

BRICKWORKS

LIMITED

29 September 2005

Australian Stock Exchange (Sydney) Limited
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached the Brickworks Ltd Review of Results for the 2005 financial year, for immediate release to the market.

Yours faithfully,
BRICKWORKS LIMITED



IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS LIMITED

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REVIEW OF RESULTS

JULY 2005

BRICKWORKS LIMITED
REVIEW OF RESULTS JULY 2005
“BRICKWORKS ACHIEVES RECORD PROFIT IN TOUGH BUILDING
PRODUCTS MARKET”

\$ MILLIONS	June 03 12 mths	June 04 12 mths	June 05 12 mths	July 05 13 mths
NORMALISED NPAT	63.8	74.2	79.8	93.9
REVENUE				
Total	247.0	703.6	552.6	766.4
Building Products	180.8	487.7	480.8	520.1
Property & Waste	17.3	13.6	23.4	45.3
Building Products EBITDA	43.0	117.5	108.5	116.1
EBITA				
Building Products	31.6	94.7	81.3	87.1
Property and development	5.5	9.6	7.8	25.2
Waste	1.2	1.6	1.3	1.4
Investments	9.8	5.1	0.6	0.8
Associates	32.3	24.9	47.6	47.6
Other & H.O.	(3.1)	(4.6)	(4.1)	(5.5)
Total EBITA	77.3	131.3	134.5	156.6
Amortisation	-	(14.6)	(15.3)	(16.4)
Interest	(5.0)	(22.9)	(17.5)	(19.0)
TAX	(8.5)	(19.6)	(21.9)	(27.3)
NPAT (Normal)	63.8	74.2	79.8	93.9
Non-regular adjustments (Post-tax)				
WHSP	2.9	11.8	-	152.5
Asset write off	-	-	-	(42.6)
Portfolio sale	-	74.2	-	-
Tax consolidation	6.0	(1.0)	-	-
Funding	-	(1.8)	-	-
NPAT (incl. non-regular items)	72.7	157.4	79.8	203.8
PER SHARE (cents)				
Normalised Earnings per share	48.4	51.2	52.3	63.1
Total Earnings per share	55.2	114.3	52.3	146.5
Final Ordinary Dividends	13	15	-	21
Full Year dividend	20	24	-	31
NTA/Share	\$4.61	\$4.91	\$5.58	\$6.54

Highlights

- Record NPAT up 30% to \$203.8 million
- NPAT before non-regular items up 27% to \$93.9 million
- EBIT from property and development increased 163% to \$25.2 million
- Significant increase in final dividend to 21 cents a year, up 40% (full year dividend 31 cents)
- Scoresby brick plant written down in preparation for redevelopment
- Debt reduced by \$71.3 million to \$204.7 million, reducing gearing from 31% to 19%

Overview

Brickworks Limited has increased Net Profit After Tax including non-regular items to \$203.8 million, up from \$157.4 million for the year ending 2004.

The normalised NPAT in the 13 months to July 2005 of \$93.9 million was up 27% compared to \$74.2 million in the year ending 30 June 2004 (on a normalised 12 months basis the Net Profit After Tax was up 8% to \$79.8 million in the year to June 2005).

The main factors contributing to the normalised result were a significant boost in profit from property development and investments offsetting reductions from building products.

Normalised, basic EPS increased to 63.1 cents per share for the 13 months ending July 2005 (normalised earnings per share were 52.3 cents for the 12 months ending June 2005).

Directors have recommended a significant increase in the final dividend to 21 cents fully franked, taking the full year dividend to 31 cents fully franked, up 29% from 24 cents the previous year. The dividend payout now approximates 50% of the normalised earnings (less PAVERS dividend) of the company and reflects the underlying strength of the business.

Change of Financial Year

Brickworks' Financial Year has been changed to the 12 months ending 31 July each year commencing this year and resulting in a once off 13 month year. This change is a consequence of the implementation of AIFRS, specifically AASB 128 Investments in Associates. The effect of this change was to equity account 18 months of Washington H. Soul Pattinson (WHSP) results to 31 July 2005 in this year's results.

