

BRICKWORKS

LIMITED

22 October 2010

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

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached the Brickworks Ltd 2010 Annual Report which will be distributed to shareholders today.

Yours faithfully,
BRICKWORKS LIMITED



IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS LIMITED

ABN 17 000 028 526

738 – 780 Wallgrove Road, Horsley Park NSW 2175; PO Box 6550, Wetherill Park NSW 1851
Telephone: 61 2 9830 7800 Fax: 61 2 9620 1328

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BRICKWORKS

LIMITED

ABN 17 000 028 526

ANNUAL REPORT 2010



BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

FIVE YEAR SUMMARY

	2006 \$000	2007 \$000	2008 \$000	2009 \$000	2010 \$000	% Growth
Total revenue	532,068	558,936	553,716	593,511	656,538	11%
Building Products revenue	483,083	516,851	519,986	489,253	580,283	19%
Earnings before interest tax and amortisation						
Building products	65,529	65,919	53,610	37,026	53,379	44%
Property	53,269	58,168	91,867	38,798	26,638	(31%)
Waste management	1,936	2,115	1,792	1,841	1,755	(5%)
Investments	1,206	655	681	1,268	2,434	92%
Associates	32,110	31,837	36,247	94,157	74,047	(21%)
Head office and other expenses	(4,817)	(5,807)	(6,135)	(7,271)	(7,729)	(6%)
Total EBITA	149,233	152,887	178,062	165,819	150,524	(9%)
Borrowing costs	(25,398)	(27,305)	(37,286)	(33,314)	(24,491)	26%
Income tax	(21,914)	(23,385)	(32,603)	(18,825)	(15,851)	16%
Net profit after income tax - normal	101,921	102,197	108,173	113,680	110,182	(3%)
Non-regular items						
Washington H Soul Pattinson & Co.	(4,761)	13,892	(9,563)	392,882	-	
Write down of assets to recoverable value						
- Property, plant & equipment	(3,050)	-	-	(43,779)	(2,728)	
- Investment property	-	-	-	(24,716)	-	
- Investment in associate (BKI)	-	-	-	(13,674)	-	
- Building products inventory	-	-	-	(8,171)	(4,750)	
Remediation provision recognised	-	-	-	(12,039)	-	
Borrowing costs	-	-	-	(3,036)	-	
Business acquisition costs	-	-	-	-	(2,826)	
Costs on closure of manufacturing facility	-	(3,499)	-	-	(3,482)	
Other non-regular items	-	-	-	(3,489)	(577)	
Tax on non-regular items	2,343	(3,118)	2,868	(92,443)	4,283	
One off tax items	5,749	(1,939)	-	-	38,688	
Net profit after income tax (incl non-regular items)	102,202	107,533	101,478	305,215	138,790	(55%)
Basic earnings per share (cents)	77.0	81.0	76.5	229.8	96.7	(58%)
Normalised earnings per share (cents)	76.8	77.0	81.5	85.6	76.7	(10%)
Dividends						
Ordinary dividends per share (cents)	36.0	38.0	39.0	39.0	40.0	3%
Ratios						
Net tangible assets per share	\$5.39	\$6.06	\$6.35	\$8.27	\$9.28	12%
Return on shareholders equity	10.0%	10.0%	9.1%	22.3%	8.4%	(62%)
Interest cover ratio	6.3	4.8	4.8	4.6	6.5	40%
Net debt to capital employed	27.2%	32.0%	32.0%	21.8%	12.1%	(45%)

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A.B.N. 17 000 028 526

ANNUAL REPORT 2010

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
Facsimile: (02) 8234 5050

**PRINCIPAL
ADMINISTRATIVE
OFFICE:**

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Horsley Park NSW 2175
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Facsimile: (02) 9620 1328

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

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 2010.

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 2010 of the Brickworks Group after income tax expense, amounted to \$138,790,000 compared with \$305,215,000 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 26.5 cents per share (fully franked) out of profits for the year ended 31 July 2009 and referred to in the previous Directors' report;
- (b) Interim ordinary of 13.0 cents per share (fully franked) paid 20 May 2010

REVIEW OF OPERATIONS

Highlights

- Brickworks Normal NPAT down 3.1% to \$110.2 million
- Building Products EBIT up 44.3% to \$53.4 million
- Land and Development EBIT down 30.0% to \$28.4 million
- Investments EBIT down 19.8% to \$76.5 million
- Building Products Revenue up 18.6% to \$580.3 million
- Total Interest Bearing Debt reduced to \$300.0 million, Gearing of 18.2%
- Borrowing costs down 26.4% to \$24.5 million
- Final dividend of 27.0 cents fully franked

Overview

Brickworks (ASX: BKW) posted a **Normal** Net Profit After Tax ('NPAT') for the year ended 31 July 2010 of \$110.2 million, down 3.1% from \$113.7 million for the year ended 31 July 2009. After non-regular items, Brickworks' **Headline** NPAT was \$138.8 million, down 54.5% from \$305.2 million in the previous year.

