Detail and vesting schedule</th> </tr> </thead> <tbody> <tr> <td>TSR (50% weighting)</td> <td> <p>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.</p> <p>TSR has been chosen because it provides a link between Executive KMP remuneration and changes in value experienced.</p> <p>The peer group for the TSR performance condition is composed of the following companies:</p> <table border="1"> <tbody> <tr> <td>Boral Limited</td> <td>Iluka Resources Limited</td> <td>Orica Limited</td> </tr> <tr> <td>Brickworks Limited</td> <td>Incitec Pivot Limited</td> <td>Orora Limited</td> </tr> <tr> <td>CSR Limited</td> <td>James Hardie Industries plc</td> <td>Oz Minerals Limited</td> </tr> <tr> <td>Downer EDI Limited</td> <td>Lendlease Group</td> <td>Regis Resources Limited</td> </tr> <tr> <td>Evolution Mining Limited</td> <td>Mineral Resources Limited</td> <td>Reliance Worldwide Corporation Ltd</td> </tr> <tr> <td>Fletcher Building Limited</td> <td>Northern Star Resources Limited</td> <td>Sims Metal Management Limited</td> </tr> <tr> <td>IGO Limited</td> <td>Nufarm Limited</td> <td>St Barbara Limited</td> </tr> </tbody> </table> <p>TSR growth will be measured using average share price over the three months ending 31 December 2021 and 31 December 2025 respectively</p> <table border="1"> <thead> <tr> <th>TSR rank in bespoke peer group</th> <th>Awards subject to TSR condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> <tr> <td>Equal to 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Pro-rata between 50% and 100%</td> </tr> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> </tbody> </table> </td> </tr> </tbody> </table>	Condition	Detail and vesting schedule	TSR (50% weighting)	<p>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.</p> <p>TSR has been chosen because it provides a link between Executive KMP remuneration and changes in value experienced.</p> <p>The peer group for the TSR performance condition is composed of the following companies:</p> <table border="1"> <tbody> <tr> <td>Boral Limited</td> <td>Iluka Resources Limited</td> <td>Orica Limited</td> </tr> <tr> <td>Brickworks Limited</td> <td>Incitec Pivot Limited</td> <td>Orora Limited</td> </tr> <tr> <td>CSR Limited</td> <td>James Hardie Industries plc</td> <td>Oz Minerals Limited</td> </tr> <tr> <td>Downer EDI Limited</td> <td>Lendlease Group</td> <td>Regis Resources Limited</td> </tr> <tr> <td>Evolution Mining Limited</td> <td>Mineral Resources Limited</td> <td>Reliance Worldwide Corporation Ltd</td> </tr> <tr> <td>Fletcher Building Limited</td> <td>Northern Star Resources Limited</td> <td>Sims Metal Management Limited</td> </tr> <tr> <td>IGO Limited</td> <td>Nufarm Limited</td> <td>St Barbara Limited</td> </tr> </tbody> </table> <p>TSR growth will be measured using average share price over the three months ending 31 December 2021 and 31 December 2025 respectively</p> <table border="1"> <thead> <tr> <th>TSR rank in bespoke peer group</th> <th>Awards subject to TSR condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> <tr> <td>Equal to 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Pro-rata between 50% and 100%</td> </tr> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> </tbody> </table>	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 Metal Management Limited	IGO Limited	Nufarm Limited	St Barbara Limited	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%
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<p>EPS (25% weighting)</p>	<p>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 2022 (as the EPS 'base point') and the financial year ended 31 December 2025. The Board retains discretion to adjust earnings across the performance period for individually material items.</p> <p>EPS has been chosen because dividends form a fundamental value proposition to shareholders in the sector in which Adbri operates.</p> <table border="1" data-bbox="408 539 1505 757"> <thead> <tr> <th data-bbox="408 539 954 573">EPS</th> <th data-bbox="954 539 1505 573">Awards subject to EPS condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="408 573 954 607">Less than 5%</td> <td data-bbox="954 573 1505 607">0%</td> </tr> <tr> <td data-bbox="408 607 954 640">At 5%</td> <td data-bbox="954 607 1505 640">50%</td> </tr> <tr> <td data-bbox="408 640 954 674">Between 5% to 10%</td> <td data-bbox="954 640 1505 674">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="408 674 954 757">At 10% or greater</td> <td data-bbox="954 674 1505 757">100%</td> </tr> </tbody> </table>	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%
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<p>ROCE (25% weighting)</p>	<p>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.</p> <p>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.</p> <p>ROCE has been chosen to ensure that near term decision making delivers benefits to shareholders over the longer term.</p> <table border="1" data-bbox="408 981 1505 1279"> <thead> <tr> <th data-bbox="408 981 954 1014">ROCE</th> <th data-bbox="954 981 1505 1014">Awards subject to ROCE condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="408 1014 954 1088">More than 0.5% p.a. below average of annual budget ROCE</td> <td data-bbox="954 1014 1505 1088">0%</td> </tr> <tr> <td data-bbox="408 1088 954 1122">0.5% p.a. below the average annual budget ROCE</td> <td data-bbox="954 1088 1505 1122">50%</td> </tr> <tr> <td data-bbox="408 1122 954 1196">Between 0.5% p.a. below and 0.5% p.a. above the average annual budget ROCE</td> <td data-bbox="954 1122 1505 1196">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="408 1196 954 1279">Above 0.5% p.a. or higher than the average of annual budget ROCE</td> <td data-bbox="954 1196 1505 1279">100%</td> </tr> </tbody> </table> <p>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.</p>	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. below 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%
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Above 0.5% p.a. or higher than the average of annual budget ROCE	100%										
<p>Exercise of Awards</p>	<p>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.</p> <p>Awards are granted at no cost to Executive KMP and no amount is payable by Executive KMP on the exercise of the Awards.</p>										
<p>Holding period</p>	<p>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 holding period will apply to Shares allocated upon vesting of Awards, commencing from the date of allocation to 1 May 2027.</p>										

Remuneration report continued

4 2022 Executive KMP remuneration approach continued

4.3 Long-Term Incentive continued

Governance	
Clawback	<p>The rules of the Plan provide the Board with the ability to clawback Awards or Shares if considered appropriate.</p> <p>In addition to the rules of the Plan, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.</p>
Other conditions	<p>An Executive KMP's entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues.</p> <p>The rules of the Plan contain a restriction on removing the 'at risk' aspect of the instruments granted to 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).</p> <p>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 2022 LTI, or any of the other Awards.</p> <p>Any Shares allocated to the 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.</p>
Cessation of employment or a change of control	
Cessation	<p>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.</p> <p>The Board retains discretion to determine a different treatment.</p>
Change of control	<p>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.</p> <p>The Board retains discretion to determine a different treatment.</p>

5 Linking Executive KMP remuneration to company performance

5.1 Company performance

The Group delivered underlying NPAT excluding property profits and significant items of \$77.7 million for the year ended 31 December 2022, 31.2% lower than the prior year, and a reported NPAT of \$102.6 million, 12.1% lower than the prior period. This was delivered in an environment of inflationary pressures and wet weather. Revenue grew by 8.4% year-on-year to \$1.7 billion, mainly attributed to price growth during the year.

During the year, the Company advanced a number of initiatives as part of our transformational agenda to deliver improved performance. These included:

- Completion of the Zanows acquisition, extending our vertically integrated footprint and network in South East Queensland;
- Launch of Net Zero Emissions Roadmap, including new medium-term 2030 targets;
- Birkenhead Type General Purpose (GP) cement verified as the lowest embodied carbon of any currently known Type GP cement in Australia (Adbri's Cement Environmental Product Declaration as at 18 November 2022).
- Cash sale proceeds of property, plant and equipment \$96.8 million.
- Quicklime supply agreement with Alcoa extended until October 2024 announced post year end.

The free cash flow performance condition for the 2022 STI was not met. Net debt increased to \$576.4 million at 31 December, representing a leverage ratio¹ of 2.0 times underlying EBITDA². This is at the higher end of the Company's preferred band of 1 – 2 times EBITDA, as anticipated during the construction of the Kwinana Upgrade project.

Since the end of the financial year, considering the capital required for the completion of the Kwinana Upgrade project, the Board has decided not to declare a final dividend for the year. Total dividend for the year is 5.0 cents per share.

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

	2018	2019	2020	2021	2022	CAGR%
Sales (\$m)	1,630.6	1,517.0	1,454.2	1,569.2	1,700.3	1.05
NPAT reported attributable to members (\$m)	185.3	47.3	93.7	116.7	102.6	(13.7)
NPAT underlying attributable to members (\$m)	191.0	123.0	115.6	119.1	118.0	(11.3)
NPAT underlying excluding property attributable to members (\$m)	190.1	123.0	114.9	113.0	77.7	(20.0)
Share price (\$/share)	4.27	3.46	3.35	2.82	1.66	(21.0)
Dividends declared (cents/share)	28.0	5.0	12.0	12.5	5.0	(35.0)
Franking (%)	100.0	100.0	100.0	100.0	100.0	n/a
Operating cash flow (\$m)	244.7	193.2	256.2	195.2	166.4	(9.2)
Basic earnings per share (cents)	28.5	7.3	14.4	17.9	15.7	(14.0)

1. Leverage ratio – net debt/rolling 12 month underlying EBITDA (includes property profits and excludes significant items). Net debt is calculated as total borrowings, inclusive of capitalised borrowing costs, less cash and cash equivalents and excludes lease liabilities.

2. Underlying measures include property profits and exclude significant items.

Remuneration report continued

5 Linking Executive KMP remuneration to company performance continued

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 Managing Director and CEO and the other Executive KMP, the Board considers performance against the agreed strategy and sustainability targets.

Performance condition	Reason chosen	Performance assessment	Vesting outcome
Financial performance – 70% weighting			
Group NPAT	NPAT is used as the primary condition for measuring Group financial performance as it closely reflects shareholder experience.	Group underlying NPAT was below the STI target.	0%
Divisional EBIT	The Chief Operating Officers of the operational divisions have a component of the STI attributed to the contribution of their division, which is assessed using EBIT.	The Cement and Lime division successfully met the STI performance target, whereas the Concrete, Aggregates and Masonry division did not meet the STI performance criteria.	0%–59.5%
Group free cash flow	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 was below the STI target.	0%
Kwinana Project (Managing Director and CEO, CFO and COO, Cement & Lime only)	Significant investment has been made in the Kwinana Project, and delivery of the Kwinana Project is crucial to Adbri's future cement production.	Delivery of the Kwinana Project did not meet the target budget and timelines.	0%
Non-financial performance – 30% weighting			
Safety Drive improvements in safety from December 2021	The health and safety of our people is our number one priority. In addition, a Visual Leadership metric applies to the 2022 STI. Executive KMP are required to complete and document Visual Leadership walks throughout the year.	Significant improvements have been made in our lead indicator areas, however the 10% improvement in Total Recordable Injury Frequency Rate (TRIFR) required was not met, with TRIFR increasing to 7.9 in 2022.	0%
Inclusivity Increase female participation in the workforce	To support the achievement of the Company's long-term targets with respect to female participation in the workforce.	Our aspirational 2022 target of 18.5% female participation rate has not been met. 2022 proved to be a challenging and unprecedented labour market of high turnover and talent shortages. Importantly, we have continued to enhance our recruitment drives and employee benefits to attract and retain talent.	0%

Performance condition	Reason chosen	Performance assessment	Vesting outcome
Sustainable growth (Birkenhead) Driving better value at Birkenhead through increased use of RDF and cost savings	A focus area for our operational teams is driving value for shareholders through lower cost operations through a benchmarking study at our major cement facility in Birkenhead, South Australia. In addition, Adbri aims to reduce adverse environmental impacts by using SCMs as an alternative to emissions-heavy Portland clinker.	STI targets were set with respect to the levels of RDF usage, and cost per tonne improvement initiatives identified. The stretch target of 40% RDF usage was met during the year. STI measures were also set with respect to carbon reduction targets, with the stretch target of 22% being met during 2022. Commitment to net zero by 2050 commenced formally with the release of our Net Zero Emissions Roadmap in 2022.	120%
Sustainable growth (supplementary cementitious materials – SCMs) Enhance sustainability through increased use of SCMs			120%

5.2.2 2022 STI outcomes

In 2022, only the Cement and Lime division met their earnings target. Accordingly, STI outcomes have been adjusted to reflect imperfect operational performance and are aligned to our shareholder experience, while still being reflective of the Executive KMP's contributions in 2022.