In future periods Brickworks will equity account WHSP results for each 12 months to 31 July (previously 12 months to 31 January each year).

Non-regular Items

During the period, non-regular earnings after tax of \$104.2 million were received from WHSP for the sale of New Hope Limited's share of the Indonesian Coal operations (Adaro). WHSP has a 63.5% interest in New Hope. In addition to the sale proceeds from New Hope, WHSP contributed earnings of \$48.3 million in the six months to 31 July 2005.

In December 2004 the Board approved the construction of a new brick plant at Wollert in Victoria, paving the way for the sale of the Austral Bricks™ Scoresby site. The Board, subsequent to this approval, reassessed the useful life of the Scoresby factory and a number of other small items of plant in the group. Consequently buildings, plant and equipment have been written down and provisions for redundancies, demolition and rehabilitation of \$42.6 million post tax have been made.

Cash Flow

The total free cash flow was very strong at \$188.1 million up from \$91.3 million last year including \$82.1 million which was received from property and development compared to \$20.7 million last year.

Strong cash generation from property, investments and building products has allowed debt to be reduced by \$71.3 million from \$276.0 million to \$204.7 million at 31 July 2005, resulting in gearing of 19%.

Strategy Overview

Brickworks Limited consists of three core businesses: building products, property development and investments. These complimentary businesses provide superior earnings and capital growth through diversity of revenue streams. Brickworks' investments provide reliable cash flow and enable a profit maximising long term view of cyclical building materials and property development businesses.

The building products strategy is to maximise margin and subsequently return on funds by vigorous competition in product range and quality while offering superior service. Concurrently

every effort is made to reduce costs including prudent capital expenditure. The long term methodical focus on these objectives has led to Brickworks being the lowest cost producer in many businesses and achieving best in class margins in many markets that it operates.

Property and development maximises the use of property assets that are no longer required for the building products businesses. Profit is maximised through timely change to highest and best use. However, timing of approvals can be unpredictable and the various property segments have their own cycle making it difficult to predict the timing of cash flows and the recognition of profits.

WHSP has been a long term success story offering exposure to a diverse range of sectors including telecommunications and media, pharmaceuticals, mineral resources and investment management. Compound annual returns of 16.1% over 15 years compared to the All Ordinaries Accumulation Index of 11.3% have ensured that Brickworks has never missed paying a dividend. Brickworks Investment Company Limited (BICL) is also producing satisfactory earnings and capital growth.

This year, strong performances from property and investments offset a weaker building products result. Until recently, profit was only generated by investments and building products. Less volatile earnings was experienced this year due to a more balanced approach with 30% from investments, 54% from building products and 16% from property.

Building Products

During the year the result moved from the peak experienced in the previous years. For the year ending June 2005, sales were down 1.4% at \$480.8 million compared to \$487.7 million in the year ending June 2004 (in the thirteen months to July 2005 sales were \$520.1 million).

EBITA in the 12 months to June 2005 was \$81.3 million, down 14.1% on the \$94.7 million on the 12 months to June 2004 (EBIT in the 13 months to July 2005 was \$87.1 million).

Brickworks faces numerous competitive pressures not only from incumbent players but also new products and building systems. Brickworks' focus however is to maintain the EBIT to sales ratio and profitability. Despite the downturn, building products achieved an EBIT to sales ratio for the 12 months to June 2005 of 16.9% compared to 19.4% in the previous corresponding period.

EBITDA was more resilient at \$108.5 million (22.6% to sales) for the 12 months to June 2005. This compared to the \$117.5 million in the 12 months to June 2004.

The relentless pursuit of the lowest cost base in the industry is underscored by employee productivity. Revenue of \$344,000 and EBITA of \$58,200 per employee compares favourably to Australian Building Products peers.

