

BRICKWORKS

LIMITED

ABN 17 000 028 526

ANNUAL REPORT 2011



BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

FIVE YEAR SUMMARY

	2007	2008	2009	2010	2011	%
	\$000	\$000	\$000	\$000	\$000	Growth
Total revenue	558,936	553,716	593,511	656,538	635,615	(3%)
Building Products revenue	516,851	519,986	489,253	580,283	604,915	4%
Earnings before interest tax and amortisation						
Building products	65,919	53,610	37,026	53,379	42,017	(21%)
Property	58,168	91,867	38,798	26,638	26,662	0%
Waste management	2,115	1,792	1,841	1,755	2,573	47%
Investments	655	681	1,268	2,434	1,713	(30%)
Associates	31,837	36,247	94,157	74,047	66,182	(11%)
Head office and other expenses	(5,807)	(6,135)	(7,271)	(7,729)	(7,148)	8%
Total EBITA	152,887	178,062	165,819	150,524	131,999	(12%)
Borrowing costs	(27,305)	(37,286)	(33,314)	(24,491)	(21,155)	14%
Income tax	(23,385)	(32,603)	(18,825)	(15,851)	(10,061)	37%
Net profit after income tax - normal	102,197	108,173	113,680	110,182	100,783	(9%)
Significant items						
Washington H Soul Pattinson & Co.	13,892	(9,563)	392,882	-	88,686	
Write down of assets to recoverable value						
- Property, plant & equipment	-	-	(43,779)	(2,728)	(14,021)	
- Investment property	-	-	(24,716)	-	-	
- Investment in associate (BKI)	-	-	(13,674)	-	-	
- Building products inventory	-	-	(8,171)	(4,750)	(1,084)	
Remediation provision recognised	-	-	(12,039)	-	-	
Borrowing costs	-	-	(3,036)	-	-	
Business acquisition costs	-	-	-	(2,826)	(2,751)	
Costs on closure of manufacturing facility	(3,499)	-	-	(3,482)	(8,651)	
Other significant items	-	-	(3,489)	(577)	(2,511)	
Tax on significant items	(3,118)	2,868	(92,443)	4,283	(17,900)	
One off tax items	(1,939)	-	-	38,688	-	
Net profit after income tax (incl significant items)	107,533	101,478	305,215	138,790	142,551	3%
Basic earnings per share (cents)	81.0	76.5	229.8	96.7	96.7	(0%)
Normalised earnings per share (cents)	77.0	81.5	85.6	76.7	68.3	(11%)
Dividends						
Ordinary dividends per share (cents)	38.0	39.0	39.0	40.0	40.5	1%
Ratios						
Net tangible assets per share	\$6.06	\$6.35	\$8.27	\$9.28	\$9.42	2%
Return on shareholders equity	10.0%	9.1%	22.3%	8.4%	8.5%	1%
Interest cover ratio	4.8	4.8	4.6	6.5	6.4	(2%)
Net debt to capital employed	32.0%	32.0%	21.8%	12.1%	13.0%	7%

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REGISTERED OFFICE:

738 - 780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Facsimile: (02) 9620 1328

DIRECTORS:

ROBERT D. MILLNER FAICD (Chairman)
Director since 1997

MICHAEL J. MILLNER MAICD (Deputy Chairman)
Director since 1998

BRENDAN P. CROTTY LS; DQIT; Dip.Bus Admin; MAPI; FAICD; FRICS
Director since 2008

DAVID N. GILHAM FCILT; FAIM; FAICD
Director since 2003

THE HON. ROBERT J. WEBSTER MAICD; MAIM; JP
Director since 2001

MANAGING DIRECTOR:

LINDSAY R. PARTRIDGE BSc. Hons.Ceramic Eng; SFCDA; Dip.CD
Joined the Company 1985. Director since 2000

CHIEF FINANCIAL OFFICER:

ALEXANDER J. PAYNE B.Comm; Dip CM; FCPA; FCIS; JP
Joined the Company in 1985

COMPANY SECRETARY:

IAIN H. THOMPSON B.Ec; CA; Grad Dip CSP; FCIS
Joined the Company in 1996

AUDITORS:

ERNST & YOUNG

BANKERS:

NATIONAL AUSTRALIA BANK

SHARE REGISTER:

COMPUTERSHARE INVESTOR SERVICES PTY. LIMITED
GPO Box 7045
Sydney NSW 2001
Telephone: 1800 269 981
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Horsley Park NSW 2175
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DIRECTORS' REPORT

The Directors of Brickworks Limited present their report and the financial report of Brickworks Limited and its controlled entities (referred to as the Brickworks Group or the Group) for the financial year ended 31 July 2011.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Robert D. Millner FAICD (Chairman)
Michael J. Millner MAICD (Deputy Chairman)
Lindsay R. Partridge BSc. Hons. Ceramic Eng; SFCDA; Dip. CD (Managing Director)
Brendan P. Crotty LS; DQIT; Dip.Bus Admin; MAPI; FAICD; FRICS
David N. Gilham FCILT; FAIM; FAICD
The Hon. Robert J. Webster MAICD; MAIM; JP

All Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Brickworks Group during the year were the manufacture of building products, property realisation and investment.

Result of operations

The consolidated net profit for the year ended 31 July 2011 of the Brickworks Group after income tax expense, amounted to \$142,551,000 compared with \$138,790,000 for the previous year.

Dividends

The Directors recommend that the following final dividend be declared:

Ordinary shareholders – 27.0 cents per share (fully franked)

Dividends paid during the year under review were:

- (a) Final ordinary of 27.0 cents per share (fully franked) out of profits for the year ended 31 July 2010 and referred to in the previous Directors' report;
- (b) Interim ordinary of 13.5 cents per share (fully franked) paid 17 May 2011

REVIEW OF OPERATIONS

Highlights

- Brickworks Normalised NPAT down 8.5% to \$100.8 million
 - Building Products EBIT down 21.3% to \$42.0 million
 - Land and Development EBIT up 2.8% to \$29.2 million
 - Investments EBIT down 11.2% to \$67.9 million
- Headline NPAT up 2.7% to \$142.6 million
- Building Products Revenue up 4.2% to \$604.9 million
- Net Debt \$249.4 million, Gearing of 17.9%
- Borrowing costs down 13.5% to \$21.2 million
- Final dividend of 27.0 cents fully franked

Overview

Brickworks (ASX: BKW) posted a **Normalised** net profit after tax ('NPAT') for the year ended 31 July 2011 of \$100.8 million, down 8.5% from \$110.2 million for the year ended 31 July 2010. After significant items, Brickworks' **Headline** NPAT was \$142.6 million, up 2.7% from \$138.8 million in the previous year.

Building Products earnings before interest and tax ('EBIT') in the second half was 38.2% down on the prior corresponding period. The full year EBIT was \$42.0 million, down 21.3% on the prior year.

Land and Development EBIT was up 2.8% to \$29.2 million, primarily due to an increased contribution from the Property Trust.

Investment EBIT was down 11.2% to \$67.9 million, largely due to the impact of flooding in Queensland on the result of New Hope Coal.

Brickworks' overall result was achieved despite challenging conditions including the conclusion of the Federal government's stimulus programs, extreme weather events such as the floods in Queensland and a significant fall in detached housing commencements in every state. The result was assisted by both lower borrowing costs and tax expense.

Normal earnings per share ('EPS') were 68.3 cents per share, down from 76.7 cents per share for the previous year due to the lower earnings.

In a sign of confidence as to the underlying strength of the company the Directors have declared a final **dividend** of 27.0 cents fully franked, taking the full year dividend to 40.5 cents fully franked, a 1.3% increase on the previous year.

The record date for the final ordinary dividend will be 23 November 2011, with payment being made on 1 December 2011.

Financial Analysis

Gearing (debt to equity) reduced to 17.9% at 31 July 2011 from 18.2% at 31 July 2010. Total interest bearing debt ('TIBD') remained steady at \$300.0 million and Net Debt was \$249.4 million at 31 July 2011. Net debt to capital employed rose to 13.0% from 12.1% the previous year on a \$22.7 million reduction in cash holdings.

Brickworks successfully negotiated renewal of its **senior bank debt** facility for a further 4 years on favourable terms. This new facility is due for maturity in June 2015. The company also has an undrawn working capital facility of \$100.0 million that provides head room in the current unstable financial markets or additional financial capacity should an acquisition opportunity arise.

Borrowing costs decreased to \$21.2 million, from \$24.5 million the prior year, due to lower average debt levels. Interest cover was down marginally to 6.4 times, from 6.5 times at 31 July 2010.

Total net **cash flow** from operating activities was \$89.0 million, down from \$146.5 million in the previous year. Reduced proceeds from land held for resale of \$47.1 million accounted for most of this decrease. In addition there was a decrease in dividends received from Washington H. Soul Pattinson & Company ('**WHSP**') of \$10.7 million and an increase in inventory of \$12.7 million (excluding the inventory of acquired businesses). These amounts were slightly offset by reduced tax payments of \$13.5 million compared with the prior year.

Dividends of \$59.8 million were paid during the year, compared to \$58.2 million in the previous corresponding period.

Capital expenditure increased to \$35.7 million in the year ended 31 July 2011, excluding acquisitions. Stay in business capital expenditure was \$19.1 million, representing 71.8% of depreciation. Growth capital expenditure was \$15.7 million including upgrades to precast plants in New South Wales and Western Australia and the purchase of operational land for the Building Products division. Land and Development capital expenditure was \$0.9 million.

Spending on **acquisitions** totalled \$17.1 million for the year comprising the Giroto and Gocrete precast businesses and East Coast Masonry in Coffs Harbour.

Working capital, excluding assets held for resale, decreased by \$17.8 million to \$204.5 million mainly due to a decrease in receivables and cash holdings at the end of the year.

Finished goods **inventory** increased by \$12.2 million to \$115.5 million during the year, including the effect of businesses acquired during the period. Even though a number of plants were taken offline during the year, wet weather in June and July and continued deterioration in trading conditions caused a substantial stock build at year end.

Net Tangible Assets (NTA) per share increased by 1.5% to \$9.42 per share as Total Shareholders' Equity increased \$25.8 million to \$1.676 billion.

Normal **tax expense** decreased 36.5% to \$10.1 million during the year, on reduced Group EBIT.

Significant items increased NPAT by \$41.8 million for the full year and are detailed in the following table.

Significant Items (\$m)	Gross	Tax	Net
WHSP Equity Accounting – BKW share of significant items, including the sale of Arrow Energy Limited	88.7	(26.6)	62.1
Impairment of Austral Bricks Queensland assets	(9.7)	2.9	(6.8)
Costs associated with the restructure of Austral Bricks Victoria	(9.6)	2.9	(6.7)
Bristile Roofing West Coast – write-off obsolete plant	(3.1)	0.9	(2.2)
Acquisitions, legal and other	(6.6)	2.0	(4.6)
TOTAL	59.7	(17.9)	41.8

Brickworks' Building Products Group

Market conditions ¹

Dwelling Starts	12 Mths to	12 Mths to June 11			Variance % (Compared to prior year)		
	June 10	Detached	Other Res	Total	Detached	Other Res	Total
New South Wales	36,382	17,266	17,598	35,261	(8.4)	2.6	(3.1)
Queensland	33,182	17,188	9,288	26,443	(25.5)	(8.6)	(20.3)
Victoria	54,475	34,952	23,666	59,116	(7.3)	43.7	8.5
Western Australia	25,134	16,763	3,805	20,617	(15.6)	(27.1)	(18.0)
South Australia	12,007	8,121	2,545	10,732	(14.1)	1.2	(10.6)
Tasmania	3,120	2,162	786	2,997	(13.2)	27.2	(3.9)
Total Australia	165,549	96,863	58,431	156,411	(13.6)	11.1	(5.5)
New Zealand (Consents) ²	16,176	12,526	1,013	13,539	(18.6)	29.4	(16.3)

Total dwelling commencements for **Australia** were down 5.5% to 156,411 for the twelve months ended 30 June 2011, from 165,549 in the previous year. The decline was driven by detached housing, down 13.6% to 96,863 compared with 112,141 for the previous year.

There was a significant drop in activity in the second half, with total dwelling commencements for the six months to 30 June 2011 of 74,017, down 10.2% compared to the six months to 31 December 2010.

New South Wales experienced a 3.1% decrease in total dwelling commencements to 35,261, driven by an 8.4% reduction in detached houses, partially offset by a 2.6% increase in other residential commencements.

Queensland experienced the largest percentage decrease in total dwelling commencements of any state, down 20.3% to 26,443 for the twelve months ended 30 June 2011. The decrease was particularly significant in the second half in the aftermath of the severe flooding in south east Queensland. Total dwelling commencements for the six months to 30 June 2011 were 12,203, down 25.2% on the prior corresponding period.

Victoria was the only state to experience an increase in dwelling commencements, up 8.5% to a record high of 59,116 for the year ended 30 June 2011. There is evidence of the Victorian market softening with commencements for the second half to 30 June 2011 of 27,842 down 11.0% on the first half to 31 December 2010.

Western Australia experienced a sharp decline in building activity with total commencements of 20,617, down 18.0% from 25,134 in the prior year. Detached houses were down 15.6% to 16,763 and other residential commencements were down 27.1% to 3,805.

New Zealand Market Conditions³

New Zealand building consents were down 16.3% for the 12 months ended 31 July 2011 to 13,539. This was primarily driven by a 25.6% reduction in the second half to 5,988.

The value of approvals in the **non residential** sector in Australia decreased by 30.9% to \$27.594 billion for the twelve months to 30 June 2011 compared to the previous corresponding period. This decrease is related to the wind down of the BER program. Within the non residential sector, **Commercial** building approvals increased by 15.0% to \$10.317 billion for the period and **Industrial** building approvals increased 17.9% to \$3.629 billion.

Building Products' Results in Detail

Revenue for the year ended 31 July 2011 was up 4.2% to \$604.9 million compared to \$580.3 million for the prior year, due to additional revenue from acquisitions. A strong increase in revenue in the first half was offset by a 5.9% decline in second half revenue to \$298.6 million. Revenue from like for like operations was down 5.6% for the year.

EBIT was \$42.0 million, down 21.3% on the prior year. EBIT in the second half was weak, at \$19.5 million, down 38.2% on the prior corresponding period.

The reduced EBIT result is entirely attributable to performance of the Austral Bricks Queensland, and the Western Australian businesses in the face of extremely depressed market activity. Excluding these businesses, the EBIT result was up 3.4% on the prior year.

The lower **EBIT to Sales Margin** was impacted by higher unit production costs as plant efficiencies were decreased by shutdowns throughout the year. Margins were also adversely impacted by increased brick transfers from interstate to meet the demand in Victoria, and an increase in electricity costs.

In addition, a dramatic increase in the proportion of sales from Austral Precast contributed to the lower margin. The supply and install nature of the precast business, similar to roofing, has generally lower profit margins than bricks, however being less capital intensive, compensates with less funds employed.

The ability of the business to achieve **selling price** increases to cover the increased costs was compromised by inconsistent pricing and irrational selling strategies in the market. This is likely to remain an ongoing problem with competitors fixing current prices in multi-year contracts with many builders.

¹ Original data sourced from ABS Cat. 87500.0 Dwelling Unit Commencements, Australia, Preliminary, June 2011. Total data within table includes conversions.

² Building Consents data sourced from Statistics New Zealand – Building Consents. Data shown is for the year to July 31.

³ Building Consents data sourced from Statistics New Zealand – Building Consents, July 2011.

To combat this, Brickworks continues to focus on product development and has delivered a range of new and innovative products that competitors cannot match, allowing Brickworks to attract premium prices. For example in New South Wales, over 50% of face brick sales last year were products designed and launched within the last five years.

Brickworks objective to be the “**easiest to do business with**” was supported by strong momentum in the retail and display upgrade strategy. Numerous initiatives were rolled out during the year, including the opening of new **Design Studios** in Sydney CBD, and Richmond, in inner city Melbourne. In addition a number of existing displays were upgraded including Townsville (Queensland), Punchbowl (New South Wales) and Tauranga (New Zealand).

Total **Employee numbers** were reduced by 19 over the year, however with an additional 146 employees joining the business due to acquisitions, a total of 165 staff, representing 11.7% of the workforce, were laid off during the year. Building Products revenue per employee increased by 5.7% to \$433,620. This figure compares favourably to the building products operations of our peers.

The Total Reportable **Injury Frequency Rate** (‘TRIFR’) increased to 216.1 from 169.8 for the prior year. There were 10 Lost Time Injuries (‘LTIs’) during the year, compared with 8 in the previous year. The slight increase is primarily due to injuries sustained in the recently acquired operations. In fact, only 2 (of 12) divisions experienced an increase in the number of LTI’s compared to the previous year, and 8 divisions had no LTI’s at all. Brickworks is currently rolling-out OHS practices to improve safety standards in the recently acquired operations, in line with the rest of the Group.

Carbon Emissions

Brickworks has continually strived to reduce fuel consumption and lower carbon emissions, for commercial and environmental reasons. Based on NGERs data, Brickworks emitted 430,800 tonnes of CO₂ for the year ended 31 July 2011. This has been voluntarily reduced from 570,000 tonnes for the year ended 31 July 2003.

Brickworks continue to pursue significant reductions in energy consumption with a focus on three key themes: better factory utilisation; product re-engineering; and elimination of products with excessive emissions. When fully operational the combined Wollert plant in Victoria will achieve annual emissions savings of 115,000 tonnes of greenhouse gases, a reduction of around 65% compared to the facilities being replaced.

It is Brickworks intention to pass on the cost increases associated with the Carbon Tax to its customers, subject to the mechanism outlined in legislation. Based on the current emission levels, a carbon tax at \$23 per tonne, and including Treasury estimates of 0.7% increases per year, this will result in price increases of up to 6%. Price rises will vary by product according to their carbon intensity.

Divisional Results

Austral Bricks result was lower than the previous year due to lower demand, particularly in the second half. Overall sales revenue for the year ended 31 July 2011 was \$329.7 million, down 4.7% compared to the prior year, due to the impact of the market downturn in Queensland and Western Australia.

New South Wales achieved a solid result, delivering improved profit and margins compared to the prior year. Demand from the BER and social housing stimulus programs came to a close midway through the year and volumes reduced significantly in the second half. Strong cost control measures resulted in decreased production costs compared to last year. All plants were run to match sales, with the unused capacity dedicated to manufacture supply shortfall for Victoria.

Queensland delivered a negative contribution for the year as market conditions deteriorated rapidly with new dwelling approvals in Queensland now at the lowest level since 2001. Even though both Rochedale and Riverview plants had lengthy shutdowns to bring production volumes in line with the reduced demand, stock levels increased and unit production costs and standing charges increased. These closures, together with inconsistent supply and quality resulted in a loss of market share during the year.

Led by a re-invigorated management team, a number of performance improvement initiatives have been introduced to address these issues. The product range has been revamped and now leads the market, with displays already upgraded. In addition, a review of the Rochedale plant is currently underway to determine the extent a refit is necessary to achieve a reduction in manufacturing cost and return the business to the undisputed lowest cost producer in the market.

Queensland operations will be consolidated onto one site at Rochedale with the Riverview plant being written-off during the year, in preparation for sale or transfer into a property trust. The Riverview plant was bought in 1999 for \$14.1 million and to date has delivered a contribution of \$37.7 million to the business.

Victoria maintained the prior year’s strong profit result, despite volumes weakening in the second half. Building activity continued at record rates during the year and this was supported by interstate product transfers to meet customer demand. During the year, the Summerhill plant and Craigieburn kiln 2 were decommissioned.

The final part of the **Victorian Restructure**, the new Wollert West kiln was lit on 1 July 2011 and commissioning is proceeding to plan. This project is on time and on budget despite losing four months due to poor weather. Full extruded production is planned to commence by November and interstate transfers from New South Wales, South Australia and Tasmania will continue until that time. Pressed brick production will commence in February 2012.

At a capital cost of \$130 million for the Wollert East and West plants and combined nominal capacity of 170 million Standard Brick Equivalents (‘SBEs’), the facility was constructed at a cost of \$0.76/SBE of installed capacity, well below the industry average of around \$1.00/SBE. This will provide a significant competitive advantage for the effective life of the plant and guarantee Austral’s undisputed position in Victoria as the lowest cost and highest quality producer.

Full production at the Wollert West plant will complete the rationalisation of the Victorian manufacturing footprint from seven older style inefficient kilns on three sites to two state of the art kilns on one site, delivering business simplification, a 65% reduction in production employees and 22% lower real manufacturing costs. Furthermore, the improved quality has allowed overall production capacity to be reduced by 24%.

In keeping with the long term business strategy, the rationalisation has also enabled Brickworks to make substantial profits from the sale of high value surplus land, reducing real capital employed by 70% and increasing returns on funds to over 20%.