Building Products posted a much improved result for the year with EBIT up 44.3% to \$53.4 million, driven by government stimulus spending and improving market demand. This offset the weaker result from both Land and Development and Investments. This again demonstrates the stability of earnings afforded by the diversified business model. Brickworks' overall result was assisted by lower borrowing costs as a consequence of reduced debt levels.

Normal earnings per share ('EPS') were 76.7 cents per share, down from 85.6 cents per share for the previous year due to the increased number of ordinary shares on issue.

Directors have declared a final dividend of 27.0 cents fully franked, taking the full year dividend to 40.0 cents fully franked, up 1.0 cent from the previous year.

The record date for the final ordinary dividend will be 23 November 2010, with payment being made on 1 December 2010.

Financial Analysis

Brickworks Net Debt reduced by \$155.4 million to \$226.6 million at 31 July 2010 improving the Net Debt to capital employed to 12.1% from 21.8% the previous year. Total Interest Bearing Debt also decreased to \$300 million reducing the gearing (debt to equity) to 18.2% at 31 July 2010 from 29.2% at 31 July 2009.

This was achieved with proceeds from the Share Purchase Plan ('SPP') of \$173.9 million announced in September 2009 and proceeds of \$58.6 million from property sales.

Cashflow from operations increased 11.0% to \$146.5 million in the year ended 31 July 2010, from \$132.0 million in the previous year.

Borrowing costs decreased to \$24.5 million due to the reduction in average debt levels compared to the previous period and included the mark to market valuation of swaps of \$3.9 million.

Normal tax expense decreased 15.4% to \$15.9 million during the year.

Dividends of \$58.2 million were paid during the year, compared to \$51.8 million in the previous corresponding period.

Working capital, excluding assets held for resale, increased by \$106.0 million to \$222.3 million mainly due to increased cash deposits and debtors balances from both increased sales in the second half of the year and the additional businesses acquired during the period.

Finished goods inventory levels in the Building Products Group reduced by \$9.2 million to \$103.2 million during the year after excluding the effect of businesses acquired during the year.

Capital expenditure increased to \$25.2 million in the year ended 31 July 2010. Spending on acquisitions totalled \$53.1 million for the year comprising the Brick and Block masonry business at Port Kembla in New South Wales and the Sasso Precast Concrete panel business at Wetherill Park in New South Wales, after no acquisitions were made in the previous year. Equity investments of \$16.1 million were made to assist the refinance of the JV property trusts.

Brickworks has no banking facilities due for renewal in the coming year with all facilities due to mature in August 2011.

Net Tangible Assets ('NTA') per share increased by 12.2% to \$9.28 per share as Total Shareholders Equity increased \$278.5 million to \$1.650 billion.

Total non-regular profit net of tax reduced from \$191.5 million in the year to 31 July 2009 to \$28.6 million in the year to 31 July 2010. The previous period included an equity accounting adjustment from Washington H. Soul Pattinson ('WHSP') due to New Hope Corporation's sale of the New Saraji mine. The current period includes a tax adjustment of \$38.7 million on the increased tax carrying value of the investment in WHSP that was partially reduced by the cost of the closure of the Eureka tile business at \$7.0 million and acquisition and other costs of \$3.1 million.

It is now likely that Australia will adopt the International Accounting Standard on leasing of assets in either 2012 or 2013. It is anticipated that this will result in most if not all operating lease assets and liabilities being included in the Balance Sheet. Brickworks currently has operating plant and equipment and mobile plant with an original cost of approximately \$61 million under operating lease arrangements. The current Wollert plant expansion in Victoria will be a leased asset. It is also expected that properties rented for sales and manufacturing will be impacted by this new standard. Total lease and rental payments of \$16.9 million were made during the year that were fully expensed against the Building Products Group EBIT.

Brickworks Building Products Group

Market conditions ¹

Total dwelling approvals for **Australia** were up 28.5% to 170,824 for the 12 months ended 31 July 2010, from 132,936 in the previous corresponding year.