During the period \$1.7 million was spent on redundancies which led to a reduction in employee numbers of 78. Employee numbers reduced to 1397 prior to the inclusion of the 125 Auswest Timbers employees and now total 1522.

Market Conditions

Nationally, dwelling approvals peaked in September/October 2003 and have appeared to form a base over the last six to nine months some 20% lower (seasonally adjusted).

During the course of the year Western Australia (WA) was the standout market and emphasised the value of Brickworks' recent steps toward greater geographic diversity. Approvals in WA remain close to the highest reached during this extended cycle.

New South Wales (NSW) generates the largest proportion of revenue and consequently this market's poor performance has had a significant impact. In addition to the Vendor Tax, suitable building land is in short supply throughout Sydney and priced beyond the reach of potential homebuyers due to State government imposts. These negative factors were compounded by concerns of a potential price bubble emerging and subsequent interest rate rises.

While the abolition of the Vendor Tax is encouraging and has raised confidence in the industry, this has not yet translated into increased approvals or sales. Consequently the two year 30% slide in trend dwelling approvals in NSW since the peak of August 2003 has continued, leaving the housing industry to search for signs that the bottom is near.

In Victoria the approval figures showed a significant spike at year's end as builders attempted to beat the introduction of a new "five star" energy rating system coming into effect 1 July 2005. Of greater long term concern is the State Government's 2030 policy which is likely to create an artificial contraction of land supply and has the potential to put home ownership beyond the reach of many homebuyers.

The Queensland market was one of the first to start turning down in late 2003 due to affordability issues. Fortunately the Queensland market bottomed on trend estimates in February 2005 and it is anticipated it will lead the other markets into recovery due to strong local economy and high levels of population increase.

Tasmania and South Australia have slowed from their peaks but have not seen to date the significant reductions experienced in the other states.

Segment results

Austral Bricks™

Sales of Austral Bricks™ and pavers for the 12 months to June 2005 dropped 6.5% by volume with the largest declines experienced in NSW and Queensland. The impact of the NSW market was also felt in the Queensland business where significant quantities of product had previously been sourced. As WA operations were already at full capacity, increased sales volumes were insufficient to offset reductions in the softer eastern states.

Unit brick prices increased by 3% in line with expectations. Production output was reduced by 5.5% to avoid excessive increases in inventory. This reduced volume, combined with factory refurbishment costs, produced an uncharacteristic increase in unit cost.

At Rochedale, Queensland, one complete base load production line has been closed for refurbishment since March 2005. The refurbishment program was more extensive than anticipated after this relatively new kiln had virtually worked non-stop for ten years. This major overhaul of the dryers, kilns, kiln cars and other support equipment will take until October 2005 to complete.

Transfer of product to NSW is reducing rapidly due to trading conditions in that state, freeing a considerable amount of low cost production capacity for the local Queensland market. Consequently it has been possible to fully supply the Queensland and Export markets while this production unit has been closed.

It is of some concern for long term stability in the Queensland market that the largest single production line will be returned to production in the same period as the commissioning of a new kiln by a competitor. Combined, in excess of 100 million bricks will enter the market, which is likely to be well beyond the ability of the Queensland market to absorb. Selling prices in

Queensland continued to increase but are expected to remain flat or fall going forward for the above reasons. Unit costs were up due to the plant closures and refurbishments, however the refurbishment of Rochedale plant along with the updated Riverview plant will keep Austral Bricks™ well positioned as they remain two of the group's most efficient production facilities.

In all other states except WA most kilns have now been taken off line for maintenance and stock control. By the completion of the 2005/06 Christmas maintenance period all plants will be in excellent condition. While this has resulted in higher production costs in the short term it is a proven way to manage this cyclical business and avoid costly equipment failures while under peak demand conditions.

National variations in activity have created some interesting market shifts. Due to the booming WA conditions and the soft NSW market conditions, Austral Bricks™ is now selling almost as many bricks in WA as NSW. However, Austral Bricks™ remains Australia's leading brick producer.