Western Australia experienced a fall in sales volume and profits as a result of the poor market conditions and increased competition. Production plants were run well below capacity to reduce inventory build, adversely impacting manufacturing costs compared to the prior year. The business has developed a number of higher margin products to counter the increased competition. A restructure of the business to improve production efficiencies and reduce the level of capital invested is currently being investigated.

South Australia delivered another improved result, despite a rapid deterioration in market conditions late in the financial year. The continued strong improvement is a direct result of the previous investment in refitting the plant at Golden Grove. Strong operational performance resulted in production costs decreasing 4.1% compared to the prior year, driving a 5.9% increase in margin.

Tasmania delivered an increased earnings contribution through significantly higher average selling prices, despite sales volume being slightly down on the previous corresponding period. Innovative, market leading products have proved popular, increasing market share and average selling price. Improved operational efficiencies resulted in a significant reduction in manufacturing costs. This performance was made possible by upgrades to the plant over recent years.

The **New Zealand** economy struggled again this year in the wake of the Christchurch earthquakes. Although sales were down compared with the prior year, profit was steady.

Austral Masonry once again delivered an improved profit result for the year, despite a significant downturn in trading conditions and fierce competition on the east coast. Sales revenue increased by 14.8% over the previous corresponding period to \$55.2 million, due in part to a full year contribution from the Port Kembla plant. On a like for like basis sales volume decreased by 1.9% compared to the prior year.

Sales of pavers in particular were down, as retail sales were impacted by lower consumer confidence and falling house prices slowing the rate of household landscaping projects.

Average price increases of 2.7% were achieved, with significant increases on standard masonry products offset by marginal increases on coloured masonry and landscaping products due to heavy discounting in the market by competitors.

Austral Masonry's product range was again expanded during the year with the launch of the Cornerstone retaining wall system. This product is ideal for use in larger scale projects, giving Austral Masonry access to several markets in which it did not previously compete.

The acquisition of East Coast Masonry in Coffs Harbour during the second half further expanded the Austral Masonry manufacturing footprint and provides an ideal location to serve the New South Wales central and mid north coast regions.

In 2006 Brickworks owned just one Masonry plant in Dandenong, Victoria. Since that time it has grown rapidly through the acquisition of a number of independent operators and is now established as the 3rd largest masonry manufacturer nationally and made a positive contribution to the Group result.

Bristle Roofing achieved another solid result, despite sales volume being down 4.2% to \$123.8 million. The east coast operation recorded improved earnings, driven by average selling price increases and strong cost controls.

In Western Australia, profit was well down on the previous corresponding period. In the face of softening demand, plant shutdowns were required to manage inventory levels, resulting in higher unit production costs. A plant re-fit is planned to commence in October 2012, enabling increased quality and reduced production costs that will ensure a strong future for the Western Australian roofing business.

Austral Precast sales revenue was \$56.6 million in its first full year of operations. The precast business delivered a solid result for the year ended 31 July 2011 with strong profitability on the East Coast and a significantly improved performance in Western Australia, compared to budget, despite closing for 2 months due to a plant upgrade.

Following the acquisition of Sasso Precast last year, Brickworks acquired the assets of the Giroto and Gocrete concrete panel businesses from Boral on 1 September 2010 for \$14.2 million, including stock. The businesses have been successfully integrated and rebranded Austral Precast. Austral Precast is now the only national supplier in the precast concrete walling and flooring industry.

On the East Coast, Austral Precast has an automated production facility at Wetherill Park, Sydney and is investigating new automated plants for Melbourne and Brisbane. At Wetherill Park, the business is investing in concrete batching facilities to allow 24 hour operation. In addition the business is currently commissioning machinery that will allow production of double skin cavity walls for basements, a new product in the Australian walling market.

Austral Precast also has the only automated precast plant in Western Australia. A plant upgrade completed during the year added the capability to manufacture walling products efficiently in the automated plant and will lead to lower production costs. The Western Australian business has developed a promising order book and is well placed for future growth.

Auswest Timbers delivered a steady result for the year ended 31 July 2011 despite sales revenue decreasing 6.0% to \$36.1 million compared to the previous year, due to soft domestic market conditions for green structural products. Higher returns from an improved sales mix assisted the business to achieve a 5.9% lift in average selling prices and a 3.4% increase in margin.

Further advances were achieved in sales of higher margin kiln dried products, as these products made strong gains in brand recognition and market share. UK export volumes increased despite the impact of higher exchange rates. Auswest has recently introduced a pre-finished flooring range with excellent market response to date.

Land and Development

Land and Development produced an EBIT of \$29.2 million for the year ended 31 July 2011, up 2.8% from \$28.4 million in the previous corresponding period.

Property Sales contributed an EBIT of \$16.3 million for the year.

The major transaction for the year was the sale to Hewlett Packard of land on the M7 Business Hub Estate for gross proceeds of \$18.8 million. A number of smaller transactions also took place.

The **Property Trust** generated an EBIT of \$12.5 million, up from \$10.3 million in the year ended 31 July 2010. Distributions from the Property Trust were \$7.1 million for the year, in line with the prior year with no new properties added. Revaluation profit totalled \$4.7 million, up from \$2.8 million in the previous year. Capitalisation rates have stabilised between 7.75% and 8.5%.

The sale of two lots from a six lot sub-division owned by the Heritage Trust JV on the M7 Business Hub Estate delivered a \$0.7 million profit.

The total value of the Property Trust assets as at 31 July 2011 was \$611.4 million, with borrowings of \$243.5 million, giving a total net value of \$367.9 million. Brickworks share of the Trust's net asset value was \$184.0 million up \$8.0 million from \$176.0 million at 31 July 2010.

Waste Management contributed a profit of \$2.5 million from operations at Horsley Park in New South Wales up \$0.8 million compared to the previous corresponding period.

Investments

The EBIT from total investments was down 11.2% to \$67.9 million in the year ended 31 July 2011.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

The normalised profit from this investment was \$66.2 million for the year, down from \$74.0 million in the year ended 31 July 2010.

The market value of Brickworks 42.85% shareholding in WHSP remained steady at \$1.322 billion at 31 July 2011. This investment continues to provide diversity and stability to earnings, with cash dividends totalling \$48.6 million, including a \$12.8 million special dividend, received during the current year.

WHSP has a compound annual Total Shareholder Return ('TSR') for the last 15 years of 11.5%, compared with the ASX All Ordinary Accumulation Index, which returned 9.1% over the same period.

WHSP maintains a substantial investment portfolio in a number of listed companies including significant holdings in Brickworks, New Hope Corporation, TPG Telecom Limited, API, Clover, Ruralco Holdings and Souls Private Equity.

Outlook

Building Products Group

Increasing interest rates and global uncertainty affecting investor confidence have caused a severe housing downturn. Unless there is a move to more expansionary monetary policy or a reduction in taxation and regulation on housing, there is unlikely to be an improvement. There is no indication that housing approvals have reached the bottom of the current cycle. Based on June and July seasonally adjusted figures they are running at an annualised rate of 146,000. Given that commencements are typically around 5% below approvals, Brickworks estimates housing starts for FY2012 will be 141,000.

A number of state governments have implemented schemes to stimulate the housing industry such as first home owner bonuses and / or stamp duty concessions in Victoria, New South Wales and South Australia. Initial sales reports are positive since the 1st August implementation of the long awaited Queensland government grant of \$10,000 for new home purchases under \$600,000.

The acceleration of land release programs and a review of planning legislation in New South Wales and Victoria are also welcome, however in a number of markets there remains a shortage of titled land.

The outlook for the New Zealand market is much improved with the Christchurch rebuild set to commence in FY2012 and the withdrawal of a competitor from this market.

A significant capital expenditure program over the past few years has enabled Brickworks to further strengthen its lowest cost manufacturer position in most markets in which it operates. The large capital projects on existing plant are almost complete and future expenditure will be "stay in business" capital and remain equal to or less than annual depreciation. Business growth projects and acquisitions however will continue to be undertaken as opportunities arise.

Maximising Profit in Difficult Conditions

In light of the dire condition of the housing industry and the failure of the federal government to act, Brickworks is undertaking additional initiatives to maintain earnings.

A significant **cost reduction** program is underway, with \$17.9 million worth of savings identified last year that have not yet fully flowed through. In addition, a further \$13.7 million worth of full year savings have been identified this year. Unfortunately these savings include the loss of many valued and long serving employees. In addition to the 165 laid off last year, a further 74 have been identified since year end. In total, the program has identified the loss of 239 people, representing 16.9 percent of the total workforce.

A number of plants will **operate below capacity**, be on standby, or mothballed to ensure production is in line with demand and inventory levels are maintained. With an estimated brick production for the year of around 700 million SBE's and a total production capacity of 950 million SBE's, Brickworks will operate at 74% utilisation.

In order to improve margins, **price rises** will be implemented on a rolling basis throughout the year. Most businesses have implemented a price rise in June 2011 with further rises planned to deliver average selling price increases of 5-10% compared to the prior year.

Land and Development

The first half of FY2012 will see the completion of three Property Trust projects including two DHL facilities totalling 36,000m² on the Oakdale site. The existing Linfox facility at Erskine Park is also being extended by 15,000m² and is due for completion in December 2011. The conclusion of these projects will provide additional rental returns and capital growth for the Property Trust.

The demand for new site developments is improving from a low base across the broader market, the location of the properties continues to attract tenants relocating from other areas. Expansion options for facilities are also being pursued by a number of our larger tenants.

Land sales are proving to be resilient with interest shown in the remaining four smaller lots on the M7 Hub Estate and a number of Queensland properties.

Work continues on rezoning numerous surplus sites already identified for development including Craigieburn in Victoria, Rochedale in Queensland and Cardup in Western Australia. Progress on Craigieburn is expected to be slow, as a result of the review of the entire Victorian planning process. A decision on the Rochedale site is expected by December 2011. The rezoning application and lodgement for the Cardup site is planned for mid 2012.

Investments

The value of Brickworks investment in WHSP, including its exposure to the highly profitable mining sector through its stake in New Hope Coal ("NHC"), is at times unrecognised in valuations of the company. The market value of the Brickworks shareholding in WHSP alone is approximately equal to the current total Brickworks market capitalisation.

Brickworks Group

The forecast decline in housing activity will result in another challenging year for the Building Products Group. This challenge is being met head on with an aggressive cost reduction programme.

Strong contributions from both Land and Development and Investments are expected to largely offset any weakness in Building Products earnings.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Brickworks Group during the year, other than those events referred to in the Review of Operations and the financial statements.

After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected the current financial year, or may significantly affect in subsequent financial years:

- the operations of the Brickworks Group;
- the results of those operations; or
- the state of affairs of the Brickworks Group.

Likely developments and expected results of operations

The review of operations gives an indication of likely developments and the expected results of operations in subsequent financial years. Further information as to likely developments in the operations of the Group, and the expected results of those operations in subsequent financial years, has not been included in this report because inclusion of such information would be likely to result in unreasonable prejudice to the Group.

Safety

"There is no task that we undertake that is so important that we can't take the time to find a safe way to do it".

Brickworks are committed to the health and safety of its employees, contractors and general public. A Brickworks core value is that "We don't want to make a profit by hurting anybody" and earnestly believe that all injuries are preventable. A safety culture is crucial to our operation's ongoing OH&S performance.

The board of Directors and Senior Managers are fully aware of their responsibilities in the management of Occupational Health and Safety. The Managing Director is briefed weekly on OH&S matters and performance by the Divisional General Managers and issued a full report at the end of each month. An OH&S report is presented to the Board and is an agenda item discussed at each Board meeting.

Brickworks have developed robust OH&S management systems, complying with all relevant Australian standards and legal obligations. These systems are designed to meet the needs of its employees, contractors and general public, and are in a class that ably support the Workers compensation self insurance models operating in New South Wales, Victoria and Western Australia divisions.

Brickworks reviews safety performance at all levels of the business, with a view to continuous improvement. Various management and supervisory levels are given responsibilities for safety performance, with relevant staff being held accountable for this.

The Group consolidated its safety performance over this last year, with half its divisions not having recorded a lost time injury. The lost time injury frequency rate (LTIFR) was 3.46 injuries per million hours worked, up slightly on last year's 3.04. Whilst these results are substantially better than any performance prior to the 2010 financial year, management will continue to focus their attention and efforts on those divisions with disappointing results.

The standardisation of the OH&S management systems nationally is well underway, with both internal reviews and independent audits scheduled to take place early in the 2012 financial year to review compliance to date.

The Environment

The Brickworks Group understands and accepts its responsibility for environmental protection which is integral

to the conduct of its commercial operations. Brickworks' objective is to comply with all applicable environmental laws and regulations and community standards in a commercially effective way. We are committed to encouraging concern and respect for the environment and emphasising every employee's responsibility for environmental performance. During the year, in excess of \$1.5 million was spent on capital projects aimed at improving our environmental performance or rehabilitating operational sites. In addition, construction of the new Wollert West factory, worth \$65.0 million, is nearing completion. This state of the art manufacturing facility will replace two existing manufacturing facilities, resulting in substantial energy and emission improvements. When fully operational, overall energy consumption and greenhouse gas emissions are expected to reduce by over 60% at Austral Bricks Victoria.

The government's intention to implement a price on carbon emissions has been a critical issue facing Brickworks this year. Unlike most energy intensive businesses, Brickworks will not receive compensation under the draft legislation. However some of its more emissions intensive competitors such as the steel, cement and glass industries will receive 94.5% of their carbon permits for free, distorting the market towards higher emissions products. Brickworks intends to fully offset the costs of this tax through price rises.

In preparing for a price on carbon, managing energy use, emissions and associated costs have been integral to our operations. Brickworks actively participates in energy efficiency and greenhouse gas reporting schemes which have assisted in the improvement of systems and processes for data capture and storage, measuring and calculating emissions and implementing energy saving initiatives. These programs include:

- Energy Efficiency Opportunities (EEO) Act 2006 – this programme encourages large energy users to implement management systems aimed at measuring and analysing energy usage within their plants and identifying and implementing energy reduction strategies. All of the largest Brickworks sites covering over 90% of Brickworks total energy consumption have been assessed and had energy audits undertaken to Level 2 status.
- National Greenhouse and Energy Reporting (NGER) Act 2007 – this programme requires organisations to measure and report their energy consumption, production and greenhouse gas emissions under strict protocols. Brickworks has been measuring its energy consumption and emissions for some 15 years and this program has assisted Brickworks to streamline its processes for data capture, measuring, calculating and reporting energy and emissions. The data is subsequently collated and reported monthly to Senior Management and the Board.
- National Pollution Inventory (NPI) – The NPI provides the government, community and industry with information to substances and emissions estimates for 93 toxic substances. Brickworks have been fulfilling its mandatory reporting requirements under this scheme.
- Environment and Resource Efficiency Program (EREP) – this programme was established by the Environment Protection Act 2006 (Victoria only) to assist the state's largest energy and water users to achieve financial benefits by assessing their resource use efficiency (energy, water and materials use and waste generation). While many of the energy saving projects are already covered in Brickworks' EEO submission, water and resource saving and waste reduction initiatives have also been committed to.
- Energy Saving Action Plans (ESAP) – this program is administered by the NSW Office of Environment & Heritage and requires large energy users in NSW to submit a detailed energy efficiency plan and subsequent annual progress reports.

Again, one of Brickworks' focal points this year was kiln efficiency and a number of initiatives were carried out to reduce energy consumption and associated costs. Austral Bricks in NSW commissioned new high efficiency burners in the kiln firing zone at Plant 1. This project resulted in numerous benefits including a 15% productivity improvement (push-rate) and similar energy savings per unit of production. With improved kiln control, noticeable improvements in quality have resulted and defects have reduced by over 50%.

Brickworks have undertaken a national approach to improving compressed air efficiency. Assessments were undertaken in previous reporting periods at all energy intensive plants with numerous energy savings identified and implemented. During this period 2 old compressors at Austral Masonry's Port Kembla plant were replaced with energy efficient technology including variable speed drives. This has resulted in improved availability and quality of compressed air, and a reduction in electricity usage of over 70%.

Brickworks' has been assisting industry participants in the delivery of energy efficient housing through the supply of innovative building materials and extensive research and development programs. Jade Projects, Right Homes and Brickworks partnered on a product development journey to prove that sustainability and affordability can go hand-in-hand. The result was the JADE 909, a 9 Star Rated project home in Western Australia. The Jade 909 uses 119% less energy and 76% less water than an average Perth home and subsequently won the 2010 HIA Greensmart Project Home Award. Brickworks supplied the clay bricks resulting in lower energy demand for heating and cooling due to their thermal mass properties and contributed to research on construction types, climatic zones and building orientations.

Brickworks are a Housing Industry Australia (HIA) Green Smart Leader and support research on Thermal Performance and Life Cycle Analysis of Australian Housing in association with the University of Newcastle. On that, the University of Newcastle & Think Brick recently published their findings from 8 years of research with conclusive evidence that houses built with Bricks and their inherent thermal mass properties have far superior energy efficiency performance compared to housing constructed from lighter weight materials.

Brickworks is subject to significant environmental regulation in respect of its clay building products manufacturing and associated activities as set out below.

The Group has manufacturing facilities in each state of Australia. Each site holds a current licence and/or consent in consultation with the local environment protection authorities. Annual returns were completed where required for each licence stating the level of compliance with site operating conditions.

Queensland production facilities and mining leases operate and are licensed under the Environmental Protection Act 1994 and Regulations. Each site is regulated by Environmental Management Overview Strategy documentation or plans of operations. Various approvals have also been obtained from Brisbane City Council relating to the operation of the concrete roof tile facility at Wacol.

New South Wales production facilities and mine areas are administered under the Protection of the Environment Operations Act 1997, which licences organisations and regulates the level of all discharges into the environment. Load based licensing fees are determined by the Environmental Protection Authority based on the level of discharges. The Environmental Planning and Assessment Act 1979 applies to the approval conditions of the group's activities. Some sites also operate within additional requirements imposed by local government and NSW Department of Primary Industries.

Victorian production sites are licensed under the EPA Act 1970, including various state environmental protection policies and regulations. Mining leases operate under the Extractive Industries Development Act 1995.

South Australian production facilities are licensed under the EPA Act 1993, while mining and rehabilitation plans are approved in accordance with Regulations under the Mines and Works Inspection Act 1920.

Western Australian operations operate under the Environmental Protection Act 1986. They have licences issued from a number of government agencies, including the Department of Environment and the Department of Mines and Petroleum. A number of our sites also operate under additional requirements issued by local shires and councils.

Tasmanian operations and mining leases operate under the Environmental Protection Act of 1973.

Audit and assurance programs are an integral aspect of Brickworks environment management systems assisting in measuring performance and mitigating environmental risks. A total of 21 independent annual audits were completed this year, which were supplemented by internal audits carried out by Brickworks environmental personnel. The independent environment auditors complete an environmental compliance audit of all factory sites every two years whilst internal environmental managers audit the sites every other year. The purpose of this is to ensure compliance with all current licences and regulations and identify risks of an adverse environmental event under any other relevant legislation.

During the year, results of our environmental management process indicated that some emissions were in excess of EPA licence limits. The Company has investigated all these non-compliances, working closely with the relevant authorities to resolve these issues. There have been no prosecutions arising as a result of these.

Information on Directors

Robert D. Millner FAICD

Chairman

Mr R. Millner is the non-executive chairman of the Board. He first joined the Board in 1997 and was appointed chairman in 1999. Mr Millner has extensive corporate and investment experience. He is the Chairman of the Remuneration Committee.

Other directorships:

Washington H. Soul Pattinson and Co. Ltd	Director since 1984
New Hope Corporation Ltd	Director since 1995
Milton Group	Director since 1998
Australian Pharmaceutical Industries Ltd	Director since 2000
TPG Telecom Ltd	Director since 2000
BKI Investment Company Ltd	Director since 2003
Souls Private Equity Ltd	Director since 2004

Michael J. Millner MAICD

Deputy Chairman

Mr M. Millner is a non-executive Director who was appointed to the Board in 1998. He is a councillor of the Royal Agricultural Society of NSW, including Chair of the Cattle Committee and Chair elect of the RAS Foundation, and has extensive experience in the investment industry. Mr Millner is the deputy chairman of the Board, and a member of the Audit and Risk Committee and the Remuneration Committee.

Other directorships:

Washington H. Soul Pattinson & Co Ltd	Director since 1997
Ruralco Holdings Ltd	Director since 2007

Lindsay R. Partridge BSc. Hons. Ceramic Eng; SFCDA; Dip CD

Managing Director

Mr Partridge is a Ceramic Engineer who worked extensively in all facets of the industry in Australia and the United States of America before joining The Austral Brick Company in 1985. He held various senior management positions at Austral before being appointed Chief Executive Officer in 1999, and was subsequently appointed to the Board in 2000. Since then, Brickworks has grown significantly in terms of size and profitability as its operations have become Australia-wide, with its product range extending beyond bricks to roof tiles, pavers, masonry and precast concrete, and activities expanding into property development. In 2008, Mr Partridge completed the Stanford University Executive Development Program. Mr Partridge has also had extensive industry involvement, and is currently a director of various industry bodies, including the Australian Brick and Blocklaying Training Foundation, and the Clay Brick and Paver Institute.