The Board's assessment, taking into account achievement of STI measures, moderating factors, and Company performance throughout 2022, set the STI outcome at 11–23% of the potential maximum STI for Executive KMP.

The table below summarises the STI outcomes for Executive KMP for 2022. The Interim CEO and CFO were not eligible to participate in the 2022 STI.

Executive	Maximum STI opportunity ¹ %	Actual STI as % of STI maximum %	Lapsed STI %	ACTUAL STI PAID IN THE FORM OF			
				Actual STI total \$	Cash STI \$	Equity deferred (2 years) \$	Equity deferred (3 years) \$
Current							
Brett Brown	471,658	23	77	106,301	53,150	26,575	26,576
Andrew Dell	469,368	11	89	53,136	26,568	13,284	13,284
Former							
Nick Miller	1,655,826	11	89	187,452 ²	93,726	46,863	46,863
Theresa Mlikota	607,030	0	100	0 ³	0	0	0

- The maximum STI opportunity is calculated on the basis of full year FAR.
- Mr Miller ceased as Executive KMP on 27 October 2022 and will remain employed with the Company until 15 October 2023. Based on the terms and conditions of the 2022 STI, the former Managing Director and CEO will receive a full STI outcome for 2022.
- Ms Mlikota ceased as Executive KMP on 11 November 2022. Following her resignation, the entitlement to a 2022 STI outcome was forfeited accordingly.

Remuneration report continued

5 Linking Executive KMP remuneration to company performance continued

5.3 LTI

In 2022, Adbri tested the 2018 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 43.8 placing the Company's percentile at 9.0, 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 10.8 was below the vesting threshold for EPS of 5.0.	0

No LTI awards vested, and no Board discretion was applied in the assessment of the LTI, which aligns with the shareholder experience given the lower share price.

The Interim CEO and CFO were not eligible to participate in the 2022 LTI.

	Awards					Value of 2022 awards at grant date ⁵	Fair value of 2022 award at grant date	Value per share at the date of exercise ⁶
	Held at 1 Jan 2022	Granted during the year ¹	Exercised /vested during the year ²	Lapsed/ forfeited during the year ³	Held at 31 Dec 2022 ⁴			
Executive KMP	Number	Number	Number	Number	Number	\$	\$/Award	\$
Current								
Brett Brown	201,243	87,959	-	-	289,202	98,955	1.13	-
Andrew Dell	202,606	87,532		(27,761)	262,377	98,037	1.12	-
Former								
Nick Miller	1,227,357	964,149 ⁷	-	-	2,191,506 ⁸	1,707,054	1.77	-
Theresa Mlikota	365,206	158,486	-	-	523,692 ⁹	177,506	1.12	-

- This represents the maximum number of Awards granted in 2022 that may vest to each Executive KMP. The Awards were granted between 24 June 2022 to 11 July 2022. As the Awards granted in 2022 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.
- During the 2022 year, only the 2018 LTI Awards were eligible for vesting. The threshold conditions for vesting of these Awards were not met and all 2018 LTI Awards lapsed. The number of Awards that vested during the period and were exercisable at 31 December 2022 is nil. The number of Awards that vested but were not yet exercisable at 31 December 2022 is nil.
- This includes the portion of 2018 LTI Awards granted to Mr Dell, that reached the end of their performance period on 31 December 2021 that did not meet the performance conditions and were forfeited. For completeness, Mr Brown, Mr Miller and Ms Mlikota were not eligible to participate in the 2018 LTI.
- Awards subject to performance conditions which remain unvested (2019, 2020, 2021 and 2022 LTI Awards), and which will be tested for vesting during the period 2023 to 2026.
- Fair value of Awards granted during 2022 as at grant date.
- 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.
- This represents the total number of Awards granted to the former Managing Director and CEO in respect of the 2022 LTI (494,069 Awards) and the one-off MD Performance Award (470,080 Awards).
- Pursuant to the Adbri LTI Plan Rules, a pro-rata portion of Mr Miller's 2019, 2020, 2021 and 2022 LTI Awards and the MD Performance Award will remain eligible for testing and may vest or lapse at the end of the relevant performance period, to the extent the performance conditions are satisfied at that time. The pro-rated portion is calculated based on the proportion of the performance period elapsed at the time of cessation of employment with Adbri in October 2023.
- Ms Mlikota ceased as Executive KMP on 11 November 2022 following her resignation, and subsequently forfeited all entitlements to the 2019, 2020, 2021 and 2022 LTI Awards on cessation of employment.

5.4 Managing Director and CEO Performance Award (MD Performance Award)

At Adbri's 2022 Annual General Meeting, the MD Performance Award was approved by shareholders. The MD Performance Award was granted as a remuneration adjustment to maintain market competitiveness and to recognise the former Managing Director and CEO's role in executing Adbri's strategic and growth agenda. For further details of the MD Performance Award, refer to the Company's 2021 Annual Report and the 2022 Notice of Meeting.

As the former Managing Director and CEO will cease employment in October 2023, a portion of the MD Performance Award will remain eligible for testing and may vest or lapse at the end of the performance period, based on the extent to which the performance conditions are satisfied at that time.

6 Non-executive Directors' fees

6.1 Policy and approach to setting Director fees

Feature	Description																								
Overview of policy	<p>Non-executive Directors receive a base fee in relation to their service as a Director of the Board, and an additional fee for membership of, or for chairing a committee.</p> <p>In line with the Board's determination in 2020 that no committee fees would be payable for membership of the Nomination and Governance Committee, no fees were paid to Non-executive Directors for service on the Nomination and Governance Committee in 2022.</p> <p>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.</p> <p>In setting fee levels, the P&C Committee takes into account:</p> <ul style="list-style-type: none"> • Independent professional advice; • Fees paid by comparable companies; • The general time commitment and responsibilities involved; and • The level of remuneration necessary to attract and retain Directors of a suitable calibre. 																								
Aggregate fees approved by shareholders	Total fees, including committee fees, were set within the maximum aggregate amount of \$1,600,000 per annum, approved at the 2017 Annual General Meeting.																								
Base fees for 2022	<p>Fees for the Chairman and Non-executive Directors are reviewed annually and considered against peer companies. In 2022, a 2.2% increase was applied to the base and committee fees for Non-executive Directors to maintain market relativity and attraction and retention of Directors.</p> <p>Fees payable to Non-executive Directors are inclusive of contributions to superannuation. The table below provides the annual fees payable to Directors.</p> <table border="1"> <thead> <tr> <th>Base fees including super (Board)</th> <th colspan="2" style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td colspan="2" style="text-align: right;">135,517</td> </tr> <tr> <td>Deputy Chair and Lead Independent Director</td> <td colspan="2" style="text-align: right;">271,034</td> </tr> <tr> <td>Non-executive Director</td> <td colspan="2" style="text-align: right;">135,517</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Committee fees including super</th> <th style="text-align: right;">Committee Chair</th> <th style="text-align: right;">Committee Member</th> </tr> <tr> <th></th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Fee for each committee except Nomination and Governance Committee</td> <td style="text-align: right;">31,273</td> <td style="text-align: right;">15,637</td> </tr> <tr> <td>Nomination and Governance Committee</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> </tr> </tbody> </table> <p>In accordance with the Company's constitution, Directors are also permitted to be paid additional fees for special duties or exertions. Such fees may or may not be included in the aggregate amount approved by shareholders, as determined by the Directors. No such fees were paid during the year.</p> <p>Directors are also entitled to be reimbursed for all business-related expenses, including travel, as may be incurred in the discharge of their duties.</p>	Base fees including super (Board)	\$		Chairman	135,517		Deputy Chair and Lead Independent Director	271,034		Non-executive Director	135,517		Committee fees including super	Committee Chair	Committee Member		\$	\$	Fee for each committee except Nomination and Governance Committee	31,273	15,637	Nomination and Governance Committee	0	0
Base fees including super (Board)	\$																								
Chairman	135,517																								
Deputy Chair and Lead Independent Director	271,034																								
Non-executive Director	135,517																								
Committee fees including super	Committee Chair	Committee Member																							
	\$	\$																							
Fee for each committee except Nomination and Governance Committee	31,273	15,637																							
Nomination and Governance Committee	0	0																							

Remuneration report continued

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 2022 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	2022	135,517	15,637	151,154	14,052
	2021	132,600	15,300	147,900	12,831
Dr Vanessa Guthrie AO	2022	271,034	46,910	317,944	-
	2021	265,200	45,900	311,100	-
Rhonda Barro	2022	135,517	15,637	151,154	14,052
	2021	132,600	15,300	147,900	12,831
Geoff Tarrant	2022	135,517	15,637	151,154	14,052
	2021	132,600	15,300	147,900	12,831
Emma Stein	2022	135,517	46,910	182,427	16,959
	2021	132,600	45,900	178,500	15,547
Michael Wright ²	2022	135,517	40,928	176,445	16,416
	2021	70,216	7,650	77,866	7,070
Dean Jenkins ³	2022	48,609	-	48,609	4,619
Samantha Hogg ⁴	2022	103,115	9,710	112,825	10,568
Former Non-executive Directors					
Ken Scott-Mackenzie ⁵	2022	56,465	19,546	76,011	6,910
	2021	132,600	58,688	191,288	16,988

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

2. Michael Wright was appointed as Safety, Health, Environment and Sustainability Committee Chairman effective 19 May 2022.

3. Dean Jenkins was appointed to Non-executive Director on 23 August 2022.

4. Samantha Hogg was appointed to Non-executive Director on 29 March 2022 and was appointed to Audit, Risk and Compliance Committee member effective 18 May 2022.

5. Ken Scott-Mackenzie ceased as Non-executive Director on 19 May 2022.

7 Executive KMP service agreements and statutory remuneration tables

7.1 Executive KMP service agreements

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

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

	Managing Director and CEO ¹	Other Executive KMP
Notice period	Ongoing term of service with 12 months' notice by either party (or payment in lieu).	Ongoing term of service with six-months' notice by either party (or payment in lieu).
Severance²	12 months' fixed annual remuneration where the Company terminates on notice.	Six-months' fixed annual remuneration where the Company terminates on notice.
	12 months' fixed annual remuneration where employment is terminated due to a material change in role.	Six-months' fixed annual remuneration where employment is terminated due to a material change in role.

1. The table outlines the key terms of the Executive KMP Service Agreement for the former Managing Director and CEO. Further details of the contract terms for the interim CEO and CFO are below.
2. In the case of resignation, the Board has discretion as to whether a separation payment is made to the Executive KMP (in addition to other amounts due and payable up to the date of ceasing employment). In the event of termination for serious misconduct, the Managing Director and CEO and other Executive KMP are not entitled to any payment on termination other than remuneration and leave entitlements up to the date of termination.