There has been a spike in building activity however current approval levels are similar to where they were at the same time last year. Seasonally adjusted total dwelling approvals for the month of July 2010 of 14,962 were only 7.0% higher than the monthly approvals for July 2009. The withdrawal of the First Home Owner Boost scheme has seen demand in this segment of the market return to historical averages.

All states in Australia have one or more factors affecting housing supply and affordability. These include availability of land for development, delays in registration of land, high infrastructure charges and lack of finance for construction of medium and high density dwellings and land development.

New South Wales experienced the largest percentage increase in dwelling approvals of any of the states, up 41.8% from 23,842 for the 12 months to 31 July 2009 to 33,814, albeit from a historically low base. Improved activity was seen in both detached housing, up 25.2% to 17,078 and the multi-unit residential segment up 64.1% to 16,736.

Queensland experienced a modest increase in total approvals for the 12 months ended 31 July 2010 of 17.2% to 33,167, after experiencing the sharpest decline in activity of any State in the prior year. The multi-unit residential market was the hardest hit in 2008/09 with a 40.2% decline in activity and only recovered 22.4% in the year ended 31 July 2010. Detached housing approvals increased 14.9% to 22,475 for the 12 months to 31 July 2010.

Victorian approvals increased to a record high of 56,814, up 33.1% from 42,677 approvals in the previous corresponding year. This result has been driven by the sustained release of affordable land for housing, targeted

¹ Original approvals data sourced from ABS Cat. 8731.0 Building Approvals, Australia, July 2010

government stimulus and limited regulatory red tape. Multi-unit residential approvals were the strongest segment growing by 53.3% to 17,651 for the year. Detached housing approvals also increased by 25.7% to 39,163.

Western Australia experienced an increase in building activity with total approvals of 25,146, up 30.4% from 19,280 in the prior year. Multi-unit residential construction was the stronger sector, up 67.4% to 5,149. Detached housing experienced a more modest improvement of 23.4% to 19,997 approvals.

South Australia continued to enjoy a stable construction market with an increase in total dwelling approvals of 9.4 % to 12,745 for the year.

Tasmanian approvals increased by 9.2% to 3,303 total approvals in the 12 months ended 31 July 2010.

New Zealand Market Conditions ²

The New Zealand economy emerged from recession during the year and building consents were up 17.7% for the 12 months ended 31 July 2010 to 16,426. All of the growth came from housing, up 27.6% to 15,495 with apartments down 48.5% to 931 for the year.

Building Products Results in Detail

Revenue for the year ended 31 July 2010 was up 18.6% to \$580.3 million compared to \$489.3 million for the prior year. Revenue in the second half at \$317.3 million was up 20.6% on the first half.

Earnings Before Interest and Tax ('EBIT') from the Building Products Group was \$53.4 million, up 44.3% on the prior year. EBIT in the second half of \$31.6 million was 45.0% higher than the first half of the year.

Margins were increased through improved average selling prices and control of unit manufacturing costs, despite a shift in the sales mix towards high volume low margin housing builders caused by the government stimulus programs. This movement in customer mix was counterbalanced by increased sales of high margin products to the Building the Education Revolution ('BER') program.

Increased demand enabled production volumes to be increased and plants consequently operated at higher capacity utilisation. Manufacturing costs were under pressure from large increases in inputs, especially gas and electricity. These higher input costs were partially offset by the improvement in production efficiency.

Employee numbers were reduced by 21 or 1.5% on a like for like basis excluding acquisitions, during the year to 31 July 2010. Including the acquired businesses employee levels increased by 50 to 1,414.

The total number of work injuries has continued to decline with another improvement in the Total Reportable Injury Frequency Rate ('TRIFR') to 169.8, down 5.9% on the previous year. Brickworks' commitment to providing a safe workplace has seen the Lost Time Injury Frequency Rate ('LTIFR') reduce by 60.5% to a record low of 3.0 for the year ended 31 July 2010.

An integral factor in the achievement of Brickworks' goal of being *Australia's Best Building Products Company* is maintaining its market leading status in world class displays and selection centres. A number of new Design Centres were constructed during the year including Geelong in Victoria, Busselton in Western Australia and Cairns in Queensland.

The program of revitalising existing company displays and Design Centres continued with extensive work completed across the Group including at Horsley Park in New South Wales and Christchurch in New Zealand.

Capital expenditure increased during the year as the constraint on new capital projects imposed during the Global Financial Crisis ('GFC') was removed. New projects were targeted at delivering a safer workplace, improved production efficiency, better product quality and environmental management.