Brendan P. Crotty LS; DQIT; Dip. Bus Admin; MAPI; FAICD; FRICS

Director

Mr Crotty was appointed to the Board in June 2008 and is a non-executive Director. He brings extensive property industry expertise to the Board, including 17 years as Managing Director of Australand until his retirement in 2007. He is a director of a number of other entities that are involved in the property sector, Chairman of Western Sydney Parklands Trust and a director of Barangaroo Delivery Authority. He is a Member of the Audit and Risk Committee and the Remuneration Committee.

Brendan P. Crotty (cont.)*Other directorships:*

Australand Funds Management Ltd	Director since 2007
GPT Group	Director since 2009
Trafalgar Corporate Ltd	Appointed 2007, Resigned 2009

David N. Gilham FCILT; FAIM; FAICD**Director**

Mr Gilham was appointed to the Board of Brickworks in 2003. He has extensive experience in the building products and timber industries. He was previously General Manager of the Building Products Division of Futuris Corporation and Managing Director of Bristle Ltd from 1997 until its acquisition by Brickworks in 2003, and has been involved with various timber companies. He is a member of the Remuneration Committee.

The Hon. Robert J. Webster MAICD; MAIM; JP**Director**

Mr Webster was appointed to the Board in 2001 and is a non-executive Director. He is Senior Client Partner in Korn/Ferry International's Sydney office. He is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Other directorships:

Allianz Australia Insurance Ltd	Director since 1997
Viridis Investment Management Ltd	Appointed 2005, Resigned 2010

Information on Chief Financial Officer and Company Secretary**Alexander J. Payne B.Comm; Dip CM; FCPA; FCIS; JP****Chief Financial Officer**

Mr Payne is an accountant with significant financial experience, who joined The Austral Brick Company in 1985. In 1987 he was appointed Group Company Secretary, and was appointed Chief Financial Officer in 2003. He is a Director of BKI Investment Company Ltd. During the year Mr Payne completed the Stanford University Executive Development Program.

Iain H. Thompson B.Ec; CA; Grad Dip CSP; FCIS**Company Secretary**

Mr Thompson is a chartered accountant who joined The Austral Brick Company in 1996. He worked in various accounting roles within the Company before being appointed Group Company Secretary in 2003.

Meetings of Directors

As at the date of this report there is an Audit and Risk Committee and a Remuneration Committee. During the financial year, 15 meetings of Directors (including committees) were held. Attendances were:

	DIRECTORS' MEETINGS		REMUNERATION COMMITTEE MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R.D. Millner	10	10	2	2	-	-
M.J. Millner	10	10	2	2	3	3
L.R. Partridge	10	10	-	-	-	-
B.P.Crotty	10	10	2	2	3	3
D.N. Gilham	10	9	2	2	-	-
R.J. Webster	10	9	2	2	3	3

Directors interests

As at 22 September 2011, Directors had the following relevant interests in Brickworks shares:

Ordinary Shares

R.D. Millner	5,396,192
M.J. Millner	5,371,433
L.R. Partridge	227,011
B.P. Crotty	10,209
D.N. Gilham	102,268
R.J. Webster	15,922

As at 22 September 2011, no Director had relevant interests in debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

As at 22 September 2011, no Director had any rights or options over shares in debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

As at 22 September 2011, there were no contracts entered into by Brickworks or a related body corporate to which any Director is party, or under which any Director is entitled to benefit nor were there any contracts which confer any right for any Director to call for or deliver shares in, debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

REMUNERATION REPORT

The remuneration report has been audited.

Remuneration committee

Brickworks Remuneration Committee operates under the delegated authority of Brickworks' Board of Directors. A summary of the Remuneration Committee charter is included on the Brickworks website (www.brickworks.com.au). All non-executive Directors of Brickworks are members of the Remuneration Committee.

The main functions of the Remuneration Committee are to assist the Board in fulfilling its responsibilities relating to:

- Ensuring remuneration policies and practices are consistent with Brickworks' strategic goals and human resources objectives and which enable Brickworks to attract and retain executives and Directors who will create value for shareholders;
- Equitably, consistently and responsibly rewarding executives having regard to the performance of Brickworks, the performance of the executive and the general pay environment; and
- Ensuring executive succession planning is adequate and appropriate.

Attendance details of the Remuneration committee are included in the Directors' report.

The Committee is authorised by the Board to obtain external professional advice, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Non-executive Directors

Remuneration of non-executive Directors is determined by the full Board after consideration of Company performance and market rates for Directors' remuneration. Non-executive Director fees are fixed each year, and are not subject to performance based incentives. Brickworks' non-executive Directors are not employed under an employment contract.

The maximum aggregate level of fees which may be paid to non-executive Directors is required to be approved by shareholders in a general meeting. This figure is currently \$800,000, and was approved by shareholders at the Annual General Meeting on 31 October 2003. It is not proposed to vary this amount at the 2011 Annual General Meeting.

For the year ended 31 July 2011, Brickworks paid non-executive Directors base fees of \$100,000 per annum, with the chairman of the Board receiving \$200,000 per annum, and the chairman of the Audit and Risk Committee receiving an additional \$10,000 per annum. All Directors are entitled to receive superannuation contributions at the statutory rate (9%) on these amounts. The total aggregate fees paid to non-executive Directors during the year was within the maximum approved by shareholders.

Brickworks constitution requires that Directors must own a minimum of 500 shares in the Company within two months of their appointment. All Directors complied with this requirement during the year.

Executive Directors and executives

Board policy for determining remuneration

Board policy for determining the nature and amount of remuneration of the executive Director and senior managers (the executives) is set by the Remuneration Committee. This policy is applied consistently across all divisions within the Group. Brickworks' remuneration policy is to ensure that an executive's remuneration reflects their duties and responsibilities, as well as ensuring the Company is able to attract and retain key talent.

The Board of Brickworks recognises that the Group's performance is tied to its ability to attract, retain and develop highly skilled and motivated executives. Whilst remuneration is a key factor in achieving this, the Board recognises there are other factors that influence this ability, including the culture and reputation of the group and its employees, the general human resources policies, and professional development opportunities.

Executive remuneration is comprised of both fixed and variable remuneration components. The structure of the remuneration is designed to provide an appropriate balance between these components.

Fixed remuneration is made up of base salary, superannuation and other benefits (where taken). Fixed remuneration is approved by the Remuneration Committee based on data sourced from external sources, including independent salary survey providers.

Variable remuneration is tied to the performance of both the individual and the Company. Any such remuneration earned is available as Brickworks shares purchased through the Brickworks Deferred Employee Share Plan or as cash, at the discretion of the employee.

Performance based remuneration

Brickworks Incentive Scheme has been designed to focus executives on the necessity to achieve a range of planned targets for their respective businesses. The variable remuneration program is structured around the achievement of annual performance criteria having regard to an individual's capacity to influence the area of responsibility, and is payable following recommendation by the Managing Director and approval by the Remuneration Committee. Funding for the Incentive Scheme accrues based on divisional and group earnings.

Variable remuneration available as a proportion of total salary for an employee increases as that employee gains greater responsibility and has greater capacity to influence the performance of the business as a whole. The proportion of remuneration related to performance for the Managing Director and Chief Financial Officer is at the discretion of the Remuneration Committee. For the other specified executives and senior managers covered by the Incentive Scheme, the potential variable component is up to 37.5% of base salary, adjusted up or down for performance compared against prior years. Total variable remuneration payments for the 2011 financial year reduced significantly from 2010, with a number of senior executives, including the Managing Director and Chief Financial Officer, receiving no variable remuneration for the 2011 year.

This scheme covers the Managing Director, Chief Financial Officer, General Managers, and various other senior managers within the group.

Seventy percent of variable remuneration is directly tied to achievement of divisional profit results against both prior year and budgeted performance. The Board considers this measure highly appropriate as it is directly linked to the Company's ability to generate profit and create value for shareholders. This is also appropriate from an executive's perspective as the executive is assessed against areas of direct responsibility and influence. Comparison of divisional profit is made against both prior year results and Board approved budgets for the current year. This criteria takes into account the aim of continual improvement in shareholders returns, whilst at the same time recognising that there are a number of external factors (such as the cyclical nature of the Australian Building industry) that are outside the control of the executive. Comparison against properly determined and approved budgets that take into account these external factors is aimed at rewarding executives for strong performance in a weaker environment, which assists in reducing the impact of any negative factors on the business as a whole.

The remaining thirty percent of variable remuneration is not directly tied to profit performance. The Board considers that there are a number of other areas of business performance that are critical to the success of the Company yet may not be reflected directly in divisional profits in the current year. These are areas of wider corporate responsibility that, if not achieved or improved, have the capacity to damage shareholder value, such as environmental compliance and performance, and occupational health and safety performance. Additionally, an executive's ability to train, develop and motivate staff, to maintain positive community relations, and to develop the industry we rely on, all have a major impact on the future profitability of the Company. These non-profit factors are assessed against internal targets set in advance and aimed at continual improvement in these areas.

Brickworks Employee Share Plan

Brickworks Employee Share Plan operates as part of the remuneration structure of the group. All employees of Brickworks with a minimum 3 months service are eligible to join the plan, whereby the employee may salary sacrifice an amount toward the purchase of Brickworks Ordinary shares and the Company contributes a maximum of \$3 per employee per week. The plans are aimed at encouraging employees to share in ownership of their Company, and help to align the interests of all employees with that of the shareholders.

In addition to the optional salary sacrifice portion of the plans, Brickworks has introduced an employee Alignment and Retention Scheme, whereby salaried staff are entitled to a value of shares each year through the Deferred Employee Share Plan. The value of shares granted is dependent upon the employees position within the group and their base salary, with staff being entitled to shares with a value up to 37.5% of base salary. Under the terms of the scheme, the employee will receive the voting rights and entitlement to any future dividends immediately upon purchase, however they are unable to access the shares to trade unless they satisfy vesting criteria. These shares will become available to the employee at 20% per annum at the end of each of the following five years, providing they continue to be employed by Brickworks. If the employee terminates their employment, they forfeit their entitlement to the unvested shares, except in limited circumstances, such as medical reasons or bona fide retirement.

An employee's right to transact the shares is governed by the trust deed for the Brickworks Employee Share Plans and the Company's policy regarding trading windows.

Brickworks Employee Share Plan is seen as both an employee retention mechanism, due to the service criteria attaching to the vesting of the shares, and a method of aligning employee interests with those of external shareholders. At 31 July 2011, there were 751 employees participating in the share plans, holding 1,305,709 shares (0.88% of issued capital).

In accordance with ASX Listing Rule 10.14, the Company contribution to the Brickworks Employee Share Plan is unavailable to Directors of Brickworks.

During the year, all monthly share purchases through the Brickworks Employee Share Plans were performed on market, as were the bonus shares granted to the Managing Director. All other bonus shares granted through the Employee Share Plans were issued on 1 November 2010.

Options

No options over unissued shares or interests in Brickworks Limited or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report. No shares or interests have been issued during or since the end of the year as a result of the exercise of any option over unissued shares or interests in Brickworks or any controlled entity.

Superannuation

The Company contributes to a number of superannuation funds for its employees. Company superannuation contributions are as required under the relevant superannuation guarantee legislation, generally being 9% of salary. Employees are entitled to salary sacrifice additional amounts as superannuation contributions, provided any contributions comply with superannuation guarantee requirements.

Brickworks does not have any, or any interest in, defined benefit superannuation funds. All funds administered on behalf of the Company are accumulation funds, and as a result there is no ongoing liability to Brickworks for unfunded superannuation plans.

Company performance, shareholder wealth and remuneration

This remuneration policy has been tailored to help align Director and executive interests with those of shareholders. The main method of this is through the use of the variable remuneration component and the use of the Brickworks Deferred Employee Share Plan. The Company believes this policy has been effective in increasing shareholder wealth over the long term, and will continue to be effective in creating additional shareholder value.

The following table shows a number of relevant measures of Company performance over the past five years. A detailed discussion on the current year results is included in the review of operations and is not duplicated in full here, however an analysis of the figures below demonstrates continued dividend growth, and consistent performance in a difficult cyclical environment.

The Board and Senior Management accept that a number of factors have contributed to recent poor share price performance, however the Board is of the opinion that the strategies and efforts adopted by the Group are appropriate to provide long term results to shareholders. Performance based remuneration is tied to performance of the building products and property segments, interest and tax expenses, however the share price is also influenced by factors outside of management's control. Recent share price pressures have come from a range of sources, including building material stocks facing particularly challenging conditions, investors not giving any weight to the value of the Group's look-through exposure to the strong resources sector (through SOL and NHC), and broader economic issues such as the potential profit impact of the carbon tax, and uncertainty in global financial markets generally.

Whilst the share price does not currently reflect the efforts of the board and management, management have had performance based remuneration cut significantly to appropriate levels given current returns. The changes noted above indicate that the board is prepared to adjust remuneration levels to appropriately match company performance, and the board is satisfied that the previously described remuneration policies will lead to continued improvement to shareholder wealth over the long term.

	2007	2008	2009	2010	2011
Total revenue (millions)	\$558.9	\$553.7	\$593.5	\$656.5	\$635.6
Net profit before significant items after tax (millions)	\$102.2	\$108.2	\$113.7	\$110.2	\$100.8
Net profit after tax (millions)	\$107.5	\$101.5	\$305.2	\$138.8	\$142.6
Share price at year end	\$13.50	\$11.90	\$12.85	\$11.81	\$9.90
Dividends – ordinary shares (cents)	38.0	39.0	39.0	40.0	40.5

Details of Key Management Personnel

Directors

The following persons were directors of Brickworks Ltd during the financial year:

Mr R. Millner	Non-executive Chairman
Mr M. Millner	Non-executive Deputy Chairman
Mr L. Partridge	Executive director (Managing Director)
Mr B. Crotty	Non-executive director
Mr D. Gilham	Non-executive director
The Hon. R. Webster	Non-executive director

Executives

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Mr A. Payne	Chief Financial Officer
Ms M. Kublins	Executive General Manager – Property & Development
Mr D. Fitzharris	Group General Manager Sales – Brickworks Building Products
Mr M. Finney	Group General Manager – Austral Bricks East Coast (Appointed 9 May 2011)
Mr P. Scott	Group General Manager WA – Brickworks Building Products
Mr P. Caughey	General Manager – Austral Bricks Victoria
Mr M. Ellenor	General Manager – Austral Bricks New South Wales
Mr D. Millington	General Manager – Bristile Roofing East Coast
Mr I. Thompson	Group Company Secretary

On 9 May 2011 Mr Mark Finney was appointed by the company and forms part of the Key Management Personnel disclosures from this date. From the same date, Messrs Caughey and Ellenor are no longer categorised as Key Management Personnel for financial reporting purposes, but remain in their same positions within the group.

Remuneration of Individual Key Management Personnel

Directors	Year	Short term employee benefits			Post employment (Super)	Share based payment (Long term bonus) ⁽⁴⁾	Termination benefits	Total
		Base salary / fees	Short term bonus ⁽³⁾	Non-monetary benefits				
R. Millner	2011	195,833	-	-	17,625	-	-	213,458
	2010	177,500	-	-	15,975	-	-	193,475
M. Millner	2011	97,917	-	-	8,813	-	-	106,730
	2010	88,750	-	-	7,988	-	-	96,738
B. Crotty	2011	97,917	-	-	8,813	-	-	106,730
	2010	88,750	-	-	7,988	-	-	96,738
D. Gilham	2011	97,917	-	-	8,813	-	-	106,730
	2010	88,750	-	-	7,988	-	-	96,738
R. Webster	2011	107,917	-	-	9,713	-	-	117,630
	2010	98,750	-	-	8,888	-	-	107,638
L. Partridge	2011	1,060,063	-	60,088	49,998	436,693	-	1,606,842
	2010	954,445	515,000	57,114	50,000	400,694	-	1,977,253
Totals	2011	1,657,564	-	60,088	103,775	436,693	-	2,258,120
	2010	1,496,945	515,000	57,114	98,827	400,694	-	2,568,580

Other Key Management Personnel	Year	Short term employee benefits			Post employment (Super)	Share based payment (Long term bonus) ⁽⁴⁾	Termination benefits	Total
		Base salary / fees	Short term bonus ⁽³⁾	Non-monetary benefits				
A. Payne ^{(1), (2)}	2011	491,293	-	35,168	44,216	250,488	-	821,165
	2010	467,502	257,500	19,820	42,075	241,000	-	1,027,897
M. Kublins ⁽²⁾	2011	335,563	142,500	32,473	28,898	157,635	-	697,069
	2010	332,131	-	28,243	22,628	148,266	-	531,268
D. Fitzharris ⁽²⁾	2011	349,345	75,000	50,907	30,860	98,645	-	604,757
	2010	313,523	125,000	21,654	28,217	116,712	-	605,106
M. Finney ⁽⁵⁾	2011	122,567	-	1,466	8,530	-	-	132,563
	2010	-	-	-	-	-	-	-
P. Scott ⁽²⁾	2011	379,806	-	31,007	15,186	148,628	-	574,627
	2010	353,430	120,000	31,007	14,461	173,028	-	691,925
P. Caughey ⁽⁵⁾	2011	203,422	112,500	24,901	18,062	61,224	-	420,109
	2010	254,161	105,000	23,644	22,874	65,233	-	470,912
M. Ellenor ⁽⁵⁾	2011	198,045	75,000	18,326	16,686	56,153	-	364,210
	2010	257,199	100,000	20,140	21,021	57,711	-	456,071
D. Millington ⁽²⁾	2011	254,427	106,875	24,480	22,898	90,368	-	499,048
	2010	254,805	100,000	15,779	22,932	71,853	-	465,369
I. Thompson ⁽¹⁾	2011	187,989	25,000	16,960	16,919	38,033	-	284,901
	2010	180,108	47,320	16,149	15,401	34,583	-	293,561
Totals	2011	2,522,458	536,875	235,688	202,255	901,174	-	4,398,449
	2010	2,412,859	854,820	176,436	189,609	908,386	-	4,542,109

Notes

- (1) Messrs Payne and Thompson are Company Executives as defined under s300A(1B) of the Corporations Act.
- (2) Messrs Payne, Fitzharris, Scott and Millington, and Ms Kublins are Group Executives as defined under s300A(1B) of the Corporations Act, and Key Management Personnel (KMP) as defined in AASB124 Related Party Disclosures.
- (3) The short term bonus amounts disclosed were approved by the Remuneration Committee on 29 August 2011, in relation to performance during the 2011 financial year (2010 granted on 25 August 2010). The short term bonus payments were made during the month following approval.
- (4) Share rights are valued at their grant date and the values are allocated evenly over the period from grant date to vesting date. The amounts disclosed above relate to that portion of the period from grant date to vesting date that fall within the current financial period in accordance with AASB 2. On the same date as the Remuneration Committee approved the short term bonus, they also approved various long term incentive amounts for each of the employees listed above, to be granted as shares in the Deferred Employee Share Plan (as outlined in the section on the share plan above).
- (5) On 9 May 2011 Mr Mark Finney was appointed by the company and forms part of the KMP disclosures from this date. From the same date, Messrs Caughey and Ellenor are no longer categorised as KMP for financial reporting purposes, but remain in their same positions within the group.

Discussion in relation to specific executives

The Company has signed employment contracts with the Managing Director and other senior executives of the Brickworks group. There is no fixed termination date under the contract, however the terms allow for a review every five years, or in certain limited circumstances, such as a material change in the executives position.

If the executive resigns from their employment, they are entitled to their salary up to termination date plus any accrued leave provisions. They will also be entitled to a pro-rata portion of the average of the previous 3 years annual bonus.

If the Company terminates Mr Partridge (Managing Director) other than under immediate termination (as defined in his employment contract), he will receive six months notice (or a payment equivalent to this amount in lieu of notice), plus a termination benefit of twelve months base salary and the average of the previous three years annual bonus. In addition Mr Partridge will receive immediate access to all unvested shares held on his behalf by the Brickworks Deferred Employee Share Plan.

If the Company terminates the specified executives other than under immediate termination (as defined in their employment contract), the executive will receive up to six months notice (or a payment equivalent to this amount in lieu of notice), plus a termination benefit of six months base salary and a pro-rata of the average of the previous three years annual bonus. In addition the executive will receive immediate access to all unvested shares held on their behalf by the Brickworks Deferred Employee Share Plan.

If the Managing Director or any executive is subject to immediate termination (as defined in their employment contract), Brickworks is not liable for any termination payments to the employee other than any outstanding base pay and accrued leave amounts. All unvested shares held on their behalf by the Brickworks Deferred Employee Share Plan will be forfeited.