The Interim CEO and CFO are engaged via a third-party provider. The key terms of the contractual arrangements are outlined below.

Interim CEO and CFO	
Term of service	Six months' fixed term contract
Notice period	One week notice provided by Adbri only
Severance	No severance payments on termination of contract

Remuneration report continued

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 (including the former Managing Director and CEO) and has been prepared in accordance with the accounting standards and has been audited.

	Year	Short-term benefits				Equity based benefits					
		FAR ¹	Cash STI ²	Other benefits ³	Accrual of Notice Period and accrued entitlements ⁴	Post-employment benefit Superannuation ⁵	Deferred STI ²	TEES	LTI ⁶	Total	% of remuneration consisting of awards ⁷
Executive KMP											
Mark Irwin	2022	219,000	-	-	-	-	-	-	-	219,000	0
Peter Barker	2022	104,000	-	-	-	-	-	-	-	104,000	0
Brett Brown	2022	531,770	53,151	-	-	24,430	53,150	959	30,796	694,256	4.4
	2021	517,368	179,712	25,000	-	22,632	179,712	985	34,023	959,432	3.5
Andrew Dell	2022	528,498	26,568	-	-	25,002	26,568	959	(786)	606,809	(0.1)
	2021	514,333	179,712	25,000	-	22,917	179,712	985	60,816	983,475	6.2
Former Executive KMP											
Nick Miller	2022	1,221,732	93,726	-	1,838,758	21,229	93,726	959	444,040 ⁸	3,714,170	12.0
	2021	1,497,750	658,124	44,264	-	26,250	658,124	-	212,839	3,097,351	6.9
Theresa Mlikota	2022	597,416	-	-	823,415 ⁹	20,988	-	959	(87,151)	1,355,627	(6.4)
	2021	659,118	226,886	-	-	22,632	226,886	-	62,803	1,198,325	5.2

- FAR is prorated for the period the individuals are Executive KMP. FAR for Mr Miller and Ms Mlikota is therefore pro-rated up until the time they ceased active duties (17 October and 11 November 2022 respectively).
- STI includes amounts relating to performance accrued at the end of each year but not paid until the subsequent year.
- Other benefits relate to one-off allowances to cover out-of-pocket expenses incurred by Mr Brown for relocation to Adelaide, and by Mr Dell for additional travel to the Company's Sydney office, as a result of their appointments to the new Chief Operating Officer roles, and underpayment of the former Managing Director and CEO's salary in 2020.
- 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 9 for further detail on the former CFO's arrangements.
- Includes Company contributions to superannuation and allocations by employees made by way of salary sacrifice of fixed remuneration. Mr Miller and Ms Mlikota is pro-rated up until the time they ceased active duties (17 October and 11 November 2022 respectively).
- 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.
- 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.
- This represents the notional value of equity instruments for the pro-rata portion of Mr Miller's 2019, 2020, 2021 and 2022 LTI Awards that will remain on-foot.
- This includes payments totalling \$345,704 to be 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 2022 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 2022.

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 incentives.

	Balance at beginning of year	Granted as remuneration during the year			Net movement due to other changes	Balance at end of year
		LTI	TEES	Deferred STI		
Current Executive KMP						
Brett Brown	51,144	-	309	56,384	-	107,837
Andrew Dell	10,844	-	309	56,384	-	67,537
Current Non-executive Directors						
Raymond Barro ¹	279,178,329	-	-	-	-	279,178,329
Dr Vanessa Guthrie AO	105,000	-	-	-	-	105,000
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	57,500
Samantha Hogg	-	-	-	-	-	-
Former Executive KMP						
Nick Miller	192,424	-	309	206,482	-	399,215
Theresa Mlikota	64,275	-	309	71,184	-	135,768
Former Non-executive Directors						
Ken Scott-Mackenzie ³	20,000	-	-	-	-	20,000

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. The balance relating to Mr. Scott-Mackenzie include shares owned on the day Mr Scott-Mackenzie ceased to be Director.

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 2022	Notes	Consolidated	
		2022 \$M	2021 \$M
Continuing operations			
Revenue from contracts with customers	5	1,700.3	1,569.2
Cost of sales		(1,155.1)	(1,030.6)
Freight and distribution costs		(351.8)	(305.3)
Change in loss provision	9	0.7	7.5
Gross profit		194.1	240.8
Other income	5	72.5	11.7
Marketing costs		(21.6)	(21.0)
Administration costs		(102.2)	(89.6)
Finance costs	6	(23.9)	(19.4)
Impairment	2(b), 16	(6.3)	-
Share of net profits of joint ventures and associate accounted for using the equity method	23(b)	24.0	33.3
Profit before income tax		136.6	155.8
Income tax expense	7(a)	(34.1)	(39.1)
Profit for the year		102.5	116.7
Profit is attributable to:			
Equity holders of the Company		102.6	116.7
Non-controlling interests		(0.1)	-
		102.5	116.7
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	4	15.7	17.9
Diluted earnings per share	4	15.6	17.8

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 2022	Notes	Consolidated	
		2022 \$M	2021 \$M
Profit for the year		102.5	116.7
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	21(a)	0.1	(0.1)
Changes in the fair value of cash flow hedges	21(a)	14.0	13.5
Income tax relating to these items	7(c)	(4.2)	(4.0)
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain/(loss) on retirement benefit obligation	27(b)	(0.1)	3.5
Income tax credit relating to these items	7(c)	-	(1.0)
Other comprehensive income for the year, net of tax		9.8	11.9
Total comprehensive income for the year		112.3	128.6
Total comprehensive income for the year is attributable to:			
Owners of the Company		112.4	128.6
Non-controlling interests		(0.1)	-
Total comprehensive income for the year		112.3	128.6

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

Consolidated balance sheet

As at 31 December 2022	Notes	Consolidated	
		2022 \$M	2021 \$M
Current assets			
Cash and cash equivalents	8(a)	139.9	124.7
Trade and other receivables	9	248.5	223.4
Inventories	10	172.9	153.9
Current tax assets		15.4	14.3
Assets held for sale	11	18.9	14.0
Total current assets		595.6	530.3
Non-current assets			
Receivables	9	81.5	87.7
Retirement benefit asset	27(b)	6.6	7.0
Investments accounted for using the equity method	23	226.5	215.0
Property, plant and equipment	12	1,218.5	1,088.2
Right-of-use assets	13	71.5	72.6
Intangible assets	14	307.8	282.1
Non-current financial assets	22(a)	17.4	-
Total non-current assets		1,929.8	1,752.6
Total assets		2,525.4	2,282.9
Current liabilities			
Trade and other payables		215.9	187.2
Lease liabilities	13	5.4	4.8
Provisions	17	39.8	36.8
Other current liabilities		5.8	1.3
Total current liabilities		266.9	230.1
Non-current liabilities			
Borrowings	18	716.3	562.1
Lease liabilities	13	77.4	76.7
Deferred tax liabilities	7(f)	100.5	81.3
Provisions	17	61.2	63.7
Total non-current liabilities		955.4	783.8
Total liabilities		1,222.3	1,013.9
Net assets		1,303.1	1,269.0
Equity			
Share capital	19(a)	741.2	741.2
Reserves	21(a)	13.8	3.7
Retained earnings	21(b)	545.9	521.8
Capital and reserves attributable to owners of the Company		1,300.9	1,266.7
Non-controlling interests		2.2	2.3
Total equity		1,303.1	1,269.0

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

Consolidated statement of changes in equity

Attributable to owners of Adbri Limited							
Consolidated	Notes	Share capital \$m	Reserves \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
Balance at 1 January 2022		741.2	3.7	521.8	1,266.7	2.3	1,269.0
Profit/(loss) for the year		-	-	102.5	102.5	(0.1)	102.4
Other comprehensive income (loss)	21(a)	-	9.9	(0.1)	9.8	-	9.8
Total comprehensive income/(loss) for the year		-	9.9	102.4	112.3	(0.1)	112.2
<i>Transactions with owners in their capacity as owners:</i>							
Dividends provided for or paid	20	-	-	(78.3)	(78.3)	-	(78.3)
Executive Performance Share Plan	21(a)	-	0.2	-	0.2	-	0.2
Employee Equity Participation Share Plan	19(b)	-	-	-	-	-	-
		-	0.2	(78.3)	(78.1)	-	(78.1)
Balance 31 December 2022		741.2	13.8	545.9	1,300.9	2.2	1,303.1
Balance at 1 January 2021		740.1	(6.2)	485.8	1,219.7	2.3	1,222.0
Profit/(loss) for the year		-	-	116.7	116.7	-	116.7
Other comprehensive income (loss)		-	9.4	2.5	11.9	-	11.9
Total comprehensive income/(loss) for the year		-	9.4	119.2	128.6	-	128.6
<i>Transactions with owners in their capacity as owners:</i>							
Dividends provided for or paid	20	-	-	(83.2)	(83.2)	-	(83.2)
Executive Performance Share Plan	21(a)	-	0.5	-	0.5	-	0.5
Employee Equity Participation Share Plan	19(b)	1.1	-	-	1.1	-	1.1
		1.1	0.5	(83.2)	(81.6)	-	(81.6)
Balance at 31 December 2021		741.2	3.7	521.8	1,266.7	2.3	1,269.0

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 2022	Notes	Consolidated	
		2022 \$M	2021 \$M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,863.3	1,699.9
Payments to suppliers and employees (inclusive of goods and services tax)		(1,683.1)	(1,478.4)
Joint venture distributions received		17.0	19.0
Interest received		1.3	0.3
Interest paid		(15.0)	(15.3)
Other income		2.0	4.4
Income taxes paid		(34.1)	(34.7)
Income tax refunds		15.0	-
Net cash inflow from operating activities	8(b)	166.4	195.2
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(255.1)	(140.5)
Payment for acquisition of businesses, net of cash acquired	15	(56.8)	-
Proceeds from sale of property, plant and equipment		96.8	2.9
Loans to joint venture entities	29(e)	(3.1)	(32.2)
Net cash (outflow) from investing activities		(218.2)	(169.8)
Cash flows from financing activities			
Proceeds from issues of shares		-	1.1
Drawdown of borrowings	8(d)	233.2	135.0
Repayment of borrowings	8(d)	(80.0)	(40.0)
Lease payments	8(d)	(8.0)	(7.5)
Dividends paid to Company's shareholders	20	(78.3)	(83.2)
Net cash inflow from financing activities		66.9	5.4
Net increase in cash and cash equivalents		15.1	30.8
Cash and cash equivalents at the beginning of the financial year		124.7	94.0
Effects of exchange rate changes on cash and cash equivalents		0.1	(0.1)
Cash and cash equivalents at end of year		139.9	124.7

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 Summary of significant accounting policies

Adbri Limited (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 28 February 2023. The Directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are either set out below or included in the accompanying notes. Unless otherwise stated, these policies have been consistently applied to all the years presented. Unless otherwise stated, the financial statements are for the consolidated entity consisting of Adbri Limited and its subsidiaries (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

New standards and amendments applied for the first time for the annual reporting period commencing 1 January 2022 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 31 December 2022 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 under various climate change scenarios and how they may impact the Group's business operations and the subsequent impact on cash flow projections.

During the development of our Net Zero Emissions (NZE) Roadmap, the Group reviewed the International Energy Agency's (IEAs) World Energy Outlook and noted the inclusion of a new scenario, i.e., NZE by 2050 equating to an equivalent 1.5°C scenario under the Task Force on Climate-Related Financial Disclosures (TCFD). Detailed analysis of this new scenario and that of climate change impact on the Group's operations is currently underway.