Spending increased to \$23.9 million in the year ended 31 July 2010, up from \$17.2 million in the prior year. Stay in business capital expenditure was up \$4.1 million on last year to \$15.1 million, 58.5% of depreciation of \$25.8 million. Depreciation was reduced by \$1.9 million as the first Wollert plant was leased for 10 years. Major capital expenditure was \$8.8 million and included the new factory roof at Riverview in Queensland.

Brickworks further reduced total greenhouse gas emissions during the year by 1.0% despite increased production volumes. The reduction in emissions was able to be achieved with the closure of older less efficient plants and increasing production volumes through more efficient plants such as Wollert in Victoria.

Divisional Results

Austral Bricks delivered a significantly improved result due to increased sales volume to meet demand generated by government stimulus measures and improved margins. Overall brick sales volumes for the year ended 31 July 2010 were up 14.5% compared to the prior year. Margins were able to be increased during the year with net average selling prices up 3.0% while unit manufacturing costs only increased by 2.0%.

Production volumes only increased 2.7% compared to the prior year, resulting in a reduction of inventory levels across the division.

New South Wales achieved the most significant year on year increase in EBIT of all divisions. Demand from the BER and social housing stimulus programs continued strongly throughout the year. The business was well placed to take advantage of this increased activity through a significant improvement in product range and quality.

The business was able to rapidly respond to changes in demand by intermittently bringing a standby kiln at Horsley Park on line as required in the first half. As demand stabilised in the second half this extra kiln remained on line. Higher capacity utilisation from the increased demand and tight cost control resulted in unit manufacturing costs remaining steady.

Queensland had another difficult year with market conditions remaining subdued. Both Rochedale and Riverview plants had production interruptions during the year including a two week shut down in May to replace the building

² Building Consents data sourced from Statistics New Zealand – Building Consents, July 2010

roof at Riverview. In spite of the difficult conditions the business has delivered a significantly improved financial performance compared to the previous year. A number of innovative new products have been developed in Queensland and the business is well positioned in the event the market conditions should improve.

Solid building activity in **Western Australia** enabled sales volumes to be increased slightly even though there is now increased competition in the Western Australian market. The plants performed well during the year with high quality output and excellent cost controls on slightly reduced production volumes. Excluding the 100% increase in gas costs experienced over the full year, margins were increased with higher average selling prices and steady unit manufacturing costs.

Building approvals have peaked during the year in Western Australia and builders are reporting declining sales at the end of the year due to a shortage of registered land. The peak demand from first home construction passed in the first half while strong demand from BER work continued into the second half.

Victoria achieved a strong increase in profitability on the back of record building approvals during the year. The manufacturing performance in Victoria was particularly pleasing with decreased unit manufacturing costs on slightly higher production volumes. The BER program is yet to achieve significant momentum in Victoria.

South Australia continued to deliver strongly due to improved sales volumes and average selling prices. The business has been able to realise improved production efficiencies and product quality from the capital upgrades at Golden Grove. The planned shut down in the first half of the year and strong demand has enabled the business to optimise stock levels.

Tasmania delivered an improved EBIT contribution through higher sales volumes due to improved demand. The operational improvements at Longford have resulted in better quality of products and reliability of production. Innovative new product ranges have been well accepted by the local market.

The **New Zealand** economy emerged from recession during the first half and sales volumes increased, especially in the second half. A concerted effort to sell higher margin niche products has seen the selling price gain upward momentum toward the end of the year in a promising sign for the coming year.

Austral Masonry delivered an improved result in the period. This was achieved through increased sales volumes, up 9.8% over the previous corresponding period prior to the inclusion of Port Kembla. A disciplined sales strategy enabled average selling prices to be increased by 3.8% against determined competition.

Manufacturing volume was substantially increased during the year to meet improved demand. The increased production volumes and good cost control resulted in unit manufacturing costs decreasing during the year and improved margins when combined with the selling price increases.

The addition of the plant at Port Kembla enables Austral Masonry to supply standard masonry along the east coast from Melbourne in Victoria to Cairns in Queensland. This plant was in poor condition requiring a refit in the current period.

Substantial work has been undertaken to expand Austral Masonry's product range to include a more balanced mix of premium products. Lightweight standard masonry products have been released in the South East Queensland market with positive customer feedback. Complementary ranges of retaining wall products have been introduced to provide a more complete range of products in this market segment.

Bristile Roofing achieved an improved result driven by strong performance on the east coast.