All senior executives gain strategic business knowledge during the course of their employment. Brickworks will use any means available to it by law to ensure that this information is not used to the detriment of the Company by any staff member on termination. In order to protect the Group's interests, Brickworks has an enforceable restraint through the executive's employment contract to prevent executives either going to work for a competitor, or inducing other employees to leave the Company, for a specified period. In consideration of the restraint, executives will receive a monthly payment, equivalent to their existing base salary plus one twelfth of the average of the previous three annual bonuses, for a period of time. For the Managing Director this period is 12 months, and for other executives this period is up to 6 months.

The employment contracts referred to above have been prepared and reviewed by an external party. The Managing Director's salary package has also been reviewed by an external party and is considered to be fair and reasonable.

Auditor's independence declaration

The Directors received an independence declaration from the auditor, Ernst & Young. A copy has been included on page 18 of the report.

Provision of non-audit services by external auditor

During the year the external auditors, Ernst & Young, provided non-audit services to the Group, totalling \$19,000. The Directors through the Audit and Risk Committee are of the opinion that the provision of non-audit services has not compromised the independence of the auditors.

The non-audit services were all for the provision of accounting advice, which was general in nature, relating to the interpretation and potential application of accounting standards. Brickworks management has been responsible for selecting, applying and calculating all impacts of accounting standards on the Group's financial statements.

The details of total amounts paid to the external auditors are included in note 6 to the financial statements.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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.

Indemnification of Directors and officers

The Company's Rules provide for an indemnity of Directors, executive officers and secretaries where liability is incurred in connection with the performance of their duties in those roles other than as a result of their negligence, default, breach of duty or breach of trust in relation to the Company. The Rules further provide for an indemnity in respect of legal costs incurred by those persons in defending proceedings in which judgment is given in their favour, they are acquitted or the Court grants them relief.

Since the end of the previous financial year, the Company has paid insurance premiums in respect of Directors' and officers' liability. The insured persons under those policies are defined as all Directors (being the Directors named in this Report), executive officers and any employees who may be deemed to be officers for the purposes of the Corporations Act 2001.

Rounding of Amounts

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000 where allowed under that class order.

Made in accordance with a resolution of the Directors at Sydney.

Dated 22 September 2011.



R.D. MILLNER
Director



L.R. PARTRIDGE
Director



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AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Brickworks Limited

In relation to our audit of the financial report of Brickworks Limited for the financial year ended 31 July 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young
Ernst & Young

R Robinson
Renay Robinson
Partner
22 September 2011

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

CORPORATE GOVERNANCE STATEMENT

The Brickworks Board is committed to developing and maintaining good corporate governance within the Company, and recognise that this is best achieved through its people and their actions. Brickworks' long term future is best served by ensuring that its employees have the highest levels of honesty and integrity and that these employees are retained and developed through fair remuneration, appropriate long term incentives and equity participation in the Company. It is also critical to the success of the Company that an appropriate culture is nurtured and developed, starting from the Board itself.

This Corporate Governance statement has been summarised into sections in line with the 8 essential corporate governance principles as specified in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", as issued in August 2007.

A summary of corporate governance information can be found on the Brickworks website at www.brickworks.com.au.

Lay solid foundations for management and oversight

The Board is ultimately responsible for all matters relating to the running of the Company, however that role is achieved mainly through governing the Company. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board, and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Brickworks Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The principal functions and responsibilities of the Board include the following:

- Providing leadership to the Company and its employees;
- Overseeing the development and implementation of appropriate corporate strategies;
- Ensuring corporate accountability to shareholders;
- Overseeing the control and accountability systems within the Company;
- Ensuring robust and effective risk management, compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of the Company;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

All matters that are not specifically reserved for the board and are necessary for the daily management of the Company are delegated to senior executives and management, through the Managing Director.

In monitoring the performance and conduct of senior management, the Remuneration Committee formally reviews the performance of the Managing Director and senior executive staff at least annually. In addition to the formal evaluation procedures, senior executive performance is continually monitored by the Managing Director on behalf of the Board, and the Managing Director's performance is subject to continuous monitoring by the full Board. During the current year, the performance evaluations referred to above took place in accordance with the process as outlined.

Structure the Board to add value

It is Board policy that the majority of the Board should be non-executive Directors and the Chairman should be a non-executive Director. At the date of this report, the Board consists of five non-executive Directors listed in the Directors' Report and the Managing Director, Mr Lindsay Partridge. Specific details concerning each Director are contained in the Directors' Report.

Under the ASX Principles, Messrs Brendan Crotty and Robert Webster are the only Directors considered independent. Mr David Gilham is not independent due to previous senior executive roles with Bristle Ltd, and Messrs Robert Millner and Michael Millner are not independent due to their directorial relationships with Washington H. Soul Pattinson, a major shareholder in Brickworks. Whilst the majority of Directors are not strictly considered 'independent' in accordance with the ASX Principles, the Brickworks Board feels that there is an appropriate blend of skills and experience covering all aspects of the Company's operations, particularly the core businesses of building products manufacturing and property development.

The Company considers both quantitative and qualitative elements in determining the materiality of any relationships between individual Directors and the Company. The Company uses the guidance contained in accounting standard AASB1031: Materiality to determine quantitative thresholds, whereby amounts less than 5% are considered immaterial and amounts greater than 10% are considered material, subject to the assessment of qualitative factors. Major qualitative factors include the strategic importance of any relationship and the nature of that relationship.

Brickworks does not have a separate nomination committee, however the non-executive members of the Board who are not up for re-election at the next AGM fulfil the role of a nomination committee. These non-executive Directors are responsible for reviewing the composition of the Board to ensure that it comprises Directors with an appropriate mix of experience and expertise. Where a vacancy exists on the Board or where the non-executive Directors consider that the Board would benefit from the appointment of additional Directors with particular expertise or experience, the non-executive Directors, in conjunction with external advisors if appropriate, will select suitable candidates. Any Director appointed by the Board in this manner must be elected by shareholders at the next Annual General Meeting.

Non-executive Director performance is reviewed by the Chairman. If the performance of any non-executive Director is considered unsatisfactory, the matter is referred to the remainder of the Board. The efficiency, effectiveness and operations of the Board are continuously subject to informal monitoring by the Chairman and the Board as a whole.

Individual Directors of Brickworks are entitled to seek independent professional advice in relation to their role as a Director, at the cost of Brickworks. Directors are required to advise the Chairman or full Board prior to engaging parties to provide this advice.

Promote ethical and responsible decision-making

Brickworks has an established code of conduct under which all Directors and employees are expected to operate. This code is centred on having the Company and its employees achieving the highest integrity in all its business dealings at all levels of the organisation. The code covers a number of areas, including ethical standards, conflicts of interest, excellence in performance, confidentiality, trading in Company securities, continuous disclosure and equal opportunity, anti-discrimination and harassment. All Directors and employees of Brickworks and its subsidiaries are expected to abide by the code of conduct and the comprehensive policy manual which covers a number of items in more detail.

Brickworks is committed to generating an environment whereby its employees are encouraged to advise senior management of breaches to its code of conduct and policy manual. To assist employees in this process, Brickworks has established a confidential whistleblower service utilising external consultants to facilitate the reporting and investigating of breaches to the code of conduct.

A summary of the main principles of the Brickworks share trading policy are outlined below:

- Brickworks' Directors and employees are prohibited from trading in shares of Brickworks when in possession of price sensitive information about Brickworks Limited or its business and this information is not available to the public.
- Directors and employees are also prohibited from encouraging another person (for example, family members or business colleagues) to deal in Brickworks shares when they have "inside information".
- Brickworks has established share trading windows during which employees or Directors of the Company may trade shares in the Company. These windows are each for a period of six (6) weeks duration commencing at:
 1. the announcement of the Yearly result to the ASX;
 2. the AGM date;
 3. the announcement of the half yearly result to the ASX; and
 4. the lodgement of a prospectus.
- Directors and employees are restricted from trading in Brickworks shares during these trading windows if they are in possession of price sensitive information.
- There is a absolute prohibition on the trading of shares between the end of a financial period and the release of results to the ASX relating to that period.
- In exceptional circumstances, senior management and Directors may trade outside these windows, providing they obtain written approval from the Managing Director or Chairman respectively prior to trading. Exceptional circumstances can include severe financial hardship and the requirement to comply with a legal or regulatory requirement.
- This restriction does not apply to a limited number of scenarios, including where there is a no change in the beneficial interest; where the trading is done through a fund or scheme where investment decisions are at the discretion of a third party; participation in an offer made to all or most Brickworks shareholders (such as a rights issue or dividend reinvestment plan); or monthly share purchases made by the Brickworks Employee Share Plans.

Safeguard integrity in financial reporting

Brickworks has an established Audit and Risk Committee, which has its own charter outlining the committee's function, composition, authority, responsibilities and reporting. A summary of the charter is available on the Brickworks website. The composition required under the charter is consistent with the best practice guidelines specified by the ASX.

Current members of the Committee are The Hon. Robert Webster (Chairman), Mr Michael Millner, and Mr Brendan Crotty. Details of these Directors' qualifications and experience are available in the Directors' Report. The other Board members have a right of attendance, however the Managing Director, along with the Chief Financial Officer, the Company Secretary, and other senior managers may attend by invitation only, to discuss issues on audit and internal control matters.

The committee also requests that representatives from the external auditors attend the Committee meetings to report on the results of their work in the period under review. Representatives from both external and internal auditors have direct access to the Committee if required.

Audit and Risk Committee attendance details are included in the Directors' report.

The function of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other statutory requirements applicable to Brickworks Limited; and
- The application and adequacy of risk management systems within Brickworks Limited.

Make timely and balanced disclosure

As noted previously, the Company has a written policy dealing with its requirements under the Continuous Disclosure rules contained in ASX listing rule 3.1. Generally, this policy states that all employees have a responsibility to advise senior management of any information about Brickworks or its subsidiaries which could be considered price sensitive for Brickworks shares. Senior management will then consider, in consultation with the Directors, which information will be released to the ASX and what form this release will take. Senior Management are accountable to the Board for compliance with these policies.

Respect the rights of shareholders

Brickworks is committed to keeping its shareholders and other interested parties informed about the Company's activities, and to allow shareholders to effectively exercise those rights. This is achieved in a number of ways, including through information releases to the market via the ASX, through the Brickworks website, through shareholder mailings, and at any general meetings of the Company.

Shareholders are able to make enquiries of the Company via phone, fax, email or post, details of which can be found on the Brickworks website. Time is specifically allocated at general meetings for questions to be put to the Board of Directors.

In addition, the partner or delegate responsible for signing the audit report is expected to be at the annual general meeting of the Company to answer any questions raised in relation to the audit and the auditor's report. Attendees at that meeting are given an opportunity to ask questions of the auditors.

Recognise and manage risk

Brickworks is committed to the management of risks throughout our operations to protect our employees, shareholders, the environment, our assets, earnings, markets and reputation. Board responsibility for risk management has historically resided with the Audit Committee, and during the year the name of this committee was changed to Audit and Risk Committee to better reflect these responsibilities.

During the financial year Brickworks implemented a risk management framework consistent with each element of the Australian Risk management Standard AS/NZS31000:2009. Key Elements of the comprehensive framework covered material Commercial, Business Process, Financial, Human Resources, Information, Property, Environmental, Health and Safety and Insurable Risks.

This risk initiative complements previous actions including the specific risk management policies contained within the Brickworks group policy manual, which are aimed at assisting the Board in the management of risk and legal matters. Certain risk management techniques, including foreign currency and interest rate hedging, may only be undertaken where approved by the full Board of Directors.

It is a requirement of the Board that the Managing Director and Chief Financial Officer sign off to the Board, via the Audit and Risk Committee, on the risk management and internal compliance and control systems implemented by the Board, and that these compliance and control systems are operating efficiently and effectively in all material respects. Deployment of the new risk management process further facilitates the sign off process.

It is a requirement of the Board that the Managing Director and Chief Financial Officer sign off to the Board, via the Audit and Risk Committee, on the content of the financial statements, and that these statements represent a true and fair view of the Company's operations and the financial position of the Company.

Remunerate fairly and responsibly

Brickworks has a Remuneration Committee with a membership of all non-executive Directors. The committee operates under the delegated authority of the Board, and has its own charter, a summary of which is available on the Brickworks website.

The main functions of the Remuneration Committee are to assist the Board in fulfilling its responsibilities relating to:

- Ensuring remuneration policies and practices are consistent with Brickworks' strategic goals and human resources objectives and which enable Brickworks to attract and retain executives and Directors who will create value for shareholders;
- Equitably, consistently and responsibly rewarding executives having regard to the performance of Brickworks, the performance of the executive and the general pay environment; and
- Ensuring executive succession planning is adequate and appropriate.

Remuneration Committee attendance details are included in the Directors' report.

This Committee is authorised by the Board to obtain external professional advice, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Remuneration Report contains detailed information relating to Director and Senior Executive remuneration, including the policy for determining remuneration, the use of fixed and variable remuneration, and the relationship between executive remuneration and Company performance.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2011

	NOTE	CONSOLIDATED	
		31 JULY 11 \$000	31 JULY 10 \$000
Revenue	3	635,615	656,538
Cost of sales		<u>(452,808)</u>	<u>(464,231)</u>
Gross profit		182,807	192,307
Other income	3	3,541	4,975
Distribution expenses		(56,058)	(51,932)
Administration expenses		(21,313)	(18,630)
Selling expenses		(59,959)	(58,557)
Borrowing costs expense	4	(21,155)	(24,491)
Other expenses		(25,868)	(16,951)
Share of net profits of associates and joint ventures accounted for using the equity method	25, 26	<u>168,517</u>	<u>84,949</u>
Profit from ordinary activities before income tax expense		170,512	111,670
Income tax attributable to profit from ordinary activities	5	<u>(27,961)</u>	<u>27,120</u>
Profit from ordinary activities after income tax expense		<u>142,551</u>	<u>138,790</u>
Other comprehensive income			
Cash flow hedge gain / (loss) taken to equity		-	(8)
Foreign currency translation		(408)	(19)
Share of increments / (decrements) in reserves attributable to associates		(103,100)	17,625
Income tax on items of other comprehensive income		<u>31,357</u>	<u>(5,286)</u>
Other comprehensive income for the period, net of tax		<u>(72,151)</u>	<u>12,312</u>
Total comprehensive income for the period		<u>70,400</u>	<u>151,102</u>
Net profit attributable to members of the parent entity		<u>142,551</u>	<u>138,790</u>
Total comprehensive income for the period attributable to members of the parent entity		<u>70,400</u>	<u>151,102</u>
Basic earnings per share (cents per share)	8	96.7	96.7
Diluted earnings per share (cents per share)	8	96.7	96.7

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED

AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2011

	NOTE	CONSOLIDATED	
		31 JULY 11 \$000	31 JULY 10 \$000
CURRENT ASSETS			
Cash assets	9	50,617	73,353
Receivables	10(a)	83,639	98,761
Held for trading financial assets	11	14	15
Inventories	12(a)	153,575	139,265
Land held for resale	13(a)	1,249	6,340
Tax receivable		3,606	3,418
Prepayments		5,864	5,526
Derivative financial instruments	19(a)	139	-
TOTAL CURRENT ASSETS		<u>298,703</u>	<u>326,678</u>
NON-CURRENT ASSETS			
Receivables	10(b)	201	201
Inventories	12(b)	8,372	8,533
Land held for resale	13(b)	23,742	23,742
Investments accounted for using the equity method	14	1,211,298	1,189,126
Property, plant and equipment	15	450,520	432,069
Intangible assets	16	285,650	283,920
TOTAL NON-CURRENT ASSETS		<u>1,979,783</u>	<u>1,937,591</u>
TOTAL ASSETS		<u>2,278,486</u>	<u>2,264,269</u>
CURRENT LIABILITIES			
Payables	17	58,863	68,832
Provisions	20(a)	34,755	29,908
TOTAL CURRENT LIABILITIES		<u>93,618</u>	<u>98,740</u>
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	18(a)	297,929	299,285
Derivative financial instruments	19(b)	1,755	1,404
Provisions	20(b)	25,397	25,964
Deferred taxes	21	184,041	188,942
TOTAL NON-CURRENT LIABILITIES		<u>509,122</u>	<u>515,595</u>
TOTAL LIABILITIES		<u>602,740</u>	<u>614,335</u>
NET ASSETS		<u>1,675,746</u>	<u>1,649,934</u>
EQUITY			
Contributed equity	22	325,018	322,666
Reserves	23	296,396	367,217
Retained profits		1,054,332	960,051
TOTAL EQUITY		<u>1,675,746</u>	<u>1,649,934</u>

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2011

NOTE	Ordinary Shares \$000	Treasury Stock \$000	Capital Profits Reserve \$000	Cash Flow Hedge Reserve \$000	Equity Adjustments Reserve \$000	General Reserve \$000	Foreign Currency Reserve \$000	Share Based Payments Reserve \$000	Associates Reserve \$000	Retained Earnings \$000	Total \$000
Total equity as at 1 August 2009	151,095	(4,574)	88,102	8	(39,963)	36,125	(1,624)	-	270,925	871,355	1,371,449
Net profit for the year	-	-	-	-	-	-	-	-	-	138,790	138,790
Other comprehensive income for the year	-	-	-	(8)	(4,978)	-	(19)	-	17,625	-	12,620
Total comprehensive income for the year	-	-	-	(8)	(4,978)	-	(19)	-	17,625	138,790	151,410
Transactions with owners in their capacity as owners											
Dividends provided or paid during the year	-	-	-	-	-	-	-	-	-	(47,048)	(47,048)
Issue of shares	177,952	-	-	-	-	-	-	-	-	-	177,952
Purchase of shares through employee share plan	-	(4,313)	-	-	-	-	-	-	-	-	(4,313)
Shares vested to employees	-	2,506	-	-	-	-	-	-	-	-	2,506
Share of associates transfer to outside equity interests	-	-	-	-	-	-	-	-	-	(3,046)	(3,046)
Share based payments	-	-	-	-	-	-	-	1,024	-	-	1,024
Total equity as at 31 July 2010	177,952	(1,807)	88,102	-	(44,941)	36,125	(1,643)	1,024	288,550	960,051	1,649,934
Net profit for the year	-	-	-	-	-	-	-	-	-	142,551	142,551
Other comprehensive income for the year	-	-	-	-	31,357	-	(408)	-	(103,100)	-	(72,151)
Total comprehensive income for the year	-	-	-	-	31,357	-	(408)	-	(103,100)	142,551	70,400
Transactions with owners in their capacity as owners											
Dividends provided or paid during the year	-	-	-	-	-	-	-	-	-	(48,513)	(48,513)
Issue of shares	3,769	-	-	-	-	-	-	-	-	-	3,769
Purchase of shares through employee share plan	-	(4,553)	-	-	-	-	-	-	-	-	(4,553)
Shares vested to employees	-	3,136	-	-	-	-	-	-	-	-	3,136
Share of associates transfer to outside equity interests	-	-	-	-	-	-	-	-	-	152	152
Share of associates transfer from / (to) retained earnings	-	-	-	-	-	-	-	-	(91)	91	-
Share based payments	-	-	-	-	-	-	-	1,421	-	-	1,421
Total equity as at 31 July 2011	332,816	(7,798)	88,102	-	(13,584)	36,125	(2,051)	2,445	185,359	1,054,332	1,675,746

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED

AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2011

	NOTE	CONSOLIDATED	
		31 JULY 11 \$000	31 JULY 10 \$000
Cash flows from operating activities			
Receipts from customers		680,020	625,738
Payments to suppliers and employees		(647,630)	(578,665)
Proceeds from land held for resale		18,750	65,877
Interest received		1,717	2,438
Borrowing costs		(19,513)	(21,285)
Dividends and distributions received		57,113	67,391
Income tax paid		(1,435)	(14,987)
Net cash flows from / (used in) operating activities	24(a)	<u>89,022</u>	<u>146,507</u>
Cash flows from investing activities			
Purchases of investments		(3,153)	(16,102)
Proceeds from the sale of investments		6	2,504
Payment for business acquisition	29(b)	(17,110)	(53,087)
Proceeds from sale of property, plant and equipment		4,644	6,164
Purchases of property, plant and equipment		(35,656)	(25,191)
Net cash flows from / (used in) investing activities		<u>(51,269)</u>	<u>(85,712)</u>
Cash flows from financing activities			
Proceeds from borrowings		70,000	30,000
Repayment of borrowings		(70,000)	(130,000)
Net proceeds from issue / (repayment) of shares		(10)	173,980
Loan (to) / from other entity		(714)	(21,180)
Dividends paid		(59,765)	(58,158)
Net cash flows from / (used in) financing activities		<u>(60,489)</u>	<u>(5,358)</u>
Net increase / (decrease) in cash held		(22,736)	55,437
Cash at beginning of year		<u>73,353</u>	<u>17,916</u>
Cash at end of year	9	<u><u>50,617</u></u>	<u><u>73,353</u></u>

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED

AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brickworks Limited is a listed public company, incorporated and domiciled in Australia. These accounts were authorised for issue in accordance with a resolution of the directors on 22 September 2011.