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 2022, and are aligned with the Group's sustainability targets.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

(b) Climate-change related impacts continued

(i) Risk management

The cement and lime industries are traditionally associated with high, hard-to-abate greenhouse gas (GHG) emissions and Adbri is exposed to a variety of regulatory, and voluntary, frameworks to report on and reduce emissions. These frameworks could affect the business activities of Adbri, particularly the anticipated reform of the Safeguard Mechanism legislation.

The transition risks include the growing number of climate policy frameworks which may lead to an increased cost of emitting CO₂ 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 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.

Adbri's risk register includes climate change and environmental, social and corporate governance (ESG) issues as material risks, with particular focus on transitional risk.

In 2022, in order to mitigate climate change risks, the Group has been taking action to reduce energy consumption and GHG emissions through the use of alternative fuels and supplementary cementitious materials.

In this process management has:

- formed and released the NZE Roadmap which sets out the action plan and decarbonisation levers to achieve net zero commitments; and
- begun scenario analysis to consider the IEA's NZE scenario and will undertake additional work in FY23 to better understand the risks and potential control measures.

In addition to setting a goal to reach net zero emissions by 2050, Adbri has set intermediate targets for 2024. FY30 targets have also been set as part of the Group's NZE Roadmap which was published prior to the Group's 2022 Annual General Meeting.

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

- Government policies;
- Carbon pricing mechanisms 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.

(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 2024 emission reduction targets.

(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 the impacts of the Group's 2024 carbon emission reduction targets.

(iv) Capital expenditure and research and development

The Group's research and development and capital expenditures are aligned to the Group's strategy focussing on new and alternative technologies and products, in line with the Group's 2024 emission reduction targets, impacting either capital expenditure or the Income Statement.

Management has recently formed a Product Innovation Council to project manage key low carbon product development ideas, and to guide and oversee research and development capital expenditure.

(v) 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 2024 emission reduction targets.

(vi) Provisions and contingent liabilities

The Group's provisions and contingent liabilities for the 2022 financial year have taken into consideration the Group's current climate-related 2024 targets.

(vii) 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.

(viii) 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, then the implications for expected returns, and employer costs or contributions are also considered.

(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 2022 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as 'the Group'.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 15).

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.

(iii) Non-controlling interests

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

(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 Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement or deferred in equity if the gain or loss relates to a qualifying cash flow hedge.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

(d) Foreign currency translation continued

(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, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(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

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within the Group's standard terms. Trade and other payables are presented as current liabilities unless payment is not due within the 12-month reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Financial performance overview

2 Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Interim CEO. These reports include segmental information on the basis of product groups and are used to regularly evaluate how to allocate resources and in assessing performance.

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

The two reportable segments have been identified as follows:

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

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

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

(b) Segment information provided to the Interim CEO

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

	Cement, Lime, Concrete and Aggregates \$M	Masonry \$M	Unallocated \$M	Total \$M
31 December 2022				
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:				
Property, plant and equipment	3.0	-	-	3.0
Goodwill	3.0	-	-	3.0
Other assets	0.3	-	-	0.3
Total impairment	6.3	-	-	6.3
EBIT	147.0	49.5	(39.3)	157.2
Underlying EBIT¹	162.7	50.2	(33.7)	179.2
Share of net profits of joint ventures and associate entities accounted for using the equity method	24.0	-	-	24.0

1. Underlying measures include property profits and exclude significant items.

Notes to the financial statements continued

2 Segment reporting continued

(b) Segment information provided to the Interim CEO continued

31 December 2021	Cement, Lime, Concrete and Aggregates \$M	Masonry \$M	Unallocated \$M	Total \$M
Total segment operating revenue	1,380.0	148.5	-	1,528.5
Inter-segment revenue	(94.2)	-	-	(94.2)
Revenue from external customers	1,285.8	148.5	-	1,434.3
Depreciation and amortisation	(85.5)	(5.9)	(4.5)	(95.9)
Impairment	-	-	-	-
EBIT	205.0	8.0	(38.1)	174.9
Underlying EBIT¹	203.4	8.1	(33.2)	178.3
Share of net profits of joint ventures and associate entities accounted for using the equity method	33.3	-	-	33.3

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	
	2022 \$M	2021 \$M
Total segment operating revenue	1,637.2	1,528.5
Inter-company revenue elimination	(90.4)	(94.2)
Freight revenue	144.4	127.6
Other	6.4	5.4
Royalties	2.7	1.9
Revenue from continuing operations	1,700.3	1,569.2

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

	Consolidated	
	2022 \$M	2021 \$M
Underlying EBIT ¹	179.2	178.3
Impairment	(6.3)	-
Change in loss provision	(1.3)	3.3
Corporate & restructuring costs	(7.9)	(5.9)
Acquisition costs	(3.8)	(0.8)
JV acquisition costs	(2.7)	-
Net finance cost ²	(20.6)	(19.1)
Profit/(loss) before income tax	136.6	155.8

1. Underlying measures include property profits and exclude 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 \$246.8 million (2021: \$269.3 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:

	Cement, Lime, Concrete and Aggregates \$M	Masonry \$M	Unallocated \$M	Total \$M
31 December 2022				
Segment assets (excl goodwill)	637.3	210.4	1,376.3	2,224.0
Goodwill	301.4	-	-	301.4
31 December 2021				
Segment assets (excl goodwill)	671.6	167.2	1,171.6	2,010.4
Goodwill	272.5	-	-	272.5

3 Critical accounting estimates and assumptions

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

- Inventories – Note 10
- Impairment tests – Note 16
- Provisions for close-down and restoration costs – Note 17
- Retirement benefit obligations – Note 27

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	
	2022 Cents	2021 Cents
Basic earnings per share	15.7	17.9
Diluted earnings per share	15.6	17.8

Notes to the financial statements continued

4 Earnings per share continued

(ii) Diluted earnings per share continued

	Consolidated	
	2022 Shares	2021 Shares
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	652,627,555	652,543,443
<i>Adjustments for calculation of diluted earnings per share:</i>		
Awards	3,838,017	2,424,343
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	656,465,572	654,967,786

	Consolidated	
	2022 \$M	2021 \$M
Reconciliation of earnings used in calculating earnings per share		
Profit after tax	102.5	116.7
Loss attributable to non-controlling interests	0.1	-
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	102.6	116.7

5 Revenue from contracts with customers and other income

Accounting policy – revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Revenue from contracts with customers

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, being where goods are shipped to the customer, risk of loss has been transferred to the customer and there is objective evidence that all criteria for acceptance has been satisfied. 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	
	2022 \$M	2021 \$M
Revenue from contracts with customers	1,697.6	1,567.3
Royalties	2.7	1.9
	1,700.3	1,569.2
Net gain on disposal of property, plant and equipment	65.6	7.0
Rental income	1.6	1.7
Interest from joint ventures and other parties	3.3	0.3
Other income	2.0	2.7
	72.5	11.7
Total revenue from contracts with customers and other income	1,772.8	1,580.9

The Group has an active strategy of managing its property portfolio to drive additional value into the business. During the year, the Group realised a net gain on the sale of properties of \$57.6 million (2021: \$7.6 million) and a net gain on disposal of plant and equipment of \$8.0 million (2021: loss of \$0.6 million), which are recognised in other income.

6 Expenses

Profit before income tax includes the following specific expenses:

	Notes	Consolidated	
		2022 \$M	2021 \$M
Depreciation	12, 13	114.1	94.8
Amortisation of intangibles	14	5.1	1.1
Impairment of property, plant and equipment		3.0	-
Impairment of goodwill		3.0	-
Impairment of other assets		0.3	-
Other charges			
Employee benefits expenses		187.0	181.3
Superannuation expense		14.7	13.2

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.

	Consolidated	
	2022 \$M	2021 \$M
Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	24.5	18.8
Unwinding of the discount on restoration provisions	2.0	1.2
Total finance costs	26.5	20.0
Amount capitalised ¹	(2.6)	(0.6)
Total finance costs	23.9	19.4

1. The rate used to determine the amount of borrowing costs to be capitalised is the average interest rate applicable to the Group's outstanding borrowings during the year, being 3.0% p.a. (2021: 1.9% 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 to previously unused tax losses. The current income tax charge is calculated on the basis of tax laws enacted, or substantively enacted, at the end of the reporting period.

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

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

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

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

Notes to the financial statements continued

7 Income tax continued

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.

Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense.

The wholly-owned entities fully compensate Adbri Limited for any current tax payable assumed and are compensated by Adbri Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adbri Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entity's financial statements.

Individual tax consolidated entities recognise tax expenses and revenues and current and deferred tax balances in relation to their own taxable income, temporary differences and tax losses, using the separate taxpayer within the group method. Entities calculate their current and deferred tax balances on the basis that they are subject to tax as part of the tax consolidated group.

Deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group have been remeasured based on the carrying amount of those assets in the tax consolidated group and their reset tax values. The adjustment to these deferred tax balances is recognised in the consolidated financial statements against income tax expense.

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

	Consolidated	
	2022 \$M	2021 \$M
Profit before income tax expense	136.6	155.8
Tax at the Australian tax rate of 30.0% (2021 – 30.0%)	41.0	46.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable expenses	0.2	0.2
Non-assessable income	(3.5)	(4.9)
Rebateable dividends	(0.5)	(1.7)
Other adjustments	1.4	-
Goodwill impairment	0.9	-
Previously unrecognised capital tax losses offset against capital gains	(5.3)	(0.9)
(Over)/under provided in prior years	(0.1)	(0.3)
Aggregate income tax expense	34.1	39.1
Aggregate income tax expense comprises:		
Current tax on profits for the year	11.7	25.3
Net deferred tax expense/(benefit)	22.5	14.1
(Over)/under provided in the prior year	(0.1)	(0.3)
	34.1	39.1

(b) Amounts recognised directly in equity

	Consolidated	
	2022 \$M	2021 \$M
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:		
Net deferred tax expense/(benefit)	0.2	(0.1)

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

	Consolidated	
	2022 \$M	2021 \$M
Changes in the fair value of cash flow hedges	(4.2)	(4.0)
Actuarial (losses)/gains on retirement benefit obligation	-	(1.0)

(d) Tax losses

	Consolidated	
	2022 \$M	2021 \$M
Unused tax losses for which no deferred tax asset has been recognised:		
Revenue losses	0.8	0.7
Capital losses	4.9	10.2

This benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

(e) Non-current deferred tax assets

	Consolidated	
	2022 \$M	2021 \$M
The balance comprises temporary differences attributable to:		
Share-based payment reserve	0.3	0.4
Provisions	28.2	22.2
Lease liabilities	24.8	24.4
Other assets	2.6	17.2
Deferred tax assets - before offset	55.9	64.2
Offset deferred tax liabilities (Note 7(f))	(55.9)	(64.2)
Net deferred tax assets - after offset	-	-
Movements:		
Opening balance at 1 January - before offset	64.2	72.7
Recognised in the income statement	(11.1)	(8.7)
Acquired in business combinations	1.4	-
Recognised in other comprehensive income	(0.2)	0.1
Under/(over) provision in prior year	1.6	0.1
Closing balance at 31 December - before offset	55.9	64.2

Notes to the financial statements continued

7 Income tax continued

(f) Non-current deferred tax liabilities

	Consolidated	
	2022 \$M	2021 \$M
The balance comprises temporary differences attributable to:		
Property, plant and equipment	109.2	93.5
Right-of-use assets	21.5	22.1
Inventories	15.3	14.1
Other	10.4	15.8
Deferred tax liabilities – before offset	156.4	145.5
Offset deferred tax assets (Note 7(e))	(55.9)	(64.2)
Net deferred tax liabilities – after offset	100.5	81.3
Movements:		
Opening balance at 1 January – before offset	145.5	136.4
Recognised in the income statement	15.6	9.4
(Over)/under provision in prior year	(4.7)	(0.3)
Closing balance at 31 December – before offset	156.4	145.5

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	
	2022 \$M	2021 \$M
Current		
Cash at bank and in hand	137.5	120.9
Term deposits	2.4	2.7
Cash held in trust	-	1.1
Cash and cash equivalents	139.9	124.7

(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 2022 was \$nil (2021: \$nil).