Sales volumes increased over 20% compared to the previous corresponding year, due to the surge in first home owner activity. Bristile Roofing was well placed to capitalise on this work with strong relationships and long term contracts with the major builders that secured the majority of this increased activity. This change in sales mix placed pressure on average selling prices on the east coast. Sales demand continues to exceed production capacity in Victoria and additional product is being transported from Queensland to meet customer demand.

Western Australia experienced a similar increase in sales volumes and constraints on selling prices caused by a shift in sales towards first home owner work. Market share gains were able to be achieved by providing an innovative, modern range of quality products.

Production was increased to meet demand and the improved efficiency levels were able to offset rises in production inputs for a reduction in unit manufacturing costs of 1.1% across the business.

Austral Precast. Sasso Precast was acquired by Brickworks in March 2010, increasing exposure to the commercial and industrial construction markets. The business has performed to expectations in spite of weak activity levels in these segments of the construction market. There are signs that the bottom of the current cycle in the industrial market in Sydney may have been reached, with volumes and prices improving at the end of the year.

The integration of this business into the Building Products Group has been successfully completed. Synergies are beginning to be realised in the business however the full benefit of the expansion into the precast concrete panel industry is yet to be seen.

Auswest Timbers delivered a substantially improved result for the year ended 31 July 2010 due to improved sales volumes and average selling prices. Sales volumes were up 4.7% due to strong batten demand in both pine and hardwood.

Auswest Timbers managed to maintain export volumes by developing new export markets in South East Asia to compensate for the decline in demand from the United Kingdom caused by the adverse movement in the currency exchange rate. The strengthening of the Australian dollar has also made imported timber more competitive in the domestic Australian market.

Land and Development

Land and Development produced an EBIT of \$28.4 million for the year ended 31 July 2010, down 30.0% from \$40.6 million in the previous corresponding period largely due to depressed conditions in the industrial property market.

Property Sales contributed an EBIT of \$17.9 million for the year.

Major transactions for the year included the sale of two lots in the M7 Business Hub in New South Wales for \$3.0 million and \$7.5 million. The sale of the Eastwood site in New South Wales to AV Jennings was finalised during the period with proceeds of \$33.8 million received during the year.

The 15 hectare Oxley site in Queensland was sold in July 2010 for \$13.0 million. The site was partially rehabilitated and required rezoning to allow residential development. The sale was effected on an as-is basis and represented a better return to Brickworks than developing the site.

Compensation totalling \$1.3 million was received for the creation of a pipeline easement on the Rochedale site in Queensland.

The **Property Trust** generated an EBIT of \$10.3 million from Development Profit, Trust Income and Revaluations. No new facilities were completed during the year by the Trust.

Distributions from the Property Trust were \$7.4 million for the year, slightly down on the \$8.1 million in the 12 months to 31 July 2009. The prior year included a land rent payment resulting in an additional distribution of \$900,000.

Capitalisation rates appear to have stabilised at 8.0% to 8.5% with increased rentals delivering modest revaluations during the year. The gain on revaluation was \$2.8 million for the year ended 31 July 2010 compared to a net writedown of \$9.3 million in the year to 31 July 2009.

The total value of the Property Trust assets as at 31 July 2010 was \$600.9 million, with borrowings of \$248.9 million, giving a total net value of \$352.0 million. Brickworks share of the Trust's net assets value was \$176.0 million up \$15.6 million from \$160.4 million at 31 July 2009.

Waste Management contributed a profit of \$1.8 million from operations at Horsley Park and Bowral in New South Wales being stable compared to the previous corresponding period.

Investments

The normal profit from Investments in the year ended 31 July 2010 was \$76.5 million.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

The normalised profit from this investment was \$74.0 million for the year, down from \$91.8 million in the year ended 31 July 2009.

The market value of Brickworks 42.85% shareholding in WHSP increased by \$204.0 million to \$1.329 billion at 31 July 2010. This investment continues to provide diversity and stability to earnings, with cash dividends totalling \$59.3 million received during the current year including ordinary dividends of 33 cents per share and a special dividend of 25 cents per share all fully franked.

WHSP has a compound annual Total Shareholder Return for the last 15 years of 17.5%, a substantial outperformance of the ASX All Ordinary Accumulation Index, which returned 9.4% over the same period. A number of the WHSP investments delivered improved performances while WHSP's largest investment, its 59.9% holding in New Hope Corporation, returned a reduced profit following the payment of significant dividends and tax and reduced coal prices.