The financial report includes financial statements for the consolidated entity consisting of Brickworks Limited and its subsidiaries ("the Group").

(a) Basis of preparation and Statement of compliance

The financial statement is a general purpose financial statement that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial statement complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, held for trading financial assets, derivatives and investment property, which have been measured at fair value.

(b) New accounting standards and interpretations

The principal accounting policies adopted in the preparation of the financial statement are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The group has adopted the following new and amended Australian Accounting Standard as of 1 August 2010.

Amendments to financial statements – AASB 2009-5

This standard impacted on the financial statements through the changes to AASB 136 which required goodwill to be tested for impairment at Cash Generating Unit (CGU) level, rather than at an aggregated operating segment level. This meant that goodwill has been allocated to individual CGU's within the Building Products division, rather than the prior year allocation to an aggregated operating segment.

There were no other accounting standards that became effective during the year that impacted on the group's financial statements.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Brickworks Ltd (the parent entity) and all entities that Brickworks controlled from time to time during the period and at reporting date. Control exists where Brickworks has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Brickworks to achieve the objectives of Brickworks.

There are no dissimilarities in reporting periods or accounting policies between Brickworks or any of its controlled entities.

Investments in subsidiaries in the parent entity financial statements are shown at cost.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the period, their operating results have been included from the date control was obtained or excluded from the date control ceased.

(d) Revenue

Sales revenue is recognised when the significant risks and rewards of ownership of the items sold have passed to the buyer, and the revenue is also able to be measured reliably.

For revenue from the sale of goods, this occurs upon the delivery of goods to customers.

For revenue from the sale of land held for resale, this is recognised at the point at which any contract of sale in relation to industrial land has become unconditional, and at which settlement has occurred for residential land.

Revenue from construction contracts is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Stage of completion is measured by reference to the number of units installed as a percentage of the number of units for the total contract, which is determined under the contract with the customer. As the number of units is defined in the contract, any level of judgement required is minimal.

Interest revenue is recognised on a time proportionate basis that takes into account the effective interest rate applicable to the net carrying amount of the financial asset.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Rental revenue from investment properties is accounted for on a straight line basis over the lease term.

Profits on disposal of investments and property, plant and equipment are recognised at the point where title to the asset has passed.

All revenue is stated net of the amount of goods and services tax (GST).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(e) Finance costs**

Borrowing costs incurred for the construction of a qualifying asset are capitalised up to the point that the asset is ready for its intended use. Other finance costs are recognised as an expense over the period to which the expense relates.

(f) Income tax**Current tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax cost base of assets is calculated based on management's intention for that asset on either use or sale as appropriate. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. In addition, no deferred income tax is recognised for a taxable temporary difference arising from an investment in a subsidiary, associate or joint venture where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. These amounts are reviewed at each balance date.

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 and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

Brickworks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation regime. Brickworks is the head entity of that group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable based on the current tax liability or current tax asset of the entity. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Such amounts are reflected in amounts receivable from or payable to other entities in the group. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group. Any current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the parent company (as head entity of the tax consolidated group).

(g) 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 period, adjusted for bonus elements in ordinary shares issued during the period.

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 assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share is shown as being equal to basic earnings per share if potential ordinary shares are non-dilutive to existing ordinary shares.

(h) Cash and cash equivalents

Cash and cash equivalents on the balance sheet includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Cash and cash equivalents for the cash flow statement are shown as a net of the cash assets and bank overdraft liability.

Cash and cash equivalents are stated at nominal value.

i) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. A provision for doubtful debts is established when there is existence of objective evidence that the Group may not be able to collect the debts. Bad debts are written off against the provision for doubtful debts as incurred, when there is objective evidence that the Group will not be able to recover the debt. Objective evidence of an impairment loss can include when a debtor is unable to be physically located, or when a report from a liquidator or administrator of a debtor indicates that recovery of any amounts outstanding is unlikely.

Receivables from related parties are recognised and carried at nominal amounts due.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(j) Inventories**

Raw materials are measured at the lower of actual cost and net realisable value. Finished goods are measured at the lower of standard cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. 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.

(k) Land held for resale

Land held for development and resale is recognised when properties have been identified and incorporated into specific developments that have been approved by relevant planning authorities and commenced. These properties are valued at the lower of cost and fair value less costs to sell. Cost includes the cost of acquisition and development.

(l) Property, plant and equipment

Land is carried at cost less any impairment losses.

Plant and equipment (including buildings) are measured at cost, less depreciation and impairment losses.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell, and the value in use, assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts, using pre-tax discount rates.

Subsequent costs are included in the asset's carrying amount 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2.5% - 4.0% prime cost
Plant and equipment	4.0% - 33.0% prime cost; 7.5% - 22.5% diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds on disposal with the carrying amount of the asset at the time of disposal. These gains and losses are included in the income statement. When previously revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(m) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the term of the lease.

Leases of fixed assets are classified as finance leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset, or over the term of the lease.

(n) Financial assets

Regular way purchases and sales of investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, net of transaction costs.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss (held for trading)

The Group has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value (subsequent to initial recognition), with any resultant gain or loss recognised in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(n) Financial assets (cont.)****Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These investments are carried at amortised cost using the effective interest method, with any gains or losses recognised in income when the investments are derecognised or impaired.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value (subsequent to initial recognition). Gains and losses arising from changes in fair value are recognised directly in reserves, until the investment is disposed of, at which time the cumulative gain or loss previously recognised in the reserve is included in profit or loss for the period.

The fair value of financial instruments traded in active markets is based on quoted market bid prices at the balance sheet date. Where shares are held in listed entities that are not actively traded on the market, quoted marked bid prices are used as the best information on the amount obtainable from an arms length transaction.

Loans and Receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

Derecognition

Sales of investments are recognised on trade date – the date the Group commits to sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(o) Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After applying the equity method, the Group determines whether it is necessary to recognise an additional impairment loss with respect to the net investment in the associate. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of movements in equity.

Where reporting dates of associates are not identical to the Group, the financial information used is the last publicly available information, but in any event is no older than 3 months from the Group's balance date. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(p) Investments in joint ventures

Investments in joint ventures are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

Where reporting dates of joint ventures are not identical to the Group, the financial information used is the last publicly available information, but in any event is no older than 3 months from the Group's balance date.

Profits or losses on transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on sale.

(q) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(r) Intangibles**Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets (including contingent liabilities) at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Any goodwill acquired in a business combination is allocated to each of the cash generating units (CGU's) expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where this recoverable amount is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(r) Intangibles (cont.)**

Goodwill is tested for impairment annually and when indicators of impairment exist, and following initial recognition is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Log licences

Timber access rights are valued at cost on acquisition. If the timber access right is considered to have an indefinite life, the right is carried at cost less any impairment write down required to ensure it is not carried in excess of recoverable amount. If the right has a definite life, it is amortised on a straight line basis over the expected future life of that right, which varies according to the term of the issue.

Brand names

Purchased brand names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of brand names over their estimated useful lives.

(s) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to business combinations are expensed as non-regular items in the period in which the acquisition is settled. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(t) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill that have had an impairment write-down are reviewed for possible reversal of the impairment at each subsequent reporting date.

(u) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Deposits received on land sale agreements relate to amounts received as deposits on pending property transactions where the revenue and associated profit has not been brought to account due to uncertainty surrounding the completion of the transaction.

(v) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects the risks specific to the liability. Any increase in the provision due to the passage of time is recognised as a borrowing cost.

(w) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Consideration is made of expected future wage and salary levels, employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash flows.

Share-based payments

Share-based compensation benefits are provided to employees through the Brickworks Employee Share Plan, details of which can be found in the Remuneration Report in the director's report. Unvested shares are included in contributed equity as Reserved Shares. The fair value of the shares (market value at purchase date) is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(x) Restoration and rehabilitation**

The landfill opportunities created through the extraction of clay and shale is considered to be a valuable future resource. No provision is made for future rehabilitation costs when the rehabilitation process is expected to be cash flow positive.

Where the relevant site is identified as being unable to be used for landfill purposes once the clay and shale reserves are exhausted, a provision is generated. This provision is raised based on the expected net present value of future cash flows associated with the total rehabilitation cost of the site, and charged to expenses on a tonnes extracted basis.

(y) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds 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 balance sheet date. Where the Group expects that it will continue to satisfy the criteria under its banking agreement that ensures the financier is not entitled to call on the outstanding borrowings, and the term is greater than 12 months, the borrowings are classified as non-current.

(z) Financial instruments issued by the Company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of financial instruments are recognised directly as a reduction, net of tax, of the proceeds of the financial instruments to which the costs relate. If the financial instrument has an identifiable lifespan, these costs are amortised in the income statement over the period of the instrument.

Interest and dividends are classified as expenses or as distributions of profit consistent with the classification of the related debt or equity instruments.

(aa) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss 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 fair value hedges or cash flow hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in reserves. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such instrument are recognised immediately in the income statement.

Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

(ab) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires, with any resulting gain or loss taken to the income statement.

(ac) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and credited to the income statement on a straight-line basis over the expected lives of the related assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(ad) Reserved shares**

Own equity instruments which are acquired for later payment as employee share-based payment awards are deducted from equity. These shares are held in trust by the trustee of the Brickworks Deferred Employee Share Plan and vest in accordance with the conditions attached to the granting of the shares, as outlined in the Remuneration Report. The fair value of the shares (market value at purchase date) is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares. No gain or loss is recognised in profit or loss on the purchase, sale or issue of the Group's own equity instruments.

(ae) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating segments have been identified based on the information provided to the Managing Director.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products;
- Nature of the production process;
- Type or class of customer for the products;
- Methods used to distribute the products; and
- Nature of the regulatory environment.

Management has determined that reportable segments are based around products. A number of identified operating segments have been aggregated to form both the Building Products segment and the Property segment.

The accounting policies used by the Group in reporting segments internally are the same as those used by the Group in these consolidated financial statements.

(af) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(ag) Foreign currency transactions and balances**Functional and presentation currency**

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. The balances of foreign currency monetary items are translated at the period end exchange rate. The balances of non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(ah) Significant accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future, and the resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Judgements that are made by management in the application of accounting standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year, are disclosed in the relevant notes to the financial statements, where applicable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(ai) Accounting standards issued but not yet effective**

A number of Australian accounting standards have been issued but have not been adopted for the financial year ended 31 July 2011. The Group has assessed the impact of the following new or amended standards and interpretations, and are of the opinion that there will not be any changes required to amounts recognised in the financial statements. It is anticipated that there will be some changes to information disclosures required:

Amendments to financial statements – AASB 2009-11, 2009-12, 2009-14, 2010-2, 2010-4, 2010-5, 2010-6, 2010-7, 2010-8, 2011-1, 2011-2, 2011-7, 2011-8

AASB 124 (Revised): Related Party Disclosures;
AASB 1053: Application of Tiers of Australian Accounting Standards;
AASB 1054: Australian Additional Disclosures

The Group is still assessing the impact of the following new or amended standards:

AASB 9: Financial Instruments;
AASB 10: Consolidated Financial Statements
AASB 11: Joint Arrangements
AASB 12: Disclosures of Interests in Other Entities
AASB 13: Fair Value Measurement

	31 JULY 11	31 JULY 10
	\$000	\$000
NOTE 2: PARENT ENTITY INFORMATION		
Information relating to Brickworks Ltd		
Current assets	26,817	47,380
Total assets	925,906	963,548
Current liabilities	2,523	2,332
Total liabilities	431,934	447,610
Issued capital	325,018	322,666
Reserves		
- capital profits	84,479	84,479
- equity adjustment	734	307
- general	11,645	11,645
- share based payments	2,445	1,024
Total reserves	<u>99,303</u>	<u>97,455</u>
Retained earnings	<u>70,059</u>	<u>95,816</u>
Total shareholders' equity	<u>494,380</u>	<u>515,937</u>
Net profit after income tax	<u>34,008</u>	<u>43,896</u>
Total comprehensive income	<u>34,435</u>	<u>44,204</u>

Information regarding guarantees entered into by the parent entity in relation to the debts of its subsidiaries are contained in note 29(d).

There are no contingent liabilities or contractual commitments for the acquisition of property, plant or equipment of the parent entity.

	CONSOLIDATED	
	31 JULY 11	31 JULY 10
	\$000	\$000
NOTE 3: REVENUE		
Trading revenue		
Sale of goods	606,125	583,975
Sale of current investments	6	-
Sale of land held for resale	21,623	66,727
	<u>627,754</u>	<u>650,702</u>
Other operating revenue		
Interest received - other corporations	1,717	2,438
Dividends received - other corporations	1	4
Rental revenue	1,156	885
Other	4,987	2,509
	<u>635,615</u>	<u>656,538</u>
Other income		
Net gain on sale of property, plant and equipment	3,528	3,978
Net gain on sale of non current investments	-	940
Other items	13	57
	<u>3,541</u>	<u>4,975</u>
NOTE 4: INCOME AND EXPENSES		
(a) Specific expense disclosures		
Depreciation and amortisation		
- Buildings	3,694	3,274
- Leasehold improvements	45	45
- Plant and equipment	22,531	22,125
Total depreciation	<u>26,270</u>	<u>25,444</u>
- Intangible assets	299	311
Total amortisation	<u>299</u>	<u>311</u>
Total depreciation and amortisation expense	<u>26,569</u>	<u>25,755</u>
Finance costs - Interest paid to other corporations	<u>21,155</u>	<u>24,491</u>
Rental expense on operating leases		
- Minimum lease payments	13,382	16,770
Unrealised loss / (gain) on carrying value of held for trading financial assets	1	(7)
Employee benefit expense	100,853	94,592
Defined contribution superannuation expense	8,497	7,983
Research and development expenditure	386	544
Bad and doubtful debts - trade debtors	553	901
Write down of inventories to net realisable value	1,405	5,387

	CONSOLIDATED	
NOTE	31 JULY 11	31 JULY 10
	\$000	\$000

NOTE 4: INCOME AND EXPENSES (cont.)

(b) Property related revenues

The following items are relevant in explaining the financial performance for the year:

Profit from sale of land held for resale	16,420	13,813
Development profits from joint ventures	-	133
Fair value adjustment on completion of developments	715	-
Fair value adjustment of properties	4,738	2,780
Property Trust rental profits	7,104	7,346
	<u>12,557</u>	<u>10,259</u>
Total profits / (loss) from Property Trusts	26	10,259

(c) Significant items

Significant one-off transactions of associate ⁽¹⁾	88,686	-
Write down of assets to recoverable value		
- Property, plant & equipment ⁽²⁾	(14,021)	(2,728)
- Building products inventory ⁽³⁾	(1,084)	(4,750)
Costs on closure of manufacturing facilities ⁽²⁾	(8,651)	(3,482)
Business acquisition costs ⁽²⁾	(2,751)	(2,826)
Other non-regular items ⁽²⁾	(2,511)	(577)
	<u>59,668</u>	<u>(14,363)</u>
Significant items before income tax		
Tax adjustment for WHSP carrying value ⁽⁴⁾	-	38,688
Income tax on non-regular items ⁽⁴⁾	(17,900)	4,283
	<u>41,768</u>	<u>28,608</u>

⁽¹⁾ Disclosed in "Share of net profits of associates" line on Income Statement

⁽²⁾ Disclosed in "Other expenses" line on Income Statement

⁽³⁾ Disclosed in "Cost of Sales" line on Income Statement

⁽⁴⁾ Disclosed in "Tax expense" line on Income Statement

NOTE 5: INCOME TAX

(a) Current Tax	688	2,594
Deferred Tax	27,416	(28,703)
Under / (over) provided in prior years	(143)	(1,011)
	<u>27,961</u>	<u>(27,120)</u>
(b) Reconciliation of income tax expense to prima facie tax payable		
Prima facie tax payable on profit / (loss) before income tax at 30%	51,154	33,502
Adjust for tax effect of:		
rebateable dividends	(14,572)	(17,793)
capital losses recognised during year	-	(12)
deferred tax items (recognised) / derecognised	(3,192)	(2,724)
share of net profits of associates	(6,242)	(40,482)
other non-allowable items	956	1,401
Overprovision for income tax in prior year	(143)	(1,012)
	<u>27,961</u>	<u>(27,120)</u>
Income tax expense / (benefit) attributable to profit / (loss)		

CONSOLIDATED
31 JULY 11 **31 JULY 10**
\$000 **\$000**

NOTE 5: INCOME TAX (cont.)

(c) Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss		
Current tax - debited / (credited) directly to equity	-	-
Cash flow hedge gain / (loss) taken through equity	-	(2)
Share of increments / (decrements) in reserves attributable to associates	(30,930)	5,288
	<u>(30,930)</u>	<u>5,288</u>
Deferred tax - debited / (credited) directly to equity	(30,930)	5,286
	<u>(30,930)</u>	<u>5,286</u>
	<u><u>(30,930)</u></u>	<u><u>5,286</u></u>

NOTE 6: AUDITORS' REMUNERATION

Auditor of the parent entity		
Audit of the financial report	424	415
Other regulatory audits	8	5
Other assurance services	19	60
	<u>451</u>	<u>480</u>
	<u><u>451</u></u>	<u><u>480</u></u>

The auditor of the Brickworks Ltd Group is Ernst & Young. Details of non-audit services provided by Ernst & Young are outlined in the Directors' Report.

NOTE 7: DIVIDENDS

Final ordinary dividend (prior year) of 27.0 cents per share paid 1/12/10 (2009 - 26.5c paid 9/12/09)	39,843	39,018
Interim ordinary dividend of 13.5 cents per share paid 17/05/11 (2010 - 13.0c paid 20/05/10)	19,922	19,141
Group's share of dividend received by associated company	(11,252)	(11,111)
	<u>48,513</u>	<u>47,048</u>
Proposed final ordinary dividend of 27 cents per share not recognised as a liability at year end (2010 27.0c)	39,843	39,754
	<u><u>39,843</u></u>	<u><u>39,754</u></u>

All dividends paid and proposed have been or will be fully franked at the tax rate of 30%

Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable and dividends recognised as receivables	159,909	170,918
	<u>159,909</u>	<u>170,918</u>
Impact on franking account balance of dividends not recognised	(17,076)	(17,037)
	<u>(17,076)</u>	<u>(17,037)</u>

There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.

NOTE 8: EARNINGS PER SHARE

(a) Reconciliation of earnings		
Net profit	142,551	138,790
	<u>142,551</u>	<u>138,790</u>
Earnings used in the calculation of basic EPS	142,551	138,790
	<u>142,551</u>	<u>138,790</u>
Earnings used in the calculation of diluted EPS	142,551	138,790
	<u>142,551</u>	<u>138,790</u>

	CONSOLIDATED	
	31 JULY 11	31 JULY 10
	No	No
NOTE 8: EARNINGS PER SHARE (cont.)		
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	147,482,887	143,565,083
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	147,482,887	143,565,083
	cents	cents
Basic earnings per share	96.7	96.7
Diluted earnings per share	96.7	96.7
	\$000	\$000
NOTE 9: CASH ASSETS		
Cash on hand	28,335	30,164
Deposits at call	22,282	43,189
	50,617	73,353
Deposits at call have carrying amounts that reasonably approximate fair value. Deposits are for periods of up to one month, and earn interest at the respective short term deposit rates.		
NOTE 10: RECEIVABLES		
(a) Current		
Trade receivables	76,758	86,702
Less: provision for doubtful debts	890	731
	75,868	85,971
Less: advance payments by customers	2,719	2,696
Net trade receivables	73,149	83,275
Add: other debtors	10,490	15,486
	83,639	98,761
(b) Non-Current		
Amount receivable from associated companies	201	201
(c) Movement in provision for doubtful debts		
Balance at the beginning of the year	731	838
Additional provisions recognised	842	1,001
Trade debts written off	(394)	(1,008)
Reversals of provisions not required	(289)	(100)
Balance at the end of the year	890	731
(d) Receivables past due		
Receivables past due but not impaired		
Past due 0 - 30 days	3,639	2,546
Past due 30+ days	1,982	1,203
	5,621	3,749

NOTE 10: RECEIVABLES (cont.)

Trade receivables and other debtors have carrying amounts that reasonably approximate fair value. Average terms are 30 days from statement.

Before allowing new customers to trade on credit terms, an analysis of the potential customers credit quality is performed using external credit reporting agencies and internal reporting, to determine whether an account will be opened and the amount of the limit to be applied to that account. Various levels of management are required to approve progressively higher credit limits, with individual limits exceeding \$1 million reported to the Board.