(ii) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 22. 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	
	2022	2021
	\$M	\$M
Profit for the year	102.5	116.7
Depreciation, amortisation and other impairment	125.5	95.9
Share-based payments	(0.4)	(0.4)
Finance charges on remediation provision	2.0	1.2
Interest on lease liabilities	2.8	2.9
(Gain)/loss on sale of non-current assets	(65.6)	(7.0)
Share of profits of joint ventures, net of dividends received	(7.0)	(14.4)
Non-cash retirement benefits expense	0.5	0.6
Non-cash remediation (asset increase)/obligation	(2.3)	(1.7)
Capitalised interest	(2.6)	(0.6)
Other	(1.3)	5.3
Net cash provided by operating activities before changes in assets and liabilities	154.1	198.5
<i>Change in operating assets and liabilities, net of effects from purchase of business combinations:</i>		
(Increase)/decrease in inventories	(17.9)	(1.8)
Decrease/(increase) in prepayments	(1.3)	2.0
(Increase)/decrease in receivables	(23.5)	(66.8)
Increase/(decrease) in trade creditors	26.0	15.2
(Decrease)/increase in provisions	(1.9)	(2.2)
(Increase)/decrease in income taxes receivable	(1.1)	8.6
Increase/(decrease) in deferred taxes liabilities	20.6	17.6
Increase/(decrease) in other operating assets	11.4	24.1
Net cash inflow from operating activities	166.4	195.2

Notes to the financial statements continued

8 Note to statement of cash flows continued

(c) Net debt reconciliation

	Consolidated	
	2022 \$M	2021 \$M
Cash and cash equivalents	139.9	124.7
Borrowings – repayable after more than one year	(716.3)	(562.1)
Net debt¹	(576.4)	(437.4)

1. The net debt calculation does not include lease liabilities of \$82.8 million at 31 December 2022 (2021: \$81.5 million).

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

	Other assets	Liabilities from financing activities			Total \$M
	Cash and cash equivalents \$M	Borrowings due after 1 year \$M	Leases due within 1 year \$M	Leases due after 1 year \$M	
Net debt as at 1 January 2021	94.0	(466.1)	(4.0)	(84.7)	(460.8)
Cash flows	30.8	(95.0)	7.5	–	(56.7)
Acquisition – leases	–	–	–	(2.2)	(2.2)
Other non-cash movements	(0.1)	(1.0)	(8.3)	10.2	0.8
Net debt as at 31 December 2021	124.7	(562.1)	(4.8)	(76.7)	(518.9)
Lease liabilities	–	–	4.8	76.7	81.5
Net debt excluding lease liabilities at 31 December 2021	124.7	(562.1)	–	–	(437.4)
Cash flows	15.1	(153.2)	8.0	–	(130.1)
Acquisition – 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)

Balance sheet items

9 Trade and other receivables

Accounting policy – trade and other receivables

Trade receivables, including amounts receivable from joint ventures, are recognised initially at fair value and subsequently measured at amortised cost, less loss allowance provision. Trade receivables are typically due for settlement no more than 30 to 45 days from the end of the month of invoice. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

The Group applies the simplified approach to providing for expected credit losses for all trade receivables as set out in Note 22(c).

The amount of the provision is recognised in the income statement. When a trade receivable for which a loss allowance provision has been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

	Consolidated	
	2022 \$M	2021 \$M
Current		
Trade receivables	187.0	173.2
Loss allowance provision (see note 22(c))	(9.7)	(10.4)
	177.3	162.8
Amounts receivable from joint ventures	36.7	36.4
Prepayments	8.9	7.6
Other receivables	25.6	16.6
Total current	248.5	223.4
Non-current		
Loans to joint ventures	81.5	76.7
Other non-current receivables	–	11.0
Total non-current	81.5	87.7
Movement in loss allowance provision		
Opening balance at 1 January	10.4	17.9
Amounts written off during the year	(0.7)	(7.5)
Closing balance at 31 December	9.7	10.4

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 22(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.

Notes to the financial statements continued

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	
	2022 \$M	2021 \$M
Current		
Finished goods	63.4	58.0
Raw materials and work-in-progress	76.1	63.3
Engineering spare parts stores	33.4	32.6
	172.9	153.9

Inventory expense

Inventories recognised as expense during the year ended 31 December 2022 and included in cost of sales amounted to \$1,091.4 million (2021: \$984.7 million).

There was no material adjustment to inventories net realisable value during the year ended 31 December 2022 (2021: \$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	
	2022 \$M	2021 \$M
Land	17.1	4.7
Buildings	0.2	0.3
Property plant and equipment	1.6	9.0
	18.9	14.0

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. Cost includes expenditure that is directly attributable to the acquisition of the assets.

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

(i) Mineral reserves

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

(ii) 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 5–10 years.

(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 the shorter. Amortisation is over 5–30 years.

(iv) Other fixed assets

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

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

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

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.

Notes to the financial statements continued

12 Property, plant and equipment continued

Accounting policy – property, plant and equipment continued

(iv) Other fixed assets continued

	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 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 carrying amount	206.4	71.6	3.7	505.0	152.6	36.7	112.2	1,088.2
Zanows acquisition	2.9	0.7	–	12.5	6.8	2.0	–	24.9
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)
Carrying amount at 31 December 2022	209.4	67.2	3.5	565.2	150.5	37.0	185.7	1,218.5
Consolidated at 31 December 2021								
Cost or fair value	206.4	154.1	9.6	1,593.8	214.3	54.2	112.2	2,344.6
Accumulated depreciation	–	(82.5)	(5.9)	(1,088.8)	(61.7)	(17.5)	–	(1,256.4)
Net carrying amount	206.4	71.6	3.7	505.0	152.6	36.7	112.2	1,088.2
Reconciliation								
Opening carrying amount	214.7	75.3	4.2	492.7	157.3	39.8	75.1	1,059.1
Additions	–	–	–	–	–	–	140.5	140.5
Transfers to asset categories	–	1.4	–	99.0	0.2	–	(100.6)	–
Disposals	(3.6)	(0.2)	–	(1.5)	–	–	–	(5.3)
Reclassification to intangibles	–	–	–	(0.7)	–	–	(2.8)	(3.5)
Reclassification to assets held for sale	(4.7)	(0.3)	–	(9.0)	–	–	–	(14.0)
Remeasurement reclassification	–	–	–	–	–	(1.2)	–	(1.2)
Depreciation/amortisation	–	(4.6)	(0.5)	(75.5)	(4.9)	(1.9)	–	(87.4)
Carrying amount at 31 December 2021	206.4	71.6	3.7	505.0	152.6	36.7	112.2	1,088.2

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. At the inception of a contract, the Group assesses whether the contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised as an expense of \$1.8 million (2021: \$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.

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

AASB 16 Leases specifically excludes leases to explore for or use minerals and non-regenerative resources, therefore any leases of quarry assets continue to be accounted for consistently with prior periods.

Notes to the financial statements continued

13 Leases continued

Accounting policy – leases continued

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated	
	2022 \$M	2021 \$M
Right-of-use assets		
Property	49.4	47.6
Plant and equipment	22.1	25.0
	71.5	72.6

Additions to the right-of-use assets during the 2022 financial year were \$2.6 million (2021: \$2.2 million).

	Consolidated	
	2022 \$M	2021 \$M
Lease liabilities		
Current	5.4	4.8
Non-current	77.4	76.7
	82.8	81.5

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Consolidated	
	2022 \$M	2021 \$M
Amortisation of right-of-use assets		
Property	4.7	4.4
Plant and equipment	3.0	3.0
	7.7	7.4
Interest expense (included in finance cost)	2.8	2.9
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses (iii))	68.9	58.8
	79.4	69.1

The total cash outflow for leases in 2022 was \$75.6 million (2021: \$65.0 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.

	2022 \$M	2021 \$M
<i>Estimated cash outflows payable to lorry owner-drivers under existing contract terms, but not recognised as liabilities:</i>		
Within one year	71.3	62.3
Later than one year but not later than five years	126.7	117.3
Later than five years	14.6	11.5
	212.6	191.1

(iv) Extension and termination options

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

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 16 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.

Notes to the financial statements continued

14 Intangible assets continued

Accounting policy – intangible assets continued

(iii) Software as a service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access a cloud provider's software over the contract period. The ongoing fees incurred to access the cloud 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 2022	Goodwill \$M	Software \$M	Other intangibles \$M	Total \$M
Cost	304.4	27.5	10.2	342.1
Accumulated amortisation and impairment	(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
Amortisation charge	–	(1.8)	(3.3)	(5.1)
Reclassification from property plant and equipment	–	1.9	–	1.9
Impairment loss	(3.0)	–	–	(3.0)
Closing balance at 31 December 2022	301.4	4.8	1.6	307.8

	Consolidated			
31 December 2021	Goodwill \$M	Software \$M	Other intangibles \$M	Total \$M
Cost	272.5	25.6	10.2	308.3
Accumulated amortisation and impairment	–	(20.9)	(5.3)	(26.2)
Carrying amount at 31 December 2021	272.5	4.7	4.9	282.1
Opening balance at 1 January 2021	272.5	2.9	5.7	281.1
Amortisation charge	–	(1.7)	0.6	(1.1)
Remeasurement	–	–	(1.4)	(1.4)
Reclassification from property plant and equipment	–	3.5	–	3.5
Closing balance at 31 December 2021	272.5	4.7	4.9	282.1

15 Business combinations

On 1 April 2022, Hy-Tec Industries (Queensland) Pty Ltd, a wholly-owned subsidiary, completed the acquisition of the business of Zanows' Concrete & Quarries (Zanows) for a net purchase consideration of \$56.8 million (\$57.5 million purchase consideration less settlement adjustments).

Zanows operates a sand and gravel quarry, a hard rock quarry and two concrete plants, with approval for an additional concrete plant, located in the western region of Brisbane. The business supplies sand and aggregates internally to the Adbri Concrete plants and to a number of external customers in South East Queensland.

The purchase price allocation to determine acquired net assets and goodwill has been completed as at 31 December 2022, a summary is per the table below:

	\$M
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Plant and equipment	12.5
Buildings	0.7
Quarry reserve	6.8
Land	2.9
Inventory	1.1
Remediation asset	2.0
Deferred Tax Asset	1.4
Leave liabilities	(0.5)
Remediation provision	(2.0)
Total identifiable net assets	24.9
Purchase consideration net of closing adjustments	56.8
Goodwill	31.9

16 Impairment tests

The 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 is presented below:

	Consolidated	
	2022 \$M	2021 \$M
Cement, Lime, Concrete and Aggregates	301.4	272.5
Masonry	-	-
	301.4	272.5

Please refer Note 14 and 15 for a detailed analysis on increase in goodwill in FY22 compared to FY21.