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.

Significant Items since Balance Sheet Date

Brickworks acquired the assets of the **Girotto** Precast Pty Ltd and **Gocrete** Pty Ltd precast concrete panel businesses from Boral Limited on 1 September 2010 for \$13.8 million plus stock. The businesses have been merged with Brickworks' existing Sasso Precast business and rebranded **Austral Precast**.

Austral Precast is the only truly national supplier in the precast concrete panel industry with automated production facilities in Sydney and Perth and manual facilities in Melbourne and Brisbane.

Brickworks only suffered a minor loss of stock in the recent earthquake in Christchurch, New Zealand. It is anticipated that there will be a lull in building activity in the short term before the opportunities associated with the rebuilding process present themselves.

On 23 August 2010, an acquisition scheme became effective for the sale of Arrow Energy Ltd shares by its shareholders, including New Hope Corporation Ltd (NHC), an associate of WHSP. WHSP estimate that the unrealised gain after tax for NHC will be \$326.3 million. At the time of writing WHSP had not indicated their share of profit from this transaction. Brickworks will report a share of this as an equity accounted profit in the 2011 financial year, following accounting for this transaction by NHC and WHSP.

Outlook

Building Products Group

The longer term outlook for Building Products demand is reliant on alleviating land supply constraints. These include onerous infrastructure charges and government regulation that have led to the current lack of readily available land for development. Lack of finance is also having an impact on construction of medium and high density dwellings and land development. State governments have taken some steps towards addressing these issues, however concerted action is needed to reduce the impact of these constraints that have resulted in an inadequate number of new dwellings being constructed in Australia.

The return of investors and upgraders to the market becomes paramount for a sustainable recovery in housing construction as the effect of the BER and social housing stimulus programs diminishes. The market is still relatively attractive to upgraders and investors despite recent increases in borrowing costs. Vacancy rates

remain tight in most capital cities, except for Perth and Brisbane, and property prices and rental yields continue to grow.

Stable market activity in New South Wales, Victoria, South Australia and Tasmania is expected to continue in the short term. Anecdotal evidence indicates that Queensland and Western Australia will soften.

Recent falls in housing finance approvals back to levels seen during the GFC are a concern. Housing finance is a lead indicator of residential construction activity and is indicating a potential softening of market conditions during the coming year.

Non-residential construction is expected to start recovering during the coming financial year. The commercial and industrial markets have been soft in Queensland and Western Australia while New South Wales and Victoria are showing early signs of strengthening.

Land and Development

Demand for new site development work has slowed, but several new Property Trust projects are expected to commence during the coming year that will complete early in the following financial year.

In particular the Brickworks/Goodman JV has secured a 10 year lease pre-commitment from DHL for two facilities totalling 36,000m² on the Oakdale site. This project is expected to be completed in the 2011/12 financial year.

Work is continuing on rezoning of surplus land at Craigieburn in Victoria and Rochedale in Queensland in anticipation of future development. The Victorian government has recently extended the Urban Growth Boundary for Melbourne to now include this surplus land at Craigieburn.

Rental returns from the Property Trust will stabilise as no new facilities are likely to be completed during the year. Trust revaluations will reflect the effect of rental increases on both cash return and asset values as capitalisation rates are expected to remain stable at 8.0% to 8.5%.

Investments Group

Investment returns will remain strong with a substantial equity accounted non-regular contribution from WHSP following the completion of the Arrow Energy transaction in August 2010.

Brickworks Group

The diversified model of Brickworks should deliver another solid result in the coming year.

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

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. The impact of this transaction has not been incorporated into these financial statements.

On 23 August 2010, an acquisition scheme became effective for the sale of Arrow Energy Ltd shares by its shareholders, including New Hope Corporation Ltd (NHC), an associate of WHSP. WHSP estimate that the unrealised gain after tax for NHC will be \$326.3 million. At the time of writing WHSP had not indicated their share of profit from this transaction. Brickworks will report a share of this as an equity accounted profit in the 2011 financial year, following accounting of this transaction by NHC and WHSP.

No other 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. OH&S performance comprises one part of the variable remuneration package granted to managers.

The Group continued to improve its safety performance over this last year, with half its divisions not having recorded a lost time injury. Total workplace injury rates were reduced by 15% and the lost time injury frequency rate (LTIFR) was reduced by over 60%, to achieve an LTIFR of 3. These results exceeded the OH&S goals set for the business.