An analysis of trade receivable balances past due is performed constantly throughout the year, and an allowance is made for estimated irrecoverable trade receivables based on historical experience of default, and known information on individual debtors. In many instances security is held over individual debtors in the form of personal guarantees.

All receivables not impaired are expected to be collected in full.

		CONSOLIDATED	
	NOTE	31 JULY 11	31 JULY 10
		\$000	\$000
NOTE 11: HELD FOR TRADING FINANCIAL ASSETS			
Share trading portfolio at fair value		14	15

The share trading portfolio represents ordinary shares listed on the ASX, and hence have no maturity date.

NOTE 12: INVENTORIES**(a) Current**

Raw materials and stores at cost	29,158	27,833
Work in progress at cost	8,960	8,224
Finished goods at cost	114,595	101,066
	<u>152,713</u>	<u>137,123</u>

Finished goods at net realisable value	862	2,142
	<u>153,575</u>	<u>139,265</u>

(b) Non-Current

Raw materials and stores at cost	8,372	8,533
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NOTE 13: LAND HELD FOR RESALE

(a) Current	1,249	6,340
(b) Non-Current	23,742	23,742

Non-current land held for resale represents portions of properties which have been classified as ready for sale in accordance with the accounting policy note. Exact timing of these sales is unable to be reliably forecast, and the sale of these specific blocks is not expected to occur within the following 12 months from balance date. These properties are disclosed in the Property segment of note 27.

NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associated entities - listed	25	1,059,241	1,044,807
Investment in associated entities - unlisted		-	757
Investment in jointly controlled entities	26	152,057	143,562
		<u>1,211,298</u>	<u>1,189,126</u>
Market value of listed associates		<u>1,322,194</u>	<u>1,329,352</u>

	CONSOLIDATED	
NOTE	31 JULY 11	31 JULY 10
	\$000	\$000

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

Land		
Freehold land at cost	175,298	161,176
Leasehold land at cost	235	235
	<u>175,533</u>	<u>161,411</u>
Buildings		
At cost	158,839	137,392
Accum depreciation and impairment writedowns	47,880	43,984
	<u>110,959</u>	<u>93,408</u>
Plant and equipment		
At cost	406,633	390,677
Accum depreciation and impairment writedowns	261,976	230,097
	<u>144,657</u>	<u>160,580</u>
Add: capital works in progress	19,371	16,670
Total plant and equipment	<u>164,028</u>	<u>177,250</u>
	<u><u>450,520</u></u>	<u><u>432,069</u></u>

(a) Impairment write-downs

During the period impairment losses totalling \$14.0 million were recognised in relation to various assets. All impairment losses are shown in the 'Other Expenses' line on the Statement of Comprehensive Income, and all losses are included in the Building Products segment (refer note 27).

Significant impairment losses were recognised on three groups of manufacturing assets.

Queensland brick assets were impaired by \$8.5 million, driven by the ongoing depressed building cycle in South East Queensland, and the planned closure of the Riverview site.

Western Australian roof tile assets at Caversham were impaired by \$3.1 million. Due to the impending capital upgrade to the factory, this equipment will become obsolete and no longer required for production.

Victorian brick assets were impaired by \$2.0 million, following the closure of the Craigieburn and Summerhill plants with the impending commissioning of the brand new Wollert West factory.

The recoverable value of non-current assets has been assessed after considering the economic benefits to be derived over the remaining useful life, under a value in use assumption. The discount rates used in the estimate of value in use are consistent with those rates used for goodwill impairment testing as disclosed in note 16(b).

The carrying value of assets that have been subject to recoverable amount write-downs, by class, are outlined below:

Buildings		
Assets subject to write-downs	-	379
Assets not subject to write-downs	110,959	93,029
	<u>110,959</u>	<u>93,408</u>
Plant and equipment		
Assets subject to write-downs	622	2,443
Assets not subject to write-downs	163,406	174,807
	<u>164,028</u>	<u>177,250</u>

The carrying amount of temporarily idle buildings, plant and equipment at 31 July 2011 was Nil (2010 Nil).

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (cont.)**(a) Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

Consolidated	Land \$000	Buildings \$000	Plant & Equip. \$000	Total \$000
At 1 August 2009				
Cost	150,058	139,645	431,883	721,586
Accumulated depreciation	-	(57,784)	(263,993)	(321,777)
Balance at 1 August 2009	<u>150,058</u>	<u>81,861</u>	<u>167,890</u>	<u>399,809</u>
Year ended 31 July 2010				
Additions	-	3,013	21,762	24,775
Assets acquired by purchase of subsidiary	12,054	11,946	13,425	37,425
Disposals	(701)	(33)	(1,034)	(1,768)
Impairment losses	-	(60)	(2,668)	(2,728)
Depreciation expense	-	(3,319)	(22,125)	(25,444)
Balance at 31 July 2010	<u>161,411</u>	<u>93,408</u>	<u>177,250</u>	<u>432,069</u>
Year ended 31 July 2011				
Additions	9,945	18,579	16,094	44,618
Assets acquired by acquisition of business	4,750	2,898	7,592	15,240
Disposals	(573)	-	(542)	(1,115)
Impairment losses	-	(187)	(13,834)	(14,021)
Depreciation expense	-	(3,739)	(22,531)	(26,270)
Balance at 31 July 2011	<u>175,533</u>	<u>110,959</u>	<u>164,029</u>	<u>450,521</u>

CONSOLIDATED
31 JULY 11 **31 JULY 10**
\$000 **\$000**

NOTE 16: INTANGIBLE ASSETS

Goodwill		
At cost	279,339	277,310
Less: impairment write-downs	-	-
	<u>279,339</u>	<u>277,310</u>
Timber access rights		
At cost	7,141	7,141
Less: accumulated amortisation	1,422	1,147
	<u>5,719</u>	<u>5,994</u>
Other intangibles		
At cost	5,946	5,946
Less: accumulated amortisation	5,354	5,330
	<u>592</u>	<u>616</u>
	<u>285,650</u>	<u>283,920</u>

NOTE 16: INTANGIBLE ASSETS (cont.)**(a) Intangible assets with indefinite useful lives**

Timber access rights with a carrying value of \$4.8 million (2010 \$4.8 million) have been assessed as having an indefinite useful life. The main reason for this assessment is that although licences are subject to periodic renewal, the cost of the licence renewal is not significant compared to the future economic benefits obtainable under the licence, there is a history of renewals which are arranged by management as part of the normal operations of the business, there is a realistic expectation that all conditions for renewal will be successfully achieved, and if the licence was not renewed or substantially varied, the issuing authority would be liable to pay compensation to the Company.

Management's assessment of the appropriateness of the carrying value of indefinite useful life intangibles is based on key assumptions which may vary. In addition to the projected cash flows to be generated by the ongoing use of these licences, these are the discount rate (WACC) and the long term growth rate (LTGR). The rates used in calculating the value in use are consistent with the rates outlined surrounding the impairment of goodwill below (note 16(b)). Given current volatility in financial markets generally, it is difficult to predict how these variables may move. At balance date, it is not expected that a reasonably foreseeable movement in the WACC or LTGR would result in an impairment to these assets.

The remaining timber access rights with an initial cost of \$2.3 million are amortised over the life of the supply agreement, which was 8 years from acquisition.

The timber access rights have been allocated to the timber products Cash Generating Unit (CGU), which forms part of the building products segment.

(b) Impairment of Goodwill

Goodwill has been allocated for impairment testing purposes to various CGU's within the building products segment. Where goodwill has arisen from a transaction associated with multiple CGU's, the goodwill has been allocated at a point in time on a relative basis using projected future cash flows compared to the carrying value of assets employed in the CGU.

The recoverable amount of a CGU is determined based on the higher of value in use calculations or fair value less costs to sell. These calculations use cash flow projections based on financial budgets approved by the board covering a five year period. These budgets use key assumptions including a combination of historical weighted average growth rates and externally sourced forecast housing approval data to project revenue. Costs are calculated taking into account historical gross margins, known cost increases as well as estimated weighted average inflation rates over the period that are consistent with inflation rates applicable to the locations in which the segments operate. Estimates beyond five years are calculated with a growth rate that reflects the long term growth rate for the State (or States) that the CGU predominately operates in. For 2011, these growth rates vary between 2.1% and 4.0%. (2010 2.5%). These growth rates are considered reasonable having regard to current inflation rates, and the position in the building materials and construction cycle. Discount rates are pre-tax and reflect the risks associated with the building products industry generally. For the 2011 financial year the discount rate was 13.83% (2010 14.05%).

Management's assessment of the appropriateness of the carrying value of goodwill is based on key assumptions which may vary. These include the discount rate (WACC) and the long term growth rate (LTGR). Given current volatility within financial markets generally, and the state of the Australian building industry, it is difficult to predict how these variables may move. At balance date, the WACC would need to increase by over 3.75% before there would be a potential impairment of goodwill. Separately, if the LTGR was to reduce to nil across all divisions there would not be a potential impairment of goodwill.

The following CGU's have significant allocations of goodwill - NSW Bricks (\$67.4 million), WA Bricks (\$64.2 million) and Vic Bricks (\$72.3 million). Each of these CGU's have been valued based on value in use, using the same assumptions outlined above. The LTGR applied to the divisions were NSW 2.5%, WA 4.0% and Vic 3.2%. In all cases the WACC was 13.83%.

The remainder of the goodwill within the business (\$75.4 million) is allocated across multiple CGUs, with no other individual CGU having an allocation that is significant compared to the total value of goodwill carried in the business. The carrying value of goodwill is assessed in all these divisions based on a value in use, which is calculated using similar key assumptions to those outlined above.

Another key assumption is in relation to the proposed Carbon Tax. It is assumed that any impact on the Group's operating costs will be fully recovered through price rises to customers.

NOTE 16: INTANGIBLE ASSETS (cont.)

(c) Reconciliations

Consolidated

	Goodwill \$000	Timber access rights \$000	Other Intangibles \$000	Total \$000
At 1 August 2009				
Cost	265,178	7,141	5,946	278,265
Accumulated amortisation and impairment	-	(860)	(5,306)	(6,166)
Balance at 1 August 2009	<u>265,178</u>	<u>6,281</u>	<u>640</u>	<u>272,099</u>
Year ended 31 July 2010				
Additions	12,132	-	-	12,132
Amortisation / impairment charge	-	(287)	(24)	(311)
Balance at 31 July 2010	<u>277,310</u>	<u>5,994</u>	<u>616</u>	<u>283,920</u>
Year ended 31 July 2011				
Additions	2,029	-	-	2,029
Amortisation / impairment charge	-	(275)	(24)	(299)
Balance at 31 July 2011	<u>279,339</u>	<u>5,719</u>	<u>592</u>	<u>285,650</u>

NOTE 17: PAYABLES

Current

	NOTE	CONSOLIDATED 31 JULY 11 \$000	31 JULY 10 \$000
Trade payables and accruals		57,768	64,150
Deposits received on land sale agreements		1,095	4,682
		<u>58,863</u>	<u>68,832</u>

Payables have carrying amounts that reasonably approximate fair value. Average terms on trade payables are 30 days from statement. Terms on land deposits generally match settlement terms on final sale.

NOTE 18: INTEREST BEARING LIABILITIES

(a) Current

Commercial bills	28	300,000	300,000
Unamortised transaction costs		(2,071)	(715)
		<u>297,929</u>	<u>299,285</u>

(b) Commercial bills

Commercial bills are drawn under either a 12 month facility expiring in August 2012 or a 4 year facility, expiring in June 2015. More information on the Group's borrowing facilities can be found in note 28.

The individual bills are drawn for periods of up to three months. Interest is payable based on floating rates determined with reference to the BBSY bid rate at each maturity.

The fair value of non-current commercial bills is approximately \$270.9 million (2010 \$279.3 million).

A portion of the borrowings are hedged using a fixed interest rate swap contract, details of which can be found in notes 19 and 28.

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\$000 **\$000**

NOTE 19: DERIVATIVE FINANCIAL INSTRUMENTS

(a) Current asset			
Interest rate swap contract	28	139	-
		<u> </u>	<u> </u>
(b) Non-Current liability			
Interest rate swap contract	28	1,755	1,404
		<u> </u>	<u> </u>

The interest rate swap is being used to hedge the exposure to changes in the interest rate payable on its commercial bills (refer note 18).

NOTE 20: PROVISIONS

(a) Current			
Employee benefits		19,757	15,474
Remediation		2,890	5,414
Infrastructure costs		4,709	2,609
Workers' compensation		4,642	4,432
Other		2,757	1,979
		<u> </u>	<u> </u>
		<u>34,755</u>	<u>29,908</u>
(b) Non-current			
Employee benefits		13,994	17,017
Remediation		11,403	8,947
		<u> </u>	<u> </u>
		<u>25,397</u>	<u>25,964</u>

(c) Reconciliations

Consolidated

	Remediation	Infrastructure	Workers	Other
	\$000	Costs	Compensation	\$000
		\$000	\$000	
Year ended 31 July 2011				
Balance at the beginning of the year	14,361	2,609	4,432	1,979
Amounts recognised on acquisition of subsidiary	-	-	80	-
Additional provisions recognised	416	2,100	4,996	1,330
Amounts used	(484)	-	(3,458)	(61)
Reversals of provisions	-	-	(1,408)	(491)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the year	<u>14,293</u>	<u>4,709</u>	<u>4,642</u>	<u>2,757</u>
Current	2,890	4,709	4,642	2,757
Non-current	11,403	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>14,293</u>	<u>4,709</u>	<u>4,642</u>	<u>2,757</u>

(d) Descriptions

Provision for Remediation

A provision has been recognised for the estimated costs of restoring operational and quarry sites to their original state in accordance with relevant approvals. The settlement of this provision will occur as the operational site nears the end of its useful life, or once the resource allocation within the quarry is exhausted, which varies based on the size of the resource and the usage rate of the extracted material. In some cases this may extend decades into the future.

Provision for infrastructure costs

A provision has been recognised for Brickworks obligation for the estimated costs of completed infrastructure works in relation to certain properties. The timing of future outflows is expected to occur within the next financial year.

Provision for workers compensation

The Brickworks group self-insures for workers compensation in certain states. The provision has been based on independent actuarial calculations based on incidents reported before year end. The timing of the future outflows is dependant upon the notification and acceptance of relevant claims, and would be expected to be satisfied over a number of future financial periods.

Other provisions

Other provisions are made up from a number of sundry items.

NOTE 21: NET DEFERRED TAXES	CONSOLIDATED	
	31 JULY 11 \$000	31 JULY 10 \$000
Net deferred taxes	184,041	188,942
The balance comprises temporary differences attributable to:		
Equity accounted associates	186,599	191,862
Property, plant and equipment	10,135	11,391
Timber access rights	328	-
Provisions	(16,126)	(15,181)
Deposits received on land sale agreements	86	(1,443)
Land held for development and resale	2,050	734
Other sundry items	969	1,579
	<u>184,041</u>	<u>188,942</u>

NOTE 22: CONTRIBUTED EQUITY

Fully paid ordinary shares	332,816	329,047
Reserved shares	(7,798)	(6,381)
	<u>325,018</u>	<u>322,666</u>

	2011		2010	
	No. of Shares	Value \$000	No. of Shares	Value \$000
(a) Ordinary shares				
Opening balance	147,235,904	329,047	132,872,050	151,095
Shares issued during the year	331,429	3,779	14,363,854	178,416
Costs associated with shares issued	-	(10)	-	(464)
Balance at end of year	<u>147,567,333</u>	<u>332,816</u>	<u>147,235,904</u>	<u>329,047</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder's meetings each share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

There have been no options issued or on issue at any time during or since the end of the financial year.

The parent does not have authorised capital nor par value in respect of its issued shares.

(b) Reserved Shares

Opening balance	496,210	(6,381)	377,035	(4,574)
add: bonus shares purchased by share plan	396,509	(4,553)	319,818	(4,313)
less: bonus shares vested or forfeited during period	(248,272)	3,136	(200,643)	2,506
Balance at end of period	<u>644,447</u>	<u>(7,798)</u>	<u>496,210</u>	<u>(6,381)</u>

Reserved shares are those shares held by the employee share plans that have not vested to the participant at balance date. More information on the employee share plans is contained in note 32 of these financial statements.

NOTE 23: RESERVES	CONSOLIDATED	
	31 JULY 11 \$000	31 JULY 10 \$000
(a) Composition of reserves		
- capital profits	88,102	88,102
- equity adjustment	(13,584)	(44,941)
- general	36,125	36,125
- foreign currency translation	(2,051)	(1,643)
- share based payments	2,445	1,024
- associates	185,359	288,550
	<u>296,396</u>	<u>367,217</u>

NOTE 23: RESERVES (cont.)**(b) Descriptions****Capital profits reserve**

The Capital profits reserve represents amounts allocated from Retained Profits that were profits of a capital nature.

Equity adjustments reserve

Equity adjustments reserve includes amounts for tax adjustments posted direct to equity.

General reserve

The General reserve represents amounts reserved for the future general needs of the operations of the entity.

Foreign currency translation reserve

The Foreign currency translation reserve represents differences on translation of foreign entity financial statements.

Share based payments reserve

The share based payments reserve represents the value of bonus shares (treasury stock) that have been expensed through profit and loss but are yet to vest to the employee.

Associates reserve

The associates reserve represents Brickworks share of its associate's reserve balances. The Company is unable to control this reserve in any way, and does not have any ability or entitlement to distribute this reserve, unless it is received from its associates in the form of dividends.

	CONSOLIDATED	
NOTE	31 JULY 11	31 JULY 10
	\$000	\$000

NOTE 24: CASH FLOW INFORMATION**(a) Reconciliation of cash flow from operations to net profit after tax**

Net profit after tax	142,551	138,790
Non-cash flows in net profit		
Amortisation of intangible assets	299	311
Amortisation of borrowing costs	1,240	1,127
Depreciation of non-current assets	26,270	25,444
Write down of property, plant & equipment to recoverable value	14,021	2,728
(Profits) / losses on disposal of property, plant & equipment	(3,528)	(3,978)
(Profits) / losses on sale of investments	1	(3)
Share of profits of associates not received as dividends	(111,406)	(17,561)
Changes in assets and liabilities net of the effects of acquisitions of businesses		
(Increase) / decrease in trade and sundry debtors	6,160	(21,052)
(Increase) / decrease in inventories	(12,711)	9,986
(Increase) / decrease in land held for resale	5,092	51,100
(Increase) / decrease in prepayments	(2,896)	(1,514)
(Increase) / decrease in share trading portfolio	1	8
(Increase) / decrease in treasury stock	2,361	2,166
Increase / (decrease) in creditors and accruals	(7,270)	(3,072)
Increase / (decrease) in taxes payable	(188)	(12,037)
Increase / (decrease) in other current provisions	2,877	3,229
Increase / (decrease) in other non-current provisions	(567)	905
Increase / (decrease) in deferred taxes	26,715	(30,070)
Net cash flows from / (used in) operating activities	<u>89,022</u>	<u>146,507</u>

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash	9	50,617	73,353
Bank overdraft		-	-
		<u>50,617</u>	<u>73,353</u>

NOTE 25: ASSOCIATED COMPANIES

Information relating to significant associates:

Name	Ownership interest		Carrying value		Profit contribution	
	2011	2010	2011	2010	2011	2010
	%	%	\$000	\$000	\$000	\$000
Washington H Soul Pattinson & Co Ltd	42.85	42.85	1,059,241	1,044,807	154,868	74,047

Washington H. Soul Pattinson & Co Ltd (WHSP) is involved in coal, pharmaceutical, telecommunications and investment. WHSP's balance date is 31 July annually. At balance date WHSP owned 44.48% (2010 44.59%) of issued ordinary shares of Brickworks Ltd. WHSP is incorporated in Australia.

	CONSOLIDATED	
	31 JULY 11 \$000	31 JULY 10 \$000
(a) Summarised share of associates financial information		
Current assets	984,007	1,080,038
Non-current assets	772,027	598,868
	<u>1,756,034</u>	<u>1,678,906</u>
Current liabilities	128,466	64,018
Non-current liabilities	94,637	120,034
	<u>223,103</u>	<u>184,052</u>
Net assets	<u>1,532,931</u>	<u>1,494,854</u>
Outside equity interest	471,782	445,378
	<u>1,061,149</u>	<u>1,049,476</u>
Revenue	<u>324,969</u>	<u>352,787</u>
Profit before income tax	338,230	142,428
Income tax expense	(100,071)	(37,201)
Outside equity interest	(83,291)	(31,180)
Profit after income tax	<u>154,868</u>	<u>74,047</u>
(b) Share of associates' expenditure commitments		
Capital commitments	- *	4,685
Lease commitments	- *	32,944
	<u>-</u>	<u>37,629</u>

The entity has no legal liability for any expenditure commitments incurred by associates.