The recoverable amount of a CGU is determined based on value-in-use calculations. For 2022, these calculations use cash flow projections based on the Board approved 2023 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 to incorporate the construction cycle into demand assumptions and to ensure cash flows reflect the strategies to achieve the Group's 2024 emission reduction targets. Technology and innovation required to achieve the Group's NZE Roadmap beyond 2024 are not incorporated into these projected cash flows.

Notes to the financial statements continued

16 Impairment tests continued

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

	Growth rate ¹		Discount rate ²	
	2022 %	2021 %	2022 %	2021 %
Cement, Lime, Concrete and Aggregates	2.5	1.3	8.8	7.0
Masonry	2.5	1.4	9.1	7.4

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 and 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.

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 value-in-use calculations. These calculations require the use of assumptions detailed above.

Estimates and judgements are continually evaluated utilising historical experience coupled with expectations of future events – for example, the Group's 2024 emission reduction targets that may have a financial impact on the Group and that are believed to be reasonable.

With changing market dynamics, including COVID-19 and climate-related matters, low case sensitivities are utilised to pressure test the Group's resilience to these changing dynamics. Projected movements in market size based on regional performance have been utilised to assess the impact on earnings potential. Discount rates are pre-tax and reflect specific risks relating to the relevant CGU's.

Impairment testing has incorporated the actions to achieve the Group's intermediate 2024 emission reduction targets as a subset of the NZE Roadmap.

(c) Impairment charge

During the year, an impairment charge totalling \$6.3 million (2021: \$nil) has been taken. The impairment charge relates to business assets, that do not form part of the Group's long-term strategic plan and are classified as held for sale, where expected sale proceeds are less than the carrying value and associated goodwill, where relevant.

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

	Cement, Lime, Concrete and Aggregates \$M	Masonry \$M	Unallocated \$M	Total \$M
2022				
Property, plant and equipment and other assets	3.3	-	-	3.3
Goodwill	3.0	-	-	3.0
Total	6.3	-	-	6.3
2021				
Property, plant and equipment and other assets	-	-	-	-
Goodwill	-	-	-	-
Total	-	-	-	-

(d) Impact of possible changes in key assumptions

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

While the estimated recoverable amount of each of the CGU's is greater than the carrying values at 31 December 2022, assessment of adverse changes in certain key assumptions does result in an impairment of goodwill to be recognised, as illustrated below:

	Changes to assumptions		
	Market growth rate ¹ -0.25% \$M	Discount rate ² +0.25% \$M	Cash flows ³ -5% \$M
Cement, Lime, Concrete and Aggregates impairment	21.0	36.0	64.0
Masonry impairment	-	-	-

1. Market growth rate adjustments apply as a reduction from the assumed CGU growth rates for the internal forecast period, being the initial five years of cash flow modelling.
2. Discount rate adjustments assume the rate is higher than those used in cash flow model.
3. A 5% reduction in forecast cash flows.

The figures above are mathematical calculations of the impact on impairment due to a change in the respective variable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year are different from management's assumptions. A movement in one of the variables above has an indirect impact on the others. Management can be expected to respond to these variables through operational changes in response to any upside or downside.

17 Provisions

Accounting policy – provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable, that an outflow of economic benefits will be required to settle the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Non-employee benefit provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which employees render the related service are recognised in respect of employees' services up to the end of the reporting period. These are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised 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 together with an allowance for incurred but not reported claims. The provision is based on an actuarial assessment.

Notes to the financial statements continued

17 Provisions continued

Accounting policy – provisions continued

(iv) Provisions for close-down and restoration costs

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

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.

Significant estimates – future cost to rehabilitate

Restoration provisions are based on estimates of the future cost to rehabilitate currently disturbed areas using current costs, forecast cost inflation factors and rehabilitation requirements. The Group progressively rehabilitates land as part of the quarrying process. Cost estimates are evaluated at least annually, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provision for close-down and restoration costs at the end of the year was \$61.1 million (2021: \$58.7 million).

	Consolidated	
	2022 \$M	2021 \$M
Current		
Employee benefits	35.5	29.8
Restoration provisions	2.0	1.3
Other provisions	2.3	5.7
	39.8	36.8
Non-current		
Employee benefits	2.1	6.3
Restoration provisions	59.1	57.4
	61.2	63.7

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

	Consolidated	
	2022 \$M	2021 \$M
Current leave obligations expected to be settled after 12 months	5.2	8.7

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	58.7	5.7
Charged to income statement	(0.3)	5.1
Charged to balance sheet	2.2	-
Unwind of discount	2.0	-
Payments	(1.5)	(8.5)
Closing balance at 31 December	61.1	2.3

Capital structure and risk management

18 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	
	2022 \$M	2021 \$M
Non-current		
Bank loans – unsecured	716.3	562.1

The Group complied with the terms of borrowing agreements during the year.

Details of the Group's exposure to interest rate changes is set out in Note 22(b).

19 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

	2022 Shares	2021 Shares	2022 \$M	2021 \$M
Issued and paid up capital				
Fully paid	652,627,555	652,627,555	741.2	741.2

(b) Movements in ordinary shares capital

	Number of shares	Total \$M
Opening balance 1 January 2021	652,266,367	740.1
Shares issued under Employee Share Plan	361,188	1.1
Closing balance at 31 December 2021	652,627,555	741.2
Shares issued under Employee Share Plan	-	-
Closing balance 31 December 2022	652,627,555	741.2

(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.

Notes to the financial statements continued

19 Share capital continued

(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 EBITDA¹.

The leverage ratio is calculated as follows:

	Consolidated	
	2022 \$M	2021 \$M
Total borrowings (excluding lease liabilities)	716.3	562.1
Less: cash and cash equivalents	(139.9)	(124.7)
Net debt	576.4	437.4
Underlying EBITDA ¹	295.3	274.2
Leverage ratio ²	2.0	1.6

1. Underlying measures include property profits and exclude significant items.

2. Leverage ratio is calculated as net debt/rolling 12 months underlying EBITDA (includes property profits and excludes significant items). 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 28.

20 Dividends

	Consolidated	
	2022 \$M	2021 \$M
Dividends paid during the year		
2021 final dividend of 7.0 cents (2020: 7.25 cents) per fully-paid ordinary share, franked at 100% (2020: 100%) paid on 11 April 2022	45.7	47.3
2022 interim dividend of 5.0 cents (2021: 5.5 cents) per fully-paid ordinary share, franked at 100% (2021: 100%) paid on 5 October 2022	32.6	35.9
Total dividends – paid in cash	78.3	83.2
Dividends not recognised at year end		
Since the end of the year, the Board has recommended that no payment of a final dividend in respect of the year end 31 December 2022 be made (2021: 7.0 cents per share fully franked). The aggregate amount of the previous financial year's proposed final dividend paid out, not recognised as a liability at the end of that reporting period, is:	-	45.7
Franked dividend		
Franking credits available for subsequent reporting periods based on a tax rate of 30%	109.4	121.8

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

- Franking credits/debits that will arise from the payment of any current tax liability/receipt of any current tax receivable;
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Board since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$nil (2021: \$19.6 million).

21 Reserves and retained earnings

(a) Reserves

	Consolidated	
	2022 \$M	2021 \$M
Reserves		
Foreign currency translation reserve	2.0	1.9
Share-based payment reserve	(0.4)	(0.6)
Cash flow hedge reserve	12.2	2.4
	13.8	3.7
Foreign currency translation		
Opening balance at 1 January	1.9	2.0
Currency translation differences arising during the year	0.1	(0.1)
Closing balance at 31 December	2.0	1.9
Share-based payment reserve		
Opening balance at 1 January	(0.6)	(1.1)
Share based payment expense	0.4	0.4
Deferred tax	(0.2)	0.1
Closing balance 31 December	(0.4)	(0.6)
Cash flow hedge reserve		
Opening balance at 1 January	2.4	(7.1)
Revaluation – gross	14.0	13.5
Deferred tax on movement in reserve	(4.2)	(4.0)
Closing balance 31 December	12.2	2.4

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. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

Share-based payments

The share-based payments reserve is used to recognise the fair value of awards issued but not exercised. Refer to Note 28.

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 22. 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	
	2022 \$M	2021 \$M
Opening balance 1 January	521.8	485.8
Net profit for the year	102.5	116.7
Actuarial gain/(loss) on defined benefit obligation net of tax	(0.1)	2.5
Dividends	(78.3)	(83.2)
Closing balance 31 December	545.9	521.8

Notes to the financial statements continued

22 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.

(a) Derivatives

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

	Consolidated	
	2022 \$M	2021 \$M
Asset/(liabilities)		
Foreign currency forwards – cash flow hedges	(0.2)	0.4
Interest rate swaps – cash flow hedges ((b)(ii))	17.4	2.9
Total derivative financial instrument assets/(liabilities)	17.2	3.3

(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 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 21. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent 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).

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

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

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, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in 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).

Notes to the financial statements continued

22 Financial risk management continued

(a) Derivatives continued

(ii) Fair value measurement

For information about the methods and assumption used in determining the fair value of derivatives see Note 22(e).

(iii) Hedging reserves

The Group's hedging reserves disclosed in Note 21(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 2021	(0.1)	(1.2)	(5.8)	(7.1)
Add: change in fair value of hedging instrument recognised in OCI	-	1.9	11.6	13.5
Less: reclassified to cost of inventory – not included in OCI	-	(0.3)	-	(0.3)
Less: reclassified from OCI to profit and loss	-	0.5	(0.2)	0.3
Less: deferred tax	-	(0.6)	(3.4)	(4.0)
Closing balance 31 December 2021	(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
Add: costs of hedging deferred and recognised in OCI	-	-	-	-
Less: reclassified to cost of inventory – not included in OCI	-	-	-	-
Less: reclassified from OCI to profit and loss	-	-	-	-
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 \$0.2 million (2021: \$0.3 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 arising from various currency exposures, primarily with respect to the US Dollar, the Japanese Yen, the Euro, and the Great British Pound.

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	
	2022	2021
	\$M	\$M
Cash – US Dollars	2.2	2.5
Trade receivables – US dollars	0.9	0.9
Forward foreign exchange contracts:		
Buy foreign currency	129.6	43.6
Sell Australian Dollars (cashflow hedge)	(129.8)	(44.0)
Net exposure	(0.2)	(0.4)

The aggregate net foreign exchange gains/(losses) recognised in the profit or loss was \$(0.2) million (2021:\$(0.1) million).

Instruments used by the Group

The Group enters into Forward Exchange Contracts (FEC), options 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 and options are entered into for a duration in line with forecast purchases and currency matched to the underlying exposure. Ineffectiveness of the hedge can arise primarily from changes in the timing of foreign currency payments compared to the duration of the FEC or option.

The Group Treasury Risk Management Policy is to 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 underlying 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	
	2022	2021
<i>Hedging instrument – forward foreign exchange contracts</i>		
Carrying amount (liability)/asset – \$ million	(0.2)	0.4
Notional amount US Dollars – \$ million	99.8	16.0
Notional amount Yen – \$ million	10.5	2.6
Notional amount EURO – \$ million	19.4	25.0
Maturity date	Jan – Dec 2023	Jan 2022 – Jul 2023
Hedge ratio	1:1	1:1
Weighted average hedge rate – US Dollars	A\$1 : US\$0.6800	A\$1 : US\$0.7246
Weighted average hedge rate – Yen	A\$1 : Yen 92.9	A\$1 : Yen 82.4
Weighted average hedge rate – Euro	A\$1 : EURO 0.6394	A\$1 : EURO 0.6243

Notes to the financial statements continued

22 Financial risk management continued

(b) Market risk continued

(i) Foreign exchange risk continued

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.