A project to standardise the OH&S management systems nationally has been initiated and will utilise best practices of each existing system. Measurement of safety performance in this new system, will adopt positive performance indicators as key measures to move safety management beyond injury statistics.

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 \$2.9 million was spent on capital projects aimed at improving our environmental performance or rehabilitating operational sites. In addition to this amount, the construction of the Wollert factory expansion, worth \$65.0 million, began during the year. This state of the art manufacturing facility will replace two existing, outdated technology manufacturing facilities, resulting in substantial energy and emission improvements.

Managing energy use, emissions and associated costs are key issues organisations will face in a carbon constrained future. 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 has 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.

One of Brickworks' continuing focal points this year was kiln efficiency and a number of initiatives were carried out to reduce energy consumption and associated costs. Bristle Roofing at Wacol in Queensland identified significant losses associated with the sealing of their conventional kiln doors. Cost effective air curtains were trialled and installed resulting in a 40% reduction in the plants natural gas consumption. Austral Bricks at Armadale in Western Australia tuned their burners improving kiln efficiency and reducing energy consumption by 17.5TJ/ annum whilst increasing production through-put by 5%.

Brickworks undertook a national approach to improving compressed air efficiency and assessments were carried out at all our larger sites. Numerous energy savings were identified and implemented over the period including the replacement of older compressors with energy efficient technology and conducting air leak rectification works and incorporating these into ongoing preventative maintenance programs. Some of these initiatives resulted in the creation, trading and monetisation of Energy Saving Certificates (ESC) under the NSW Governments Energy Savings Scheme. A total of 1,212 ESC were created and assisted in the financial justification of these projects.

Brickworks has an active Research & Development program and this year focussed on the sustainable use of resources to bring a light weight building product to the market. The 'Boxer Light' with its unique core pattern design allows for 20% less raw material usage over a standard brick reducing our impact on natural resources. The project team developed and incorporated innovative process design parameters and manufacturing technology to overcome the difficulties associated with manufacturing highly cored bricks. The outcome is a brick consuming 10% less natural gas, is manufactured using recycled water and due its reduced weight, pack sizes have been increased resulting in a reduction of 15% in the consumption of diesel for delivery to customers. The light weight brick leads to significant safety, manual handling and productivity improvements for the bricklaying industry and a reduced Life Cycle Inventory of the completed Project.

Brickworks has been working with industry participants to assist in the delivery of energy efficient housing. Ausbuild and Brickworks embarked on a product development program designed to explore how detached housing can become more energy efficient without adding extra expense or sacrificing the comforts expected by Australian Families. The result was an 8 Star (Building Energy Rating Service - BERS) Home in Queensland saving the average family 1,285kWh per annum. Currently all new Queensland homes are required to meet a minimum of 5 stars. Brickworks supplied the clay bricks resulting in lower energy demand for heating and cooling

due to their thermal mass properties. 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.

Last year we reported that Austral Bricks NSW received 'Bronze Level Recognition' under the Sustainability Advantage Program administered by the Department of Environment, Climate Change and Water for demonstrated commitment to sustainability and environmental improvements. It is pleasing to note that the companies continued commitment to environmental and sustainability improvement has led to Austral Bricks being the first company in its industry sector to achieve 'Silver Level Recognition' under the Sustainability Advantage Program. To date, Silver Level Recognition is the highest level achieved by any participant in the program, and Austral Bricks is one of only 9 companies awarded this level to date.

In August 2009 the Department of Primary Industries awarded Austral Bricks and Golder Associates a Strzelecki Award for the sustainable redevelopment of the Scoresby quarry and factory site in Victoria.

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 34 independent annual audits were completed this year, which were supplemented by internal audits carried out by Brickworks environmental personnel. Two new businesses were acquired during this period and both were incorporated into Brickworks internal environmental audit program. The independent environment auditors complete an environmental compliance audit of all factory sites annually, while operational clay mining areas are audited at least every two years. 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 auditing process indicated that some emissions were in excess of EPA licence limits. The Company is investigating these non-compliances, and working closely with the EPA 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
TPG Telecom Ltd	Director since 2000
BKI Investment Company Ltd	Director since 2003
Choiseul Investments Ltd	Director since 1995
Milton Group	Director since 1998
Australian Pharmaceutical Industries Ltd	Director since 2000
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, and has extensive experience in the investment industry. Mr Millner is the deputy chairman of the Board, and a member of the Audit and Remuneration Committees.