* Note: Associated company (WHSP) figures for 2011 were not publicly available at the time of preparation of this report.

(c) Contingent liabilities of associates

Share of contingent liabilities incurred jointly with other investors	- *	8,765
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The entity has no legal liability for any contingent liabilities incurred by associates.

* Note: Associated company (WHSP) figures for 2011 were not publicly available at the time of preparation of this report.

NOTE 26: JOINTLY CONTROLLED ENTITIES

Information relating to significant jointly controlled entities (JV's) is set out below:

Name	Ownership interest		Carrying value		Profit contribution	
	2011	2010	2011	2010	2011	2010
	%	%	\$000	\$000	\$000	\$000
BGAI CDC Trust	50.00	50.00	30,807	29,108	3,293	3,849
BGAI Erskine Trust	50.00	50.00	50,354	48,470	5,101	5,009
BGAI TTP Trust	50.00	50.00	8,394	7,773	1,085	669
BGAI Capicure Trust	50.00	50.00	6,402	6,408	710	(127)
BGAI Heritage Trust	50.00	50.00	17,853	16,096	1,382	311
BGAI Oakdale Trust	50.00	50.00	33,728	30,978	-	-
BGAI Wacol Trust	50.00	50.00	3,795	3,798	271	548
Other jointly controlled entities			724	931	1,092	643
Fair value adjustments on completion of developments					715	-
			<u>152,057</u>	<u>143,562</u>	<u>13,649</u>	<u>10,902</u>

The principal activity of each of the above JV's is property management and leasing. They all have balance dates of 30 June, as the other partner in the JV has this balance date. Each of the above entities are incorporated in Australia.

The profit contribution includes all fair value adjustments (including impairments) to Investment properties totalling \$4.8 million (2010 \$2.8 million). Refer note 4(b) for more detail on these profits.

	CONSOLIDATED	
	31 JULY 11 \$000	31 JULY 10 \$000
(a) Summarised share of JV's financial information		
Current assets	4,907	4,343
Non-current assets	314,913	303,580
	<u>319,820</u>	<u>307,923</u>
Current liabilities	12,470	2,579
Non-current liabilities	178,624	190,597
	<u>191,094</u>	<u>193,176</u>
Net assets	<u>128,726</u>	<u>114,747</u>
Revenues	<u>21,345</u>	<u>4,321</u>
Profit before income tax	12,934	10,902
Income tax expense	-	-
Profit after income tax	<u>12,934</u>	<u>10,902</u>
(b) Share of JV's expenditure commitments		
Capital commitments	5,795	-
Lease commitments	-	-
	<u>5,795</u>	<u>-</u>

The entity has no legal liability for any expenditure commitments incurred by JV's.

(c) Contingent liabilities of JV's

Share of contingent liabilities incurred jointly with other investors	<u>-</u>	<u>-</u>
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The entity has no legal liability for any contingent liabilities incurred by JV's.

NOTE 27: SEGMENT INFORMATION

	Building Products		Property		Investments		Consolidated	
	31 JULY 11	31 JULY 10	31 JULY 11	31 JULY 10	31 JULY 11	31 JULY 10	31 JULY 11	31 JULY 10
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE								
Segment revenue from sales to external customers	<u>604,915</u>	<u>580,283</u>	<u>28,987</u>	<u>73,812</u>	<u>1,713</u>	<u>2,443</u>	<u>635,615</u>	<u>656,538</u>
RESULT								
Segment EBITDA	68,586	79,134	29,235	28,393	67,895	76,481	165,716	184,008
Less depreciation and amortisation	<u>(26,569)</u>	<u>(25,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,569)</u>	<u>(25,755)</u>
Segment EBIT (before significant items)	<u>42,017</u>	<u>53,379</u>	<u>29,235</u>	<u>28,393</u>	<u>67,895</u>	<u>76,481</u>	<u>139,147</u>	<u>158,253</u>
(Less) / add significant items	<u>(29,018)</u>	<u>(14,363)</u>	<u>-</u>	<u>-</u>	<u>88,686</u>	<u>-</u>	<u>59,668</u>	<u>(14,363)</u>
Segment result	<u>12,999</u>	<u>39,016</u>	<u>29,235</u>	<u>28,393</u>	<u>156,581</u>	<u>76,481</u>	<u>198,815</u>	<u>143,890</u>
Unallocated expenses								
Finance costs							(21,155)	(24,491)
Other unallocated expenses							<u>(7,148)</u>	<u>(7,729)</u>
Profit before income tax							170,512	111,670
Income tax benefit / (expense)							<u>(27,961)</u>	<u>27,120</u>
Profit after income tax							<u>142,551</u>	<u>138,790</u>
ASSETS								
Segment assets	<u>1,016,979</u>	<u>998,974</u>	<u>176,325</u>	<u>173,810</u>	<u>1,081,577</u>	<u>1,088,068</u>	<u>2,274,881</u>	<u>2,260,852</u>
Unallocated assets							<u>3,605</u>	<u>3,417</u>
Total assets							<u>2,278,486</u>	<u>2,264,269</u>
LIABILITIES								
Segment liabilities	<u>110,942</u>	<u>113,662</u>	<u>5,146</u>	<u>8,167</u>	<u>196,436</u>	<u>201,724</u>	<u>312,524</u>	<u>323,553</u>
Unallocated liabilities								
Borrowings							297,929	299,285
Other							<u>(7,713)</u>	<u>(8,503)</u>
Total unallocated liabilities							<u>290,216</u>	<u>290,782</u>
Total liabilities							<u>602,740</u>	<u>614,335</u>
OTHER								
Aggregate share of the profit of investments accounted for using the equity method	1,092	642	12,557	10,260	154,868	74,047	168,517	84,949
Aggregate carrying amount of investments accounted for using the equity method	723	1,686	151,334	142,634	1,059,241	1,044,806	1,211,298	1,189,126
Acquisition of non-current segment assets	61,888	74,331	-	-	-	-	61,888	74,331
Non-cash expenses other than depreciation & amortisation	35,518	28,779	-	-	-	-	35,518	28,779

NOTE 27: SEGMENT INFORMATION (cont.)

The economic entity has the following business segments:

Building products division manufactures vitrified clay, concrete and timber products used in the building industry. Major product lines include bricks, blocks, pavers, roof tiles, floor tiles, precast walling and flooring panels and timber products used in the building industry.

Property division considers further opportunities to better utilise land owned by the Brickworks Group.

Investment division holds investments in the Australian share market, both for dividend income and capital growth, and includes the Group's investment in Washington H Soul Pattinson and Co. Ltd.

The Group has a large number of customers to which it provides products. There are no individual customers that account for more than 10% of external revenues.

The Group operates predominantly within Australia, with some product manufactured by the clay products division exported to other countries, particularly New Zealand. Total revenue from sales outside of Australia in the 12 months ended 31 July 2011 was \$13.1 million (2010 \$13.2 million). The carrying value of non-current assets held outside of Australia at 31 July 2011 was \$0.8 million (2010 \$0.7 million).

NOTE 28: FINANCIAL INSTRUMENTS**(a) Capital Management**

The Brickworks Group manages its capital to ensure that all entities in the Group can continue as going concerns, while striving to maximise returns to shareholders through an appropriate balance of net debt and total equity. The balance of capital can be influenced by the level of dividends paid, the issuance of new shares, returns of capital to shareholders, or adjustments in the level of borrowings through the acquisition or sale of assets.

Brickworks capital structure is regularly measured using net debt to capital employed, calculated as net debt divided by (net debt plus total equity). Net debt is calculated as total borrowings (note 18) less cash and cash equivalents (note 9), and total equity of the parent entity includes issued capital (note 22), reserves (note 23) and retained earnings.

The Group's strategy during the year was to maintain the net debt to capital employed (at the consolidated level) below a target limit of 45% which is consistent with prior years.

	CONSOLIDATED	
	31 JULY 11	31 JULY 10
	\$000	\$000
Net debt to capital employed		
Net debt	249,383	226,647
Total equity	1,675,746	1,649,934
Gearing Ratio	13.0%	12.1%

The group is not subject to any externally imposed capital requirements.

(b) Financial Risk Management

The Group's activities expose it to a variety of financial risks, primarily to the risk of changes in interest rates, but also, to a lesser extent, credit risk of third parties with which the group trades and fluctuations in foreign currency exchange rates. The Group's overall risk management program seeks to minimise any significant potential adverse effects on the financial performance of the Group. Where approved by the Board, certain derivative financial instruments such as interest rate swaps or foreign exchange contracts may be used to hedge certain risk exposures. The Brickworks Group derivative policy prohibits the use of derivative financial instruments for speculative purposes.

(c) Terms, conditions and accounting policies

Details of the accounting policies adopted in relation to financial instruments are included in the summary of significant accounting policies to the accounts. Information regarding the significant terms and conditions of each significant category of financial instruments are included within the relevant note for that category.

NOTE 28: FINANCIAL INSTRUMENTS (cont.)

(d) Financial assets and liabilities by category

Details of financial assets and liabilities as contained in the annual report are as follows:

		CONSOLIDATED	
	NOTE	31 JULY 11	31 JULY 10
		\$000	\$000
Financial assets and liabilities by category			
Financial Assets			
Cash and cash equivalents	9	50,617	73,353
Loans and receivables - current	10(a)	83,639	98,761
Loans and receivables - non-current	10(b)	201	201
Total Loans and receivables		<u>83,840</u>	<u>98,962</u>
Derivative financial instruments - current	19(a)	139	-
Held for trading assets at fair value through profit and loss	11	14	15
Total financial assets		<u>134,610</u>	<u>172,330</u>
Financial Liabilities			
Other financial liabilities			
Payables - current	17	58,863	68,832
Interest bearing liabilities - non-current	18(a)	300,000	300,000
Derivative financial instruments - non-current	19(b)	1,755	1,404
Total other financial liabilities		<u>360,618</u>	<u>370,236</u>
Total financial liabilities		<u>360,618</u>	<u>370,236</u>

Fair values of financial assets and liabilities are disclosed in the notes to the accounts where those items are listed.

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on liquid funds and derivative financial instruments is considered low because these assets are held with banks with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to trade credit risk at balance date to recognised financial assets is the carrying amount net of provision for doubtful debts, as disclosed in the balance sheet and notes to the financial statements. The Brickworks Group debtors are based in the building and construction industry, however the Group minimises its concentration of credit risk by undertaking transactions with a large number of customers. The Group ensures there is not a material credit risk exposure to any single debtor.

The Group holds no significant collateral as security, and there are no other significant credit enhancements in respect of these financial assets. The credit quality of financial assets that are neither past due nor impaired is appropriate, and is reviewed regularly to identify any potential deterioration in the credit quality. There are no significant financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

(f) Liquidity risk

The Brickworks Group manages liquidity risk by maintaining a combination of adequate cash reserves, bank facilities and reserve borrowing facilities, continuously monitored through forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Details of credit facilities available to the Group, and the amounts utilised under those facilities, are as follows:

Unused credit facilities		
Credit facilities	400,000	375,000
Amount utilised	<u>300,000</u>	<u>300,000</u>
Unused credit facility	<u>100,000</u>	<u>75,000</u>

The Group has a \$300.0 million (2010 \$375 million) unsecured variable interest rate facility (fully drawn) in place with a syndicate of Australian and overseas banks. The facility is in a single tranche which expires in June 2015. In the prior period, the facility was made up of a \$75.0 million 364 day revolving tranche (undrawn) and a \$300.0 million term tranche (fully drawn) which was refinanced into the current facility.

In addition, the Group has a \$100 million 364 day working capital facility with an Australian Bank, which was undrawn at balance date.

NOTE 28: FINANCIAL INSTRUMENTS (cont.)**(f) Liquidity risk (cont.)**

These facilities are subject to various terms and conditions, including various negative pledges regarding the operations of the Group, and covenants that must be satisfied at specific measurement dates. A critical judgement is that the Group will continue to meet its criteria under these banking covenants to ensure that there is no right for the banking syndicate to require settlement of the facility in the next 12 months.

An analysis of the maturity profiles of the Group's undiscounted financial liabilities, based on contractual maturity and obligated payments, is as follows:

	NOTE	CONSOLIDATED	
		31 JULY 11 \$000	31 JULY 10 \$000
Liquidity risk maturity analysis			
1 year or less			
Trade and other payables	17	58,863	68,832
Total 1 year or less		<u>58,863</u>	<u>68,832</u>
1 to 5 years			
Commercial bills		375,150	314,340
Derivatives	19(b)	1,755	1,404
Total 1 to 5 years		<u>376,905</u>	<u>315,744</u>

(g) Currency risk

The Brickworks group does not have any material exposure to unhedged foreign currency receivables. Export sales are all made through Australian agents or direct to overseas customers using Australian Dollars or letters of credit denominated in Australian Dollars. The trading of the Group's foreign subsidiary, which is in New Zealand dollars (NZD) is not material to the Group as a whole. Accordingly, any reasonably foreseeable fluctuation in the exchange rate of the NZD would not have a material impact on either profit after tax or equity of the Brickworks group.

The group has a limited exposure to foreign currency fluctuations due to its importation of goods. The main exposure is to US dollars (USD). It is the policy of the group to enter into forward foreign exchange contracts to cover specific currency payments, as well as covering anticipated purchases for up to 12 months in advance. The overall level of exposure to foreign currency purchases is not material to the group. Accordingly, any reasonably foreseeable fluctuation in the exchange rate of the USD would not have a material impact on either profit after tax or equity of the Brickworks group.

(h) Interest rate risk

Brickworks' significant interest rate risk arises from fluctuations in the BBSY bid rate relating to Brickworks long and short term borrowings. Primarily, the exposure to interest rate risk is on the variable interest rate facility referred to in note 28 (f) above.

The Brickworks Group manages its exposure to interest rate risk within the Group's derivative policy. The Group uses interest rate derivatives, where appropriate, to eliminate some of the risk of movements in interest rates on borrowings, and increase certainty around the cost of borrowed funds. The policy has target ranges for fixed interest rate borrowings.

At balance date, Brickworks had \$50.0 million of bank borrowings unhedged (2010 NIL).

The Brickworks group variable interest rate facility currently drawn to \$300.0 million (2010 \$300.0 million) is a floating rate facility determined with reference to the BBSY bid rate at each bill maturity date. The effective weighted interest rate current on the bills borrowed under this facility at balance date is 6.80% (2010 6.02%).

At 31 July 2011, if interest rates had been +/- 1% per annum throughout the year, with all other variables being held constant, the operating profit after income tax for the year would have been \$0.10 million higher or lower respectively (2010 \$0.03 million higher / lower). There would not have been any other significant impacts on equity.

Cash flow hedge

The Brickworks group has entered into interest rate swaps contracts which allow the Group to raise borrowings at floating rates and effectively swap them into a fixed rate (average rate 5.06%, 2010 5.28%). The contracts require settlement of net interest receivable or payable usually around 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying long term debt and are brought to account as an adjustment to borrowing costs.

The notional principal amounts reduce from \$250.0 million over the next five years (2010 \$300.0 million over five years) as detailed below:

Settlement	2011	2010	2011	2010
	Avg %	Avg %	\$000	\$000
Less than 1 year	5.41	5.28	125,000	25,000
1 to 3 years	6.15	5.20	50,000	175,000
3 to 5 years	5.96	6.10	75,000	75,000
Over 5 years	-	5.96	-	25,000
Total notional principal at balance date			<u>250,000</u>	<u>300,000</u>

NOTE 28: FINANCIAL INSTRUMENTS (cont.)**(h) Interest rate risk (cont.)**

The hedges in place at 31 July 2011 are not hedge accounted, and the fair value movement of the hedges is recognised in the statement of comprehensive income.

The financial instruments of the Group that are measured at fair value are grouped into Levels 1 to 3 based in the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of these derivatives are calculated using market observable inputs, categorised as "Level 2".

Financial Assets

Interest rates on money market instruments (deposits) vary with current short term bank bill rate movements. At balance date, the effective weighted interest rates on these financial assets was 5.47% (2010 4.64%).

There are no other financial assets with exposure to interest rate risk.

(i) Other price risk

The Brickworks group does not have material direct exposure to equity price risk, as the value of the share trading portfolio is insignificant, and hence any fluctuation in equity prices would not be material to either profit after tax or equity of the Brickworks group.

Brickworks has significant indirect exposure to equity price risk through its investment in WHSP. Although this investment is accounted for as an equity accounted investment, WHSP has a significant listed investment portfolio which is accounted for at fair value through equity, and contribute to the profit on subsequent disposal. As a result, fluctuations in equity prices would potentially impact on both net profit after tax (where portions of the portfolios are traded) and equity (for balances held at the end of the period) which would result in adjustments to Brickworks net profit after tax and equity.

At the time of preparing this report, there was no publicly available information regarding the effects of any reasonably foreseeable fluctuations in equity values on net profit or equity of WHSP at 31 July 2011.

NOTE 29: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS**(a) List of significant controlled entities**

Details of the significant wholly owned entities within the Brickworks Group of companies are as follows. There are other wholly owned subsidiaries not included in this list as they are individually insignificant to the Group. All wholly owned entities within the Group have been consolidated into these financial statements.

Controlled entities incorporated in Australia	ABN	Group's Interest	
		2011 %	2010 %
A.C.N. 000 012 340 Pty Ltd (formerly Eureka Tiles Australia Pty Ltd)	38 000 012 340	100.0	100.0
A.C.N. 074 202 592 Pty Ltd (formerly Eureka Tiles Pty Ltd)	82 074 202 592	100.0	100.0
Austral Bricks (NSW) Pty Ltd	60 125 934 849	100.0	100.0
Austral Bricks (QLD) Pty Ltd	62 125 934 858	100.0	100.0
Austral Bricks (SA) Pty Ltd	66 125 934 876	100.0	100.0
Austral Bricks (TAS) Pty Ltd	83 125 934 947	100.0	100.0
Austral Bricks (Tasmania) Pty Ltd	14 009 501 053	100.0	100.0
Austral Bricks (VIC) Pty Ltd	64 125 934 867	100.0	100.0
Austral Bricks (WA) Pty Ltd	34 079 711 603	100.0	100.0
Austral Bricks Holdings Pty Ltd	55 120 364 365	100.0	100.0
Austral Facades Pty Ltd	63 144 804 553	100.0	100.0
Austral Masonry (NSW) Pty Ltd	45 141 647 092	100.0	100.0
Austral Masonry (QLD) Pty Ltd	30 000 646 695	100.0	100.0
Austral Masonry (VIC) Pty Ltd	53 120 364 356	100.0	100.0
Austral Masonry Holdings Pty Ltd	97 141 629 996	100.0	100.0
Austral Precast (NSW) Pty Ltd	81 125 934 938	100.0	100.0
Austral Precast (QLD) Pty Ltd	20 145 070 855	100.0	100.0
Austral Precast (VIC) Pty Ltd	16 145 070 837	100.0	100.0
Austral Precast (WA) Pty Ltd	22 145 070 884	100.0	100.0
Austral Precast Holdings Pty Ltd	88 140 573 646	100.0	100.0
Austral Roof Tiles (WA) Pty Ltd	61 144 804 544	100.0	100.0
Austral Roof Tiles Pty Ltd	67 144 804 571	100.0	100.0
Auswest Timbers (ACT) Pty Ltd	34 087 808 811	100.0	100.0
Auswest Timbers Finance Pty Ltd	53 108 239 925	100.0	100.0
Auswest Timbers Holdings Pty Ltd	51 120 364 347	100.0	100.0
Auswest Timbers Pty Ltd	28 071 093 591	100.0	100.0

NOTE 29: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)

(a) List of significant controlled entities (cont.)