(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 an interest rate swap. 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 November 2029, are drawn at fixed rates for the term of the facility.

The Group analyses its interest rate periodically. 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			
	2022		2021	
	Weighted average interest rate	Balance \$M	Weighted average interest rate	Balance \$M
<i>Variable rate instruments:</i>				
Cash at bank, on hand and at call	1.5%	139.9	0.6%	124.7
Bank facilities	3.6%	620.0	1.5%	465.0
<i>Fixed rate instruments:</i>				
Bank facilities (fixed rate)	1.2%	100.0	3.7%	100.0

Instruments used by the Group

The Group uses fixed interest rate swaps to hedge movements in interest rate 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	
	2022	2021
<i>Hedging instrument – interest rate swap</i>		
Carrying amount asset/(liability) – \$ million	17.4	2.9
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	2.94	0.04
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			
	2022 Impact on post-tax profit \$M	Impact on equity \$M	2021 Impact on post-tax profit \$M	Impact on equity \$M
Interest rates – increase by 1%	(1.7)	(3.9)	(0.3)	(0.3)
Interest rates – decrease by 1%	1.7	3.9	(2.3)	(2.3)

(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 to 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 2022 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					
	2022			2021		
	Expected loss rate %	Gross carrying amount \$M	Loss allowance \$M	Expected loss rate %	Gross carrying amount \$M	Loss allowance \$M
Current	–	141.8	–	–	139.8	–
More than 30 days past due	–	62.0	–	–	53.8	–
More than 60 days past due	–	4.7	–	–	3.8	–
More than 90 days past due	63.8	15.2	9.7	85.20	12.2	10.4
Total	–	223.7	9.7	85.2	209.6	10.4

The gross carrying amount includes external receivables of \$187.0 million (2021: \$173.2 million) and the Group's share of joint venture receivables of \$36.7 million (2021: \$36.4 million).

Notes to the financial statements continued

22 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 \$1,000.0 million of bilateral financing facilities (including \$940.0 million of cash advance and \$60.0 million of contingent instrument lines) at 31 December 2022. The maturities of the debt facilities were extended in 2022. Accounting for these extensions, the facilities have an average maturity of 4.3 years at 31 December 2022 (2021: 5.1 years).

Financial arrangements	Consolidated	
	2022 \$M	2021 \$M
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Bank overdrafts	4.0	4.0
Bank facilities – cash advance	940.0	890.0
Bank facilities – contingent instruments	60.0	60.0
	1,004.0	954.0
Used at balance date		
Bank overdrafts	–	–
Bank facilities – cash advance	720.0	565.0
Bank facilities – contingent instruments	39.6	27.8
	759.6	592.8
Unused at balance date		
Bank overdrafts	4.0	4.0
Bank facilities	220.0	325.0
Bank facilities – contingent instruments	20.4	32.2
	244.4	361.2
Bank facilities mature during:		
November 2024	35.0	105.0
November 2025	50.0	–
November 2026	765.0	695.0
November 2028	50.0	50.0
November 2029	100.0	100.0
	1,000.0	950.0

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.

Consolidated						
	< 6 Months	6-12 Months	1-2 Years	> 2 Years	Total	Carrying amount (assets)/ liabilities
Contractual financial liabilities amount payable at maturity	\$M	\$M	\$M	\$M	\$M	\$M
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 contracts (cash flow hedges):						
(inflow)	(72.9)	(66.8)	(9.8)	(0.2)	(149.7)	18.3
outflow	70.0	62.7	2.9	0.1	135.7	-
	(2.9)	(4.1)	(6.9)	(0.1)	(14.0)	18.3
31 December 2021						
Non-derivatives						
Trade payables	187.2	-	-	-	187.2	187.2
Bank facilities	-	-	-	565.0	565.0	562.1
Lease liabilities	3.8	3.7	6.9	129.3	143.7	81.5
Bank guarantees	0.1	0.1	0.3	27.3	27.8	-
	191.1	3.8	7.2	721.6	923.7	830.8
Derivatives						
Gross-settled forward foreign exchange contracts (cash flow hedges):						
(inflow)	(21.1)	(18.0)	(4.5)	-	(43.6)	-
outflow	21.1	18.3	4.6	-	44.0	-
	-	0.3	0.1	-	0.4	-

Notes to the financial statements continued

22 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 \$(0.2) million (2021: assets of \$0.4 million) at the end of the reporting period. The Group held assets in relation to interest rate swaps of \$17.4 million (2021: 2.9 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

23 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.

(a) Interests in joint arrangements and associate

Name	Principal place of business	Ownership interest		Activities
		2022 %	2021 %	
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 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	50	Premixed concrete
Sunstate Cement Ltd ³	Queensland	50	50	Cement milling and distribution

1. Associate

2. Joint operation

3. Joint venture

Notes to the financial statements continued

23 Joint arrangements and associate continued

Accounting policy – joint arrangements and associate continued

(ii) Joint arrangements continued

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.

Effective 1 July 2021, the Group's Mawson joint venture acquired Milbrae Quarries Pty Ltd, a concrete, aggregate and mobile crushing business.

On 18 November 2021, the Group acquired the sand operations of Metro Quarry Group Pty Ltd in a 50/50 joint venture with the Barro Group. This includes two quarries south east of Melbourne at Lang Lang and Nyora, supplying the local and Melbourne markets with natural sand. The Group paid \$30 million into the newly established joint venture entity to fund its share of the purchase and working capital.

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

	Consolidated	
	2022 \$M	2021 \$M
Movements in carrying value of equity accounted investments		
Opening balance at 1 January	215.0	197.8
Share of equity accounted income	24.0	33.3
Dividends received	(12.8)	(16.1)
Other	0.3	-
Closing balance at 31 December	226.5	215.0

(b) Summarised financial information for joint ventures and associate

	Consolidated	
	2022 \$M	2021 \$M
Income statement 100%		
Revenue	934.9	806.2
Profit before tax	61.6	86.0
Income tax expense	(12.9)	(18.3)
Net profit from continuing operations	48.7	67.7
The Group's share based on % ownership	24.0	33.3

(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 (2021: \$90.0 million).

24 Subsidiaries

The Group's material subsidiaries at 31 December 2022 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.

Name of entity	Place of incorporation	Class of shares	Ownership interest held by the group	
			2022 %	2021 %
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

25 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.

Notes to the financial statements continued

25 Deed of cross guarantee continued

Set out below is a consolidated balance sheet as at 31 December 2022 of the Closed Group.

	Closed Group	
	2022 \$M	2021 \$M
Current assets		
Cash and cash equivalents	137.8	120.3
Trade and other receivables	276.2	256.5
Inventories	172.4	153.5
Current tax assets	15.6	14.2
Assets held for sale	9.2	14.0
Total current assets	611.2	558.5
Non-current assets		
Receivables	81.5	87.7
Investments accounted for using the equity method	138.6	127.1
Retirement benefit asset	6.6	7.0
Property, plant and equipment	1,175.8	1,035.9
Right-of-use assets	71.4	72.4
Intangible assets	303.7	278.0
Other financial assets	21.5	5.7
Total non-current assets	1,799.1	1,613.8
Total assets	2,410.3	2,172.3
Current liabilities		
Trade and other payables	215.5	189.7
Lease liabilities	5.3	4.7
Provisions	39.6	36.7
Other current liabilities	5.8	2.8
Total current liabilities	266.2	233.9
Non-current liabilities		
Borrowings	716.3	562.1
Deferred tax liabilities	100.8	81.6
Lease liabilities	77.4	76.6
Provisions	61.2	63.7
Other non-current liabilities	-	-
Total non-current liabilities	955.7	784.0
Total liabilities	1,221.9	1,017.9
Net assets	1,188.4	1,154.4
Equity		
Share capital	741.2	741.2
Reserves	11.3	1.5
Retained earnings	435.9	411.7
Total equity	1,188.4	1,154.4

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 2022 of the Closed Group.

	Closed Group	
	2022	2021
	\$M	\$M
Profit before income tax	136.4	156.1
Income tax expense	(34.0)	(39.5)
Profit for the year	102.4	116.6
Retained earnings 1 January	411.7	380.8
Profit for the year	102.4	116.6
Other comprehensive income	0.1	(2.5)
Dividends paid	(78.3)	(83.2)
Retained earnings 31 December	435.9	411.7

26 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.

Notes to the financial statements continued

26 Parent entity financial information continued

(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:

	2022 \$M	2021 \$M
Balance Sheet		
Current assets	3,022.3	2,797.4
Total assets	3,580.7	3,363.8
Current liabilities	1,765.3	1,809.3
Total liabilities	2,640.9	2,530.7
Net assets	939.8	833.1
Shareholders' equity		
Share capital	734.1	734.1
Reserves		
Share-based payments	(0.4)	(0.6)
Foreign currency translation reserve	(0.1)	-
Retained earnings	206.2	99.6
Total shareholders' equity	939.8	833.1
Loss for the year	(14.9)	(12.3)
Total comprehensive loss	(14.9)	(12.3)

(b) Guarantees entered into by the parent entity

	2022 \$M	2021 \$M
Bank guarantees	12.1	10.9

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2022 or 31 December 2021 other than the bank guarantees shown above.

27 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 Investment Nominees Ltd. The Plan commenced in the MST on 1 August 2001. The *Superannuation Industry (Supervision) legislation (SIS)* governs the superannuation industry and provides a framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the Plan pays defined benefit pensions.

Plan assets are held in trusts which are subject to supervision by the prudential regulator. Funding levels are reviewed regularly. Where assets are less than vested benefits, being those payable upon exit, a management plan must be formed to restore the coverage to at least 100%.

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- Administration of the Plan and payment to the beneficiaries from Plan assets when required in accordance with the Plan rules;
- Management and investment of the Plan assets; and
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

Membership is in either the defined benefit or accumulation sections of the Plan. The accumulation section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The following sets out details in respect of the defined benefit section only.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal, and are guaranteed benefits to the equivalent of the notional balance they would have received as accumulation members through additional contributions from the Group. The defined benefit section of the Plan is closed to new members.

During the 12 months to 31 December 2022, all new employees, who are members of this fund, have become members of the accumulation category of the Plan.

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

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

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

Notes to the financial statements continued

27 Retirement benefit obligations continued

(b) Balance sheet amounts

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

	Present value of obligation \$M	Fair value of plan assets \$M	Net obligation/ (asset) \$M
At 1 January 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)
At 1 January 2021	40.7	(44.8)	(4.1)
Current service cost	1.1	-	1.1
Interest expense/(income)	0.3	(0.3)	-
	1.4	(0.3)	1.1
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(4.5)	(4.5)
(Gain)/loss from change in financial assumptions	(1.0)	-	(1.0)
Experience (gains)/losses	2.0	-	2.0
	1.0	(4.5)	(3.5)
Contributions:			
Employers	-	(0.6)	(0.6)
Plan participants	0.6	(0.6)	-
Payments from plan:			
Benefit payments	(4.7)	4.8	0.1
At 31 December 2021	39.0	(46.0)	(7.0)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2022 unquoted		31 December 2021 unquoted	
	\$M	%	\$M	%
Australian equity	9.2	25%	12.0	26%
International equity	8.4	23%	14.2	31%
Fixed income	6.6	18%	7.4	16%
Property	3.7	10%	5.1	11%
Cash	3.3	9%	3.2	7%
Other	5.5	15%	4.1	9%
Total	36.7	100%	46.0	100%

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

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	2022	2021
Discount rate – % p.a.	5.0	2.1
Future salary increases – % p.a. – first year	4.0	2.0
Future salary increases – % p.a. – second year	3.0	2.0
Future salary increases – % p.a. – thereafter	3.0	2.0

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 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%
31 December 2021			
Discount rate	0.50 ppts	Decrease by 1.2%	Increase by 1.2%
Future salary increases	0.50 ppts	Increase by 0.7%	Decrease by 0.6%

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 2023 for the year ending 31 December 2022 are \$nil (2021: \$0.4 million).