Bristile Roofing™

Roof tile sales decreased in eastern states and were constrained by the availability of installation trades in WA. Nationally, selling prices increased by 5% as substantially higher installation rates were partially recovered. This was achieved even though sales volumes nationally fell by 10%.

Nationally, Bristile Roofing™ roof tile production reduced by 16%. Production volume in WA was maintained to meet market requirements. Output on the East Coast was reduced to control stock and allow a complete refurbishment of both concrete roof tile plants. The improvements in the production performance of these plants subsequent to the refurbishment in the last quarter restricted unit costs increases to 5% for the year.

The strong position of Bristile Roofing™ in WA and small exposure to NSW has meant Bristile Roofing™ has strengthened its market position in Australia. It is of concern the leading metal roof manufacturer and the leading roof tile manufacturer are both aggressively attempting to increase market share. Brickworks' focus will remain not on market share but profitability.

Eureka Tiles™

Floor tile sales volumes reduced due to stiff competition from Chinese imports and a new local manufacturer. In addition, the renovation market was down nationally but it was particularly

affected in NSW which is the most significant floor tile market for Eureka Tiles™. It is estimated approximately half of all floor tile sales are destined for the renovation market.

The overall sales volume increased with the outstanding success of Riviera® pavers which are produced in the state-of-the-art Punchbowl works. Significant increase in EBIT was achieved due to tight cost controls with unit production costs falling by 10%.

The competitive flooring market is expected to remain unchanged for the foreseeable future. A series of new product launches in the coming year are expected to further differentiate the Eureka Tiles™ offering, improving volume and price in the process. Broadening of the range through imports has had initial success and it is expected that this will be built on in the coming year.

Over time this division will concentrate on products not affected significantly by imports while developing an import and distribution business to replace the current production lines.

Auswest Timbers

Auswest Timbers Pty. Ltd. was fully acquired on 28 June 2005. Brickworks had owned 33% of Auswest since the Bristile acquisition in September 2002.

Auswest has three sawmills nationally, with mills at Fyshwick in the ACT, Orbost in Victoria and Pemberton in WA. Auswest produces a diverse range of timber products from heavy structural to floor boards and roof tile battens.

New Products

All divisions continued to develop new products. Successful new products in the past 12 months include TerraÇade® cladding, Riviera® pavers and the Elements™ range of bricks. New products will continue to grow revenues and prices in the year to come with several new products scheduled to be launched.

A new generation of TerraÇade® has been developed to compliment the existing TerraÇade® XP system and will be launched shortly. Manufactured at Eureka Tiles in Ballarat, the large format façade will soon be available in a range of glazed and unglazed colours. TerraÇade® XL is a lightweight façade system supported using a vertical suspension rail to provide a rear ventilated façade which minimises thermal transfer to the building structure improving comfort and providing energy savings. The TerraÇade® XL system is easy to install and suitable for

installation on timber or metal frames, masonry and concrete buildings for both the residential and commercial markets.

Building Products General

Brickworks continued to recruit, train and develop its people throughout the period. Trade shortages continue to plague the manufacturing operations. Additional resources were allocated to this area in the past twelve months in an effort to reduce these trade shortages and to improve the quality of people and strengthen succession planning.

National trade shortages of bricklayers, roof tilers and floor tilers is of a major concern with the installation of products now many times more expensive than the products themselves. Brickworks through its various divisions is working with other industry participants to increase the number of trainees and apprentices to assist in addressing this major concern.

Environment, Occupational Health and Safety remain a central focus. A significant amount of resource (time, expense and capital) has been applied to these responsibilities. This effort is expected to increase with the goal of achieving an excellent safety record and environmental performance.

Exports

The sustained strength of the Australian Dollar coupled with higher transport costs, caused by higher oil prices and shipping shortages, had a significant impact on margins. Prices were maintained in Australian dollars leading to higher prices in domestic currencies and a reduction in brick volume of 10%. Floor tile volumes responded to the focused effort of the sales team increasing 68%.