Controlled entities incorporated in Australia	ABN	Group's Interest	
		2011 %	2010 %
Bowral Brickworks Pty Ltd	39 000 165 579	100.0	100.0
Brickworks Building Products Pty Ltd	63 119 059 513	100.0	100.0
Brickworks Building Products (NZ) Pty Ltd	64 076 976 880	100.0	100.0
Brickworks Head Holding Co Pty Ltd	95 120 360 036	100.0	100.0
Brickworks Industrial Developments Pty Ltd	47 120 364 329	100.0	100.0
Brickworks Properties Pty Ltd	12 094 905 996	100.0	100.0
Brickworks Sub Holding Co No. 1 Pty Ltd	89 120 360 009	100.0	100.0
Brickworks Sub Holding Co No. 2 Pty Ltd	61 120 364 392	100.0	100.0
Brickworks Sub Holding Co No. 3 Pty Ltd	59 120 364 383	100.0	100.0
Brickworks Sub Holding Co No. 4 Pty Ltd	57 120 364 374	100.0	100.0
Brickworks Sub Holding Co No. 5 Pty Ltd	16 125 922 821	100.0	100.0
Brickworks Sub Holding Co No. 6 Pty Ltd	18 125 922 830	100.0	100.0
Brickworks Sub Holding Co No. 7 Pty Ltd	97 125 922 849	100.0	100.0
Brickworks Sub Holding Co No. 8 Pty Ltd	99 125 922 858	100.0	100.0
Bristile Guardians Pty Ltd	40 079 711 630	100.0	100.0
Bristile Holdings Pty Ltd	32 008 668 540	100.0	100.0
Bristile Pty Ltd	19 056 541 096	100.0	100.0
Bristile Roofing (East Coast) Pty Ltd	77 090 775 634	100.0	100.0
Bristile Roofing Holdings Pty Ltd	49 120 364 338	100.0	100.0
Christies Sands Pty Ltd	63 007 635 529	100.0	100.0
Clifton Brick (Queanbeyan) Pty Ltd	52 000 602 531	100.0	100.0
Clifton Brick Holdings Pty Ltd	83 004 493 181	100.0	100.0
Clifton Brick Manufacturers Pty Ltd	63 004 529 104	100.0	100.0
Davman Builders Pty Ltd	66 004 434 342	100.0	100.0
Dry Press Publishing Pty Ltd	93 000 002 979	100.0	100.0
Eureka Tiles Holdings Pty Ltd	53 120 364 356	100.0	100.0
Evans Brothers (Bricks) Pty Ltd	76 004 372 454	100.0	100.0
Evans Brothers Pty Ltd	51 004 096 137	100.0	100.0
Hallett Brick Pty Ltd	20 007 622 317	100.0	100.0
Hallett Roofing Services Pty Ltd	93 007 880 220	100.0	100.0
Horsley Park Holdings Pty Ltd	65 008 392 014	100.0	100.0
Hutton's Bricks (Manufacturers) Pty Ltd	58 009 477 463	100.0	100.0
International Brick & Tile Pty Ltd	31 003 281 123	100.0	100.0
J. Hallett & Son Pty Ltd	40 007 870 779	100.0	100.0
Metropolitan Brick Company Pty Ltd	13 008 666 840	100.0	100.0
N.R.T. Pty Ltd	22 004 047 849	100.0	100.0
Newthorpe Pty Ltd	34 111 744 640	100.0	100.0
Nubrik (NRT) Pty Ltd	18 000 041 485	100.0	100.0
Nubrik Concrete Masonry Pty Ltd	29 004 767 113	100.0	100.0
Nubrik Pty Ltd	59 004 028 559	100.0	100.0
Pilsley Investments Pty Ltd	70 008 768 330	100.0	100.0
Prestige Brick Pty Ltd	24 009 266 273	100.0	100.0
Prestige Equipment Pty Ltd	68 006 727 920	100.0	100.0
Ralph Brittain & Company Pty Ltd	61 009 687 709	100.0	100.0
Southern Bricks Pty Ltd	83 007 749 840	100.0	100.0
Team Securities Pty Ltd	65 005 079 167	100.0	100.0
Terra Timbers Pty Ltd	93 091 183 050	100.0	100.0
The Austral Brick Co Pty Ltd	52 000 005 550	100.0	100.0
The Warren Brick Co Pty Ltd	24 000 006 682	100.0	100.0
Triffid Investments Pty Ltd	41 065 439 045	100.0	100.0
Visigoth Pty Ltd	72 076 286 710	100.0	100.0
Vitclay Pipes Pty Ltd	98 004 209 732	100.0	100.0

NOTE 29: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)**(b) Business acquisitions**

On 1 September 2010 the Group acquired the business and assets of GoCrete and Giroto Precast Concrete Panel business for \$14.2 million, to increase market share in the precast concrete panel market. Details of the net assets acquired under this transaction are set out below, with all values determined provisionally at balance date.

	2011
	\$000
Cost of acquisition	
Cash paid	14,161
Net assets acquired	
Inventory	1,004
Property, plant & equipment	14,401
Other assets	634
Non commercial contracts assumed	(639)
Employee entitlements assumed	(1,239)
Fair value of net assets acquired	14,161
Direct costs relating to the acquisition	(2,533)

Upon acquisition the acquired business was integrated within the existing Brickworks business and systems. As a result, specific financial information relating to the acquired business is not available and therefore it is impracticable to disclose the revenue and profit or loss of the acquiree since the acquisition date.

On 18 February 2011 the Group acquired the business and assets of East Coast Masonry for \$2.9 million, to expand the geographic footprint of the Group's concrete masonry business. Details of the net assets acquired under this transaction are set out below, with all values determined provisionally at balance date.

Cost of acquisition	
Cash paid	2,949
Net assets acquired	
Inventory	433
Property, plant & equipment	840
Goodwill	1,740
Other assets	28
Employee entitlements assumed	(92)
Fair value of net assets acquired	2,949
Contribution to net profit before tax for the year ended 31 July 2011	109
Direct costs relating to the acquisition	(218)
Contribution to revenue for the year ended 31 July 2011	1,195

The acquisition of the East Coast Masonry business has resulted in the recognition of goodwill. The key factors contributing to the goodwill are the strength of the business acquired, due to the location and product ranges, and the synergies presented from combining this business with the existing concrete masonry businesses within the Group.

It is impracticable to restate the revenue or profit of the combined entity for the period as if the acquisition date for these business combinations effected during the period had been at the beginning of the period, as the legal entities that had been operating those businesses were not acquired, and the financial information of those entities provided to the Group to allow consideration of the purchase of those businesses is subject to signed confidentiality agreements. For the same reason it is impracticable to disclose the carrying amounts of those assets immediately prior to the acquisition.

NOTE 29: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)**(b) Business acquisitions (cont.)**

On 4 March 2010 the Brickworks Group acquired the assets and operations of Sasso Precast Concrete, a manufacturer of precast concrete panels located in Wetherill Park, NSW, to expand operations into a growing segment of the building materials market.

	2010
	\$000
Cost of acquisition	
Cash paid	35,799
Net assets acquired	
Inventory	887
Property, plant & equipment	26,425
Goodwill	9,644
Other liabilities	(230)
Non commercial contracts assumed	(564)
Employee entitlements assumed	(363)
Fair value of net assets acquired	35,799

On 12 February 2010 the Brickworks Group acquired the assets and operations of Brick and Block Company, a manufacturer of concrete masonry products located in Port Kembla, NSW, to expand market share.

Cost of acquisition	
Cash paid	14,462
Net assets acquired	
Inventory	906
Property, plant & equipment	11,000
Goodwill	2,777
Other assets	110
Employee entitlements assumed	(331)
Fair value of net assets acquired	14,462

(c) Controlled entities disposed of

There were no controlled entities within the Group that were disposed of during the period.

(d) Closed group

A deed of cross-guarantee between Brickworks Ltd and a number of its subsidiaries (the "closed group") was enacted during the 2010 financial year and relief was obtained from preparing a financial statement for those subsidiaries under an ASIC instrument of relief under subsection 340(i) of the Corporations Act 2001. Under the deed, Brickworks guarantees to support the liabilities and obligations of those subsidiaries. The controlled entities have also given a similar guarantee. For details of those entities covered under the deed, refer to note 29(a). The members of the closed group and the parties to the deed of cross guarantee are identical. The following are the aggregate totals, for each category, relieved under the deed.

	CLOSED GROUP	
	31 JULY 11	31 JULY 10
	\$000	\$000
CONSOLIDATED INCOME STATEMENT		
Profit before income tax expense	159,423	101,567
Income tax benefit / (expense)	27,981	28,119
Profit after income tax expense	131,442	129,686
RETAINED PROFITS		
Retained profits at the beginning of the year	958,148	878,555
Profit after income tax expense	131,442	129,686
Dividends paid	(48,513)	(47,047)
Share of associate's transfer to outside equity interests	152	(3,046)
Retained profits at the end of the year	1,041,229	958,148

NOTE 29: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)

(d) Closed group (cont.)

	CLOSED GROUP	
	31 JULY 11	31 JULY 10
	\$000	\$000
CONSOLIDATED BALANCE SHEET		
CURRENT ASSETS		
Cash assets	50,617	73,353
Receivables	81,114	85,344
Held for trading financial assets	14	15
Inventories	146,479	134,378
Land held for resale	1,249	6,340
Tax receivable	3,606	3,418
Prepayments	5,524	6,025
Derivative financial instruments	139	-
TOTAL CURRENT ASSETS	288,742	308,873
NON-CURRENT ASSETS		
Receivables	159,192	161,348
Other financial assets	10,000	10,000
Inventories	8,372	8,533
Land held for resale	23,742	23,742
Investments accounted for using the equity method	1,059,964	1,046,496
Property, plant and equipment	438,641	428,571
Intangibles	285,650	283,920
TOTAL NON-CURRENT ASSETS	1,985,561	1,962,610
TOTAL ASSETS	2,274,303	2,271,483
CURRENT LIABILITIES		
Payables	56,124	65,251
Provisions	34,589	29,740
TOTAL CURRENT LIABILITIES	90,713	94,991
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	297,929	300,000
Derivative financial instruments	1,755	1,404
Provisions	25,397	25,963
Deferred tax liabilities	194,181	199,338
TOTAL NON-CURRENT LIABILITIES	519,262	526,705
TOTAL LIABILITIES	609,975	621,696
NET ASSETS	1,664,328	1,649,787
EQUITY		
Contributed equity	325,018	322,666
Reserves	298,081	368,973
Retained profits	1,041,229	958,148
TOTAL EQUITY	1,664,328	1,649,787

CONSOLIDATED
31 JULY 11 **31 JULY 10**
\$000 **\$000**

NOTE 30: CONTINGENT LIABILITIES

Contingent liabilities at balance date not provided for in these financial statements:

Bank guarantees issued in the ordinary course of business	<u>19,007</u>	<u>17,099</u>
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The Directors do not anticipate that any of the bank guarantees issued on behalf of the Group will be called upon.

Members of the economic entity are parties to various legal actions against them that are not provided for in the financial statements. These actions are being defended and the directors do not anticipate that any of these actions will result in material adverse consequences for the Company or the Consolidated Entity.

NOTE 31: CAPITAL AND LEASING EXPENDITURE COMMITMENTS

Capital projects contracted for but not provided for at balance date

Payable not later than one year	<u>45,595</u>	<u>25,696</u>
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The capital commitments relate to contracts to supply or construct buildings or various items of plant and equipment for use in the building products segment of the business.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	<u>54,599</u>	<u>63,208</u>
Payable		
- not later than one year	11,640	12,729
- later than one year but not later than five years	34,107	30,150
- later than five years	<u>8,852</u>	<u>20,329</u>
	<u>54,599</u>	<u>63,208</u>

Operating leases are for the rental of land (used for sales and display centres), manufacturing equipment and motor vehicles. The leases are non-cancellable with rent payable monthly in advance.

Leases for properties are on terms of between 3 and 10 years, with renewal options of similar lengths. Some of the operating leases contain contingent rental provisions that state the minimum lease payments shall be increased by the higher of CPI or a given percentage per annum. The highest such percentage increase is 5%.

NOTE 32: EMPLOYEE SHARE PLANS

(a) Salary sacrifice arrangements

Brickworks Ltd has an employee share ownership plan, which allows all employees who have achieved 3 months service with the Group to purchase Brickworks Ltd shares, using their own funds plus a contribution of up to \$156 from the Company. All shares acquired under salary sacrifice arrangements are fully paid ordinary shares, purchased on-market under an independent trust deed.

At 31 July 2011, the Brickworks Employee Share Plans had 751 members taking part who owned a combined 1,305,709 shares or 0.88% of issued ordinary capital (2010 816 members, 1,013,230 shares, 0.70%). This represented shares purchased under the salary sacrifice arrangements described above, as well as shares held as part of the Brickworks equity based compensation plans shown below.

(b) Equity-based compensation plans

The following table shows the number of fully paid ordinary shares held by the Brickworks Deferred Employee Share Plan that had been granted as remuneration. This table does not include any shares held in the plan that were purchased by the employee under the salary sacrifice arrangements described above.

	Opening Balance	Granted	Vested	Forfeited / Withdrawn	Closing Balance
Unvested					
Granted Sept 06	32,837	-	(32,455)	(382)	-
Granted Sept 07	63,236	-	(30,615)	(1,924)	30,697
Granted Sept 08	115,804	-	(37,502)	(3,139)	75,163
Granted Sept 09	236,894	-	(55,500)	(14,081)	167,313
Granted Sept 10	-	443,948	(85,937)	(13,253)	344,758
	<u>448,771</u>	<u>443,948</u>	<u>(242,009)</u>	<u>(32,779)</u>	<u>617,931</u>
Total unvested					
Vested	374,896	-	242,009	(116,532)	500,373
	<u>823,667</u>	<u>443,948</u>	<u>-</u>	<u>(149,311)</u>	<u>1,118,304</u>

NOTE 32: EMPLOYEE SHARE PLANS (cont.)**(b) Equity-based compensation plans (cont.)**

The amount recognised in the Income Statement in relation to equity based compensation arrangements for the year ended 31 July 2011 was \$4,992,009 (2010 \$3,530,430).

The unvested shares vest to employees at 20% per year for each of the following 5 years, provided ongoing employment is maintained. Unvested shares are unavailable for trading by the employee.

The fair value of vested shares held by the share plan at 31 July 2011 was \$5,750,385 (2010 \$5,640,669), based on the closing share price at 31 July 2011 (\$9.90 per share) (2010 \$11.81 per share). The fair value of shares granted during the period was \$4,552,722 (2010 \$4,336,429), based on the price paid for these shares when they were acquired on market.

All shares granted by the Company provide dividend and voting rights to the employee.

More information regarding the Brickworks Employee Share Plans is outlined in the Remuneration Report included in the Director's Report.

NOTE 33: RELATED PARTIES**(a) Key management personnel shareholdings**

	Held 31 July 2010	Granted as Remuneration	Purchases	Shares Disposed of	Held 31 July 2011
DIRECTORS					
Mr R. Millner	5,326,192	-	70,000	-	5,396,192
Mr M. Millner	5,301,433	-	70,000	-	5,371,433
Mr L. Partridge	169,833	43,387	13,791	-	227,011
Mr B. Crotty	6,209	-	4,000	-	10,209
Mr D. Gilham	102,268	-	-	-	102,268
The Hon. R. Webster	15,922	-	-	-	15,922
OTHER KEY MANAGEMENT PERSONNEL					
Mr A. Payne	136,145	21,693	10,000	-	167,838
Ms M. Kublins	44,918	12,006	-	(14,871)	42,053
Mr D. Fitzharris	63,703	12,006	-	-	75,709
Mr P. Scott	47,205	12,006	-	-	59,211
Mr P. Caughey	31,030	9,375	-	-	40,405
Mr M. Ellenor	23,336	8,717	-	-	32,053
Mr D. Millington	22,515	8,552	-	(8,028)	23,039
Mr I. Thompson	8,777	4,150	-	(2,834)	10,093

Shareholdings shown above reflect all direct, indirect and beneficial holdings by key management personnel.

All share transactions by key management personnel were on normal terms and conditions on the Australian Stock Exchange.

There were no other transactions with key management personnel during the period.

(b) Summary of key management personnel remuneration

	CONSOLIDATED	
	31 JULY 11	31 JULY 10
	\$000	\$000
Short term employee benefits	5,012	5,513
Post-employment benefits	306	288
Other long-term employee benefits	-	-
Termination benefits	-	-
Share based payment benefits	1,338	1,310
	<u>6,656</u>	<u>7,111</u>

NOTE 33: RELATED PARTIES (cont.)**(c) Other related party transactions**

During the year material transactions took place with the following related parties:

Various intercompany loans are in existence between the Parent entity and some of its wholly owned subsidiaries. The carrying value of these loans in the Parent is identified in note 10 (Receivables) and note 17 (Payables). The loans are unsecured, interest free and have no fixed terms for repayment.

Property transactions with various trusts (listed in note 26) which are jointly owned by the Brickworks Group and Goodman Australia Industrial Fund, an unlisted property trust. There were no property sales to the trusts during 2011. All transactions with the property trusts are at arm's length values.

Purchase of telecommunications services from TPG Telecom Ltd (TPM), an associated entity of Washington H Soul Pattinson & Co. Ltd, on terms no more favourable than to unrelated parties, totalling \$0.7 million (2010 \$1.2 million). Mr R.D. Millner is a director of TPM.

Purchase of staff recruitment services from Korn/Ferry International, an associated entity of The Hon. R.J. Webster, on terms no more favourable than to unrelated parties, totalling \$0.3 million (2010 Nil).

Directors and their director-related entities are able, with all staff members, to purchase goods produced by the Brickworks group on terms and conditions no more favourable than those available to other customers.

NOTE 34: EVENTS OCCURRING AFTER BALANCE DATE

There have been no events subsequent to balance date that could materially affect the financial position and performance of Brickworks Ltd or any of its controlled entities.

DIRECTOR'S DECLARATION

In the opinion of the Directors:

1. the complete set of the financial statements and notes of the consolidated entity, as set out on pages 22 to 59, and the additional disclosures included in the Remuneration Report section of the Directors' Report designated as audited, are in accordance with the Corporations Act 2001:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 July 2011 and of the performance for the year ended on that date of the consolidated entity;
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
3. 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
4. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 29(a) will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

This declaration is made after receiving the declaration required to be made to the Directors in accordance with s295A of the Corporations Act 2001 for the financial year ended 31 July 2011.

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

Dated 22 September 2011



R.D. MILLNER
Director



L.R. PARTRIDGE
Director



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INDEPENDENT AUDIT REPORT TO MEMBERS OF BRICKWORKS LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Brickworks Limited, which comprises the consolidated statement of financial position as at 31 July 2011, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referred to in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.



Opinion

In our opinion:

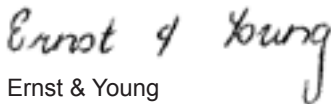
1. the financial report of Brickworks Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. the financial report also complies with *International Financial Reporting Standards* disclosed in Note 1.

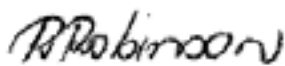
REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 31 July 2011. 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.

Opinion

In our opinion the Remuneration Report of Brickworks Limited for the year ended 31 July 2011, complies with section 300A of the *Corporations Act 2001*.


Ernst & Young



Renay Robinson
Partner
Sydney
22 September 2011

STATEMENT OF SHAREHOLDERS

ORDINARY SHARES AT 31 AUGUST 2011

Number of holders 8,543
 Voting entitlement is one vote per fully paid ordinary share

% of total holdings by or on behalf of twenty largest shareholders 79.93%

Distribution of shareholdings:

1 - 1,000	3,540
1,001 - 5,000	4,019
5,001 - 10,000	504
10,000 - 100,000	433
100,001 and over	47
	8,543
	8,543

Holdings of less than marketable parcel of 55 shares 788

The names of the substantial shareholders as disclosed in substantial shareholder notices received by the Company:

Shareholder	Number of shares
Washington H Soul Pattinson & Co. Ltd	70,896,583
Perpetual Ltd and subsidiaries	17,710,519
IOOF Holdings Ltd	8,744,153
Permanent Trustee Company Ltd	7,111,550

20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 31 AUGUST 2011

	Number of Shares	%
1. Washington H Soul Pattinson & Company Limited	65,645,140	44.48
2. RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	14,003,507	9.49
3. National Nominees Limited	6,684,597	4.53
4. J P Morgan Nominees Australia Limited	4,223,120	2.86
5. Milton Corporation Limited	3,224,567	2.19
6. J S Millner Holdings Pty Limited	2,717,137	1.84
7. Cogent Nominees Pty Limited	2,704,748	1.83
8. Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 4 A/C>	2,657,353	1.80
9. Citicorp Nominees Pty Limited	2,646,858	1.79
10. HSBC Custody Nominees (Australia) Limited	2,523,549	1.71
11. Mr K S Baker & Mrs M I Baker	2,003,250	1.36
12. RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	1,814,622	1.23
13. Australian Foundation Investment Company Limited	1,477,970	1.00
14. Mr R D Millner & Mr M J Millner <est James S Millner A/C>	1,361,292	0.92
15. CPU Share Plans Pty Ltd	1,192,364	0.81
16. Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 18 A/C>	873,292	0.59
17. T G Millner Holdings Pty Limited	608,509	0.41
18. Argo Investments Limited	574,960	0.39
19. UBS Nominees Pty Ltd	520,464	0.35
20. Diversified United Investment Limited	500,000	0.34
	117,957,299	79.93

TABLE OF IMPORTANT DATES

2011 annual result released	22 September 2011
Record date for final ordinary dividend	23 November 2011
Annual General Meeting	29 November 2011
Payment date for final ordinary dividend	1 December 2011
2012 half-year end	31 January 2012
2012 half-year result announced	22 March 2012
Record date for interim ordinary dividend	20 April 2012
Payment date for interim ordinary dividend	15 May 2012
2012 financial year end	31 July 2012
2012 annual result released	27 September 2012

The above dates are indicative only and are subject to change