The weighted average duration of the defined benefit obligation is 4 years (2021: 4 years).

Notes to the financial statements continued

28 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 2022, no shares were issued under the TEES Plan (2021: 361,188 shares), and no shares were issued under the ES Plan (2021: 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

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.

The exercise price for each Award is \$nil.

Movement in number of awards outstanding	2022	2021
Outstanding at beginning of the year	2,424,343	1,757,678
Granted	1,493,803	993,655
Expired	(80,129)	(326,990)
Outstanding at the end of the year	3,838,017	2,424,343
Exercisable at the end of the year	–	–

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

The average value per share at the earliest exercise date during the year was not applicable for 2022 or 2021 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.

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 2022 and 2021 – weighted average pricing model inputs	2022 Awards	2021 Awards
Share price at grant date – per share	\$2.39	\$3.50
Expected future dividends – per share	\$0.40	\$0.38
Risk-free interest rate – % p.a.	3.29	0.63
Lack of marketability discount – % p.a.	3.0	4.2
TSR condition discount	50%	50%
Earliest exercise date	1 May 26	1 May 25
Fair value at grant date	1.12	\$1.86

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 \$405,778 during the year (2021: \$436,490).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 2.1 years (2021: 2.4 years).

29 Related party

(a) Compensation of key management personnel

	Consolidated	
	2022 \$000	2021 \$000
Short-term employee benefits	7,308.1	5,601.6
Post-employment benefits	189.3	172.5
Share-based payments	563.2	1,666.9
	8,060.6	7,441.0

(b) Other transactions with key management personnel

RD Barro, a Director of Adbri Limited, is Managing Director of Barro Group Pty Ltd. RR Barro, a Director of Adbri Limited, is a Director of the Barro Group Pty Ltd. Barro Group Pty Ltd and Adbri Limited, through its 100% owned subsidiary, Adelaide Brighton Management Ltd, each control 50% of Independent Cement and Lime Pty Ltd, a distributor of cement and lime in Victoria and New South Wales.

During the year, the Barro Group of companies purchased goods and materials from and sold goods, materials and services to Independent Cement and Lime Pty Ltd and the Group. The Barro Group of companies also purchased goods and materials from Sunstate Cement Ltd, a company in which the Group has a 50% share.

Interim Chief Executive Officer, Mark Irwin, and 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, Sunstate Cement Ltd.

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	
	2022 \$000	2021 \$000
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	110,127	107,614
Purchases from Director related parties	34,568	35,776

(c) Controlled entities

The ultimate parent company is Adbri Limited. Details of interests in controlled entities are set out in Note 24.

Notes to the financial statements continued

29 Related party continued

(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	
	2022	2021
	\$000	\$000
Sales of goods:		
Joint venture entities	295,208	294,299
Purchases of materials and goods:		
Joint venture entities	108,729	132,063
Associate entities	14,440	8,644
Interest revenue:		
Joint venture entities	2,609	21
Dividend and distribution income:		
Joint venture entities	17,035	16,021
Defined benefit contributions:		
Contributions to defined benefit funds on behalf of employees	528	546
Loans advanced to:		
Joint venture entities	3,113	2,737

(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	
	2022	2021
	\$000	\$000
Current receivables:		
Joint venture entities (interest)	1,005	14
Joint venture entities (trade)	36,651	36,393
Non-current receivables:		
Joint venture entities (loans)	81,488	76,709
Current payables:		
Joint venture entities (trade)	17,326	18,722

(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 \$2,609,375 (2021: \$21,421).

30 Events occurring after the reporting period

On 23 January 2023, the Group announced that it has extended its agreement with Alcoa of Australia Limited, which was due to expire in January 2023. The new agreement has been extended until the end of October 2024 and is on similar terms and conditions to the current contract.

Since the end of the financial year, considering the capital required for the completion of the Kwinana Upgrade project, 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 2022 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.

31 Commitments for capital expenditure

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

	Consolidated	
	2022 \$M	2021 \$M
<i>Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:</i>		
Within one year	113.9	110.4

32 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	
	2022 \$M	2021 \$M
Audit services		
Deloitte Touche Tohmatsu Australian firm (2021: PricewaterhouseCoopers Australian firm)		
Audit and review of financial reports	0.7	0.8
Non-audit services		
Deloitte Touche Tohmatsu Australian firm (2021: PricewaterhouseCoopers Australian firm)		
Other assurance services	0.2	0.1

33 Contingency

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

Guarantees

	Consolidated	
	2022 \$M	2021 \$M
Bank guarantees	39.6	27.8

Litigation

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

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

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 103 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 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 25 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 25.

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 Interim Chief Executive Officer and Interim Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Mr Raymond Barro
Chairman

Date: 28 February 2023

Auditor's independence declaration

Deloitte.

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Australia

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28 February 2023

The Board of Directors
Adbri Limited
Aurora Place, Level 9
88 Phillip Street
SYDNEY NSW 2000

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 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

Independent auditor's report to the members of Adbri Limited



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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 2022, 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 2022 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 & 16) The financial report of the Group includes goodwill of \$301.4 million and property, plant and equipment of \$1,218.5 million as at 31 December 2022.	Our procedures included but were not limited to: <ul style="list-style-type: none"> • 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 AASB136 <i>Impairment of Assets</i>;

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<p>To assess the recoverable amount of goodwill and property, plant and equipment the Group prepared discounted cash flow value in use models (the impairment models).</p> <p>The impairment models include significant estimates and judgement in relation to revenue and EBIT growth rates, terminal growth rates and discount rates.</p> <p>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 rate and discount rates.</p>	<ul style="list-style-type: none"> • In conjunction with our internal valuation specialist evaluating the Group's methodologies and the documented basis for key assumptions utilised in the impairment models; • Agreeing the forecast cash flows used to develop the 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 2024 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, objectivity and methods applied by management's expert engaged by the Group to assist 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 model including testing the mathematical accuracy of the impairment models; • Reviewing and challenging the appropriateness of the Group's sensitivity analysis and disclosure thereof 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; • Assessing the adequacy of the disclosures included in Notes 14 and 16 against the requirements of AASB136 <i>Impairment of Assets</i>.
<p>Estimation of close-down and restoration costs provision (Refer to Note 17)</p> <p>Provisions for close-down and restoration costs associated with quarries and other disturbed areas of \$61.1 million were recognised as at 31 December 2022.</p> <p>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</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Developing an understanding of the Group's process and controls over the estimation of the close-down and restoration costs provision; • Evaluating the Group's methodologies and the documented basis for key assumptions utilised in the estimates; • Obtaining the provision prepared by the Group and assessing whether the design and assumptions in the provision meet the measurement objectives of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, are appropriate in the circumstance and whether judgements have been applied consistently; • Evaluating the provision, assessing whether significant assumptions and the data were maintained and applied

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current rehabilitation requirements. The expected costs are adjusted for inflation over the useful life of the site and discounted to present value.

This was a key audit matter based on the significance of the total 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.

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, objectivity and assumptions applied by management's internal experts when determining the provision;
- For a sample of locations:
 - Obtaining an understanding of the legal or constructive obligation that presently exists;
 - assessing the nature, timing and extent of rehabilitation work to be performed by inspecting rehabilitation plans;
 - comparing the nominal cost to rehabilitate each respective site included within the provision to internal assessments;
 - performing enquiries with management to understand whether there were any significant changes during the period that would impact the estimates made
- 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 17 against the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

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 2022, 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.

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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 has 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.
- 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.

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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 27 to 47 of the Directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Adbri Limited, for the year ended 31 December 2022, 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

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Jason Thorne
Partner
Chartered Accountants
Sydney, 28 February 2023



Penny Woods
Partner
Chartered Accountants
Adelaide, 28 February 2023

Information for shareholders

Annual General Meeting

The 2023 Annual General Meeting of Adbri Limited will be held on Thursday, 25 May 2023.

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 Monday, 20 March 2023.

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 1, 157 Grenfell 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: +613 9415 4031
Facsimile: 1300 534 987 International: +613 9473 2408

When communicating with the share registry, shareholders should quote their current address together with their Security Reference Number (SRN) or Holder Identification Number (HIN) as it appears on their Issuer Sponsored/CHESS statement.

Online services

Shareholders can access information and update information about their shareholding in Adbri Limited via the internet by visiting Computershare Investor Services Pty Ltd website: www.investorcentre.com

Some of the services available online include: check current holding balances, choose your preferred annual report option, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption, view your transaction and dividend history or download a variety of forms.

Direct credit of dividends

Dividends can be paid directly into an Australian bank or other financial institution. Payments are electronically credited on the dividend payment day and subsequently confirmed 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:

General Manager Corporate Finance and Investor Relations
Adbri Ltd
Level 9, Aurora Place
88 Phillip Street
Sydney NSW 2000

Telephone: +61 477 999 238
Email: info@adbri.com.au

Information for shareholders continued

Communications

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

Substantial shareholders

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.

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

On-market buy back

At 28 February 2023 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 20 January 2023

Shareholder	Number of ordinary shares held	% of issued capital
Barro Properties Pty Ltd	215,285,359	32.99
HSBC Custody Nominees (Australia) Limited	82,537,857	12.65
Citicorp Nominees Pty Limited	45,025,884	6.90
J P Morgan Nominees Australia Pty Limited	42,610,154	6.53
Barro Group Pty Ltd	32,412,619	4.97
Carltonbridge Pty Ltd	11,416,000	1.75
Argo Investments Ltd	7,681,385	1.18
BNP Paribas Noms Pty Ltd	7,271,568	1.11
Cloverdew Pty Ltd	6,580,000	1.01
Churchbridge Pty Ltd	5,040,000	0.77
Ageflow Pty Ltd	3,630,000	0.56
Rayonbridge Pty Ltd	3,574,000	0.55
Netwealth Investments Limited	3,387,981	0.52
National Nominees Limited	2,430,207	0.37
BNP Paribas Noms (NZ) Ltd	2,403,000	0.37
Prudential Nominees Pty Ltd	2,100,000	0.32
National Exchange Pty Ltd	2,050,000	0.31
Sunstone Finance Pty Ltd	2,000,000	0.31
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	1,324,010	0.20
Equity Trustees Ltd <Adelaide Brighton Te Pln Ac>	1,250,424	0.19
Total top 20 shareholders	480,010,448	73.55
Total remaining shareholders balance	172,617,107	26.45

Voting rights

All shares at 20 January 2023 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 20 January 2022	Number of shareholders	% of issued capital
1 – 1,000	4,880	0.34
1,001 – 5,000	7,688	3.31
5,001 – 10,000	3,408	3.95
10,001 – 100,000	3,441	13.47
100,001 – over	167	78.92
Total shareholders	19,584	100.00¹
Less than a marketable parcel of 272 shares	1,807	

1. Rounding of 0.01% of holders.

Unquoted securities

As at 20 January 2023, 3,838,017 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 incentive program. The Awards are not quoted and do not participate in the distribution of dividends and do not have voting rights. The total number of participants in the Adbri Limited's Executive Performance Share Plan and eligible to receive the Awards is seven.

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PROUDLY
CELEBRATING
140
YEARS