New Zealand softened as the housing construction cycle retreated from its peak. This was especially evident in the largest market, Auckland, where housing commencements were most affected. Volumes to Japan declined throughout the year. A Japanese based representative will shortly be appointed to reverse this trend. In Hong Kong, where Brickworks opened an office in 2003, sales improved on the back of the government's recommenced urban renewal program. Macau is now providing growth for the region with substantial activity in the gaming sector driving demand.

In several new markets preliminary investigations were carried out during the year and are expected to fuel the growth of exports in the future.

During the year production of export bricks was redistributed around Australia. This effort will allow for a significantly improved product range to be offered to export customers as well as reducing the need for capital expenditure on capacity expansion in the long term.

Capital Expenditure

Brickworks' capital expenditure program continued strongly during the period. The focus of the program within building products was cost reduction and improvement in safety and environmental performance. Property development included both property acquisition and development costs. Capital expenditure totalled \$55.3 million in the 13 months to July 2005 including \$6.7 million for property development. This compares to \$40.4 million last year and depreciation of \$29.0 million for the 13 months to 31 July 2005.

The upgrade of the Austral Bricks™ Bowral plant in NSW at a total cost of \$12.0 million, of which \$8.1 million was spent this year, was successfully completed. The improved quality has been well accepted by the NSW market. Although waiting lists still exist for some products it is expected that these will be eliminated in the not too distant future. Nonetheless opportunities for further cost reductions exist for this specialised plant.

Stage One of the capital program for the Austral Bricks™ Riverview plant in Queensland at a cost of \$2.4 million, of which \$1.1 million was spent this year, is underway and will significantly increase efficiency. The planned Stage Two expansion of Riverview which was to double the capacity has been postponed indefinitely due to the poor trading conditions and the substantial over capacity in this market.

A series of upgrades to concrete roof tile manufacturing have been completed in the last quarter at both Dandenong in Victoria and Wacol in Queensland. The total was \$3.1 million, of which \$2.7 million was spent this year. This upgrade included new tile machines and packaging equipment, and new curing chambers which improved quality and costs.

North of Melbourne at Wollert, Austral Bricks™ is building a new brick plant at a cost of \$44.0 million, of which \$7.9 million has been spent this year. This plant will replace the aging Scoresby brick plant and free 56 hectares of land for sale at Scoresby as well as 19 hectares at Hallam. Wollert is on schedule to be completed by February 2007 and is expected to be the lowest cost plant in Australia with design capacity of 85 million standard brick equivalents (SBEs).

The Austral Bricks™ plant in Golden Grove, South Australia is in the process of being upgraded at a cost of \$5.5 million, of which \$2.2 million was spent this year. Whilst capacity will remain the same, the introduction of robotic unloading and loading equipment will greatly reduce the cost of manufacture and enhance production flexibility.

A new brick plant remains under consideration for WA. Whilst the market is showing signs that the cycle has peaked, demand is now routinely being met although with little margin for error. Attention is still focussed on the best long term solution for the WA market and community with there being no need for additional capacity until the market reaches its next cyclical peak. With the company fully occupied building the new brick plant at Wollert it is likely to be one or two years before a final determination is made.

The newly acquired Auswest business is undertaking a significant capacity and capability upgrade at Pemberton in WA. Underpinned by lengthy log licences, the upgraded Pemberton plant will be capable of completing most of its own 'value adding' on site, including the production of flooring products.

Property and Development

The 2004/05 financial year has seen substantial advances in relation to the Brickworks property realisation program for surplus property holdings. Property and development EBIT was \$25.2 million in the 13 months to 31 July 2005 up from \$9.6 million last year. Cash flow was \$82.1 million for the 13 months to 31 July 2005.

The sale of Crouch Road, Golden Grove for \$22.0 million including \$1.0 million interest was completed.

The most significant progress in the 2004/05 year was the approval of the Precinct Plan for Brickworks SEPP 59 property, now known as the M7 Business Hub at Horsley Park in NSW. This resulted in the Joint Venture agreement with Macquarie Goodman to develop the property becoming unconditional and a commencement payment of \$20.5 million being received. The approval also allowed Brickworks to settle on the sale of property to Macquarie Goodman for the construction of the regional distribution facility for Coles Myer for \$18.3 million.

Contracts for the sale of a large portion of the eastern section of the site, which has already been signed, including Coca Cola Amatil for \$16.5 million, have not yet completed and are due

to settle in the 2005/06 financial year. These sales will provide a strong impetus for the development of the remainder of the site.

Under the Joint Venture with Macquarie Goodman, Brickworks will receive minimum total payments amounting to around \$150.0 million plus a share of profits. Payments were originally expected over a ten to twelve year time frame but strong demand for the land is indicating that cash flows and profits may be realised earlier.

Development of the Eastwood site in NSW over the 2004/05 financial year has continued well after the restructuring of the development agreement in late 2004. Civil works have commenced on Stage One of the development and lots are due to be ready for sale in late 2005. The sale of lots will be a significant milestone, as it will allow Brickworks to realise profits on these lots in the 2005/06 year. During the year \$20.5 million was received from the development joint venture. Profit on this transaction has been deferred until the sale of the lots commences.

Positive progress has been made on the sub-division of the Mamre Road site at Erskine Park in NSW. This is due to an in-principle agreement being reached with Department of Environment and Conservation (DEC) and Penrith Council on the biodiversity areas to be kept on the site. An agreement is now being documented with deeds due to be signed by late 2005. Brickworks is now preparing a revised sub-division application which will be lodged in the coming months.

Work on the redevelopment of the Scoresby and Hallam sites in Melbourne has commenced in late 2004, following Board approval for the new Austral Bricks™ factory at Wollert. This has included preparing plans and applications to rehabilitate both sites and to rezone the Scoresby site to allow residential development. The Hallam site is already appropriately zoned for industrial development.

An application for a permit to fill and compact the Scoresby site was lodged with Knox Council in June 2005, following a community consultation process. No objections were received. The Master Plan and rezoning application for the site is expected to be lodged prior to January 2006.

Waste Management

The Horsley Park and Bowral waste facilities provided royalties totalling \$1.4 million over the 2004/05 period. The royalties from the Horsley Park facility, operated by Collex, has continued to be well over the minimum requirement. The accelerated rate of filling, however, has now

resulted in Collex catching up to the mining being undertaken by Brickworks. Fill volumes will slow down over the next financial year.

Investments

Washington H. Soul Pattinson Limited (WHSP)

ASX Code: SOL

The market value of Brickworks' 42.85% share of WHSP increased \$286.0 million (41.2%) to \$981.0 million at year end. Fully franked dividends of \$32.7 million (\$23.5 million last year) were also received and included a special dividend of 10 cents per share in November 2004.

WHSP has announced a further special dividend to be paid in November 2005.

The equity accounted contribution to 31 July 2005 included three six month periods as a result of the change in Brickworks' financial year end to 31 July 2005.

The total 12 month equity contribution of WHSP to 31 January 2005 was \$44.8 million (\$35.5 million last year). The additional period of six months WHSP results to 31 July of \$152.5 million included a non-regular contribution from the sale of the New Hope Limited Indonesian operations (Adaro) amounting to \$104.2 million.

The investment in WHSP has a 15 year compound annual return of 16.1% compared to 11.3% in the ASX All Ordinary Accumulation Index. The compound annual return for five years is 26.0% compared to 10.3% in the ASX All Ordinary Accumulation Index.

Brickworks Investment Company Limited (BICL)

ASX Code: BKI

BICL has reported a Net Profit After Tax of \$10.5 million for its first full year of operation to 30 June 2005 compared to \$3.59 million in the seven months to 30 June 2004.

Brickworks equity accounted share of BICL was \$2.4 million. At 31 July Brickworks had reduced to 22.17% of BICL following the scrip takeover of Pacific Strategic Investments.

The fully franked dividend of 2.2 cents per share has been declared bringing the total to 4.3 cents (fully franked) per share for the year.

The value of Brickworks' investment in BICL increased 19% from \$42.2 million to \$50.4 million at 31 July 2005 however the total portfolio value of the BICL increased by 35% during the period to \$248.3 million from \$183.8 million. This increase was assisted by the successful acquisition of Pacific Strategic Investments.

Net Asset backing per share before tax as at 30 June has also increased to \$1.28 per share from \$1.08 per share, an 18.5% improvement.

The BICL share price has increased from 98 cents per share at 30 June 2004 to \$1.17 per share at June 30 year end.

Financial Conditions

The total free cash flow before capital expenditure and dividends was very strong at \$188.1 million up from \$91.3 million last year.

Cash flow from operations was \$104.8 million for the 13 months to July 2005, \$88.3 million for the 12 months to June 2005 compared to \$66.6 million to June 2004 and \$82.1 million was received from property and development compared to \$20.7 million last year.

Strong cash generation from property, investments and building products has allowed debt to be reduced by \$71.3 million from \$276.0 million to \$204.7 million at 31 July 2005.

Debt reduction during the period is after paying Ordinary Dividends of \$33.0 million, PAVERS Dividends of \$10.8 million and Capital Expenditure of \$55.3 million.

Net Debt to Capital Employed also continues to improve, finishing the year at 15% down from 23% at June 2004. Gearing (Debt to Equity) reduced to 19% from 31% last year.

Interest paid during the year was \$19.0 million, down 26% on last year's \$25.5 million.

The Interest Cover ratio was 7.6 times (5.0 times in 2004) excluding non regular items and the non-cash portion of Equity Accounting.

The effective tax rate has increased, returning to normal levels in the normalised profit due to inability to utilise accumulated tax losses to the same level as last year.

Working capital at 31 July 2005 was \$84.9 million compared to \$88.6 million at 1 July 2004. Stringent control of working capital resulted in this small improvement and included the acquisition of the Auswest timber business.

Outlook

Economy

Whilst the GDP growth of Australia has declined slightly over the last year as has the home building industry, many fundamentals remain robust. Inflation is within the Reserve Bank's target range. Full employment and strong immigration levels, all point to a solid economy and good prospects for dwelling commencements in the future.

WA and Queensland are being positively impacted by the resources boom. There is concern about the shortage of tradespeople and higher fuel prices, both of which will have an impact on home affordability as has the social engineering policies of the NSW and Victorian State Governments.

Building Approvals and Building Products

The downturn to date in housing approvals has been the mildest on record. Emerging data suggests the lowest commencements of this cycle may be encountered at 140,000 to 145,000 in the coming year. Due to this cautious outlook, management will continue to rigorously manage inventory levels in preparation for the next upturn. With the changed financial year the planned January factory closures will be included in the first half of the 2005/06 year reducing the historical first half bias of building products.

Property and Development

General economic conditions are expected to remain robust supporting high property values in the coming year.

Profit from property and development will depend on the timing of approvals and completions as in the past. A significant number of contracts in hand should enable several transactions to be completed in the 2005/06 year.

The Scoresby project will gather momentum throughout 2005/06, however will not deliver either revenue or profit in this coming period.

Investments

Continued strong performance from WHSP and BICL is expected as they outperform the market as they have done in the past.

Impact of AIFRS

Impact of AIFRS in future reporting periods will have significant impacts in these periods. Intangible Assets (\$15.3 million in 2005) will no longer be amortised, instead will be subject to an impairment test each year. A tax charge will also be booked against profit for any increase in the carrying value of investments. These and other minor adjustments will be made in this coming period.

The recognition of the PAVERS dividend (\$10.8 million in 2005) as a borrowing cost, thereby reducing profit, has been delayed for Brickworks until the year ended July 2007.

Brickworks Limited

Brickworks overall position continues to strengthen quickly despite weaker building products markets. The diversity offered by investment and property development is likely to assist Brickworks through the current period.