Other directorships:

Washington H. Soul Pattinson & Co Ltd	Director since 1997
Ruralco Holdings Ltd	Director since 2007
SP Telemedia Ltd	Appointed 2000, Resigned 2008
Choiseul Investments Ltd	Appointed 2001, Resigned 2008

**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 tiles, pavers and masonry 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 three other entities that are involved in the property sector, a member of the National Housing Supply Council, Chairman of Western Sydney Parklands Trust and a director of Barangaroo Delivery Authority. He is a Member of the Audit and Remuneration Committees.

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 Bristile 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 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.

**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 Committee and a Remuneration Committee. During the financial year, 14 meetings of Directors (including committees) were held. Attendances were:

	DIRECTORS' MEETINGS		REMUNERATION COMMITTEE MEETINGS		AUDIT 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	2	2
L.R. Partridge	10	10	-	-	-	-
B.P.Crotty	10	10	2	2	2	2
D.N. Gilham	10	9	2	2	-	-
R.J. Webster	10	10	2	2	2	2

Directors interests

As at 23 September 2010, Directors had the following relevant interests in Brickworks shares:

	Ordinary Shares
R.D. Millner	5,323,774
M.J. Millner	5,299,025
L.R. Partridge	169,833
B.P. Crotty	6,209
D.N. Gilham	102,268
R.J. Webster	15,922

As at 23 September 2010, 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 23 September 2010, 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 23 September 2010, 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 2010 Annual General Meeting.

For the year ended 31 July 2010, Brickworks paid non-executive Directors base fees of \$90,000 per annum, with the chairman of the Board receiving \$180,000 per annum, and the chairman of the audit 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 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 2010 financial year

returned to more normal levels on the back of improved trading results, following the significant reductions in the 2009 year. In the current year variable remuneration exceeded the fixed component for both the Managing Director and the Chief Financial Officer, whereas in the 2009 year neither received any variable remuneration.

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 2010, there were 816 employees participating in the share plans, holding 1,033,230 shares (0.70% 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 28 September 2009.

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 past five years, 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 here, however an analysis of the figures below demonstrates continued dividend growth, and consistent or improving revenues and normalised profits in a difficult cyclical environment. The Board is of the opinion that these results can be attributed in part to the previously described remuneration policies and is satisfied that this continued improvement has led to increased shareholder wealth over the past five years.

	2006	2007	2008	2009	2010
Total revenue (millions)	\$532.1	\$558.9	\$553.7	\$593.5	\$656.5
Net profit before non-regular items after tax (millions)	\$101.9	\$102.2	\$108.2	\$113.7	\$110.2
Net profit after tax (millions)	\$102.2	\$107.5	\$101.5	\$305.2	\$138.8
Share price at year end	\$11.99	\$13.50	\$11.90	\$12.85	\$11.81
Dividends – ordinary shares (cents)	36.0	38.0	39.0	39.0	40.0

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 & Marketing
Mr P. Scott	General Manager – Austral Bricks and Bristile Roofing Western Australia
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

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	2010	177,500	-	-	15,975	-	-	193,475
	2009	160,000	-	-	14,400	-	-	174,400
M. Millner	2010	88,750	-	-	7,988	-	-	96,738
	2009	80,000	-	-	7,200	-	-	87,200
B. Crotty	2010	88,750	-	-	7,988	-	-	96,738
	2009	80,000	-	-	7,200	-	-	87,200
D. Gilham	2010	88,750	-	-	7,988	-	-	96,738
	2009	80,000	-	-	7,200	-	-	87,200
R. Webster	2010	98,750	-	-	8,888	-	-	107,638
	2009	90,000	-	-	8,100	-	-	98,100
L. Partridge	2010	989,984	515,000	57,114	14,461	400,694	-	1,977,253
	2009	817,770	-	46,587	64,783	401,685	-	1,330,825
A. Bentley	2010	-	-	-	-	-	-	-
	2009	26,666	-	-	2,400	-	150,000	179,066
T. Fairfax	2010	-	-	-	-	-	-	-
	2009	13,333	-	-	1,200	-	150,000	164,533
Totals	2010	1,532,484	515,000	57,114	63,288	400,694	-	2,568,580
	2009	1,347,769	-	46,587	112,483	401,685	300,000	2,208,524

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)}	2010	470,937	257,500	19,820	38,640	241,000	-	1,027,897
	2009	400,453	-	21,273	34,939	249,184	-	705,849
M. Kublins ⁽²⁾	2010	332,131	-	28,243	22,628	148,266	-	531,268
	2009	327,874	-	27,881	28,899	136,014	-	520,668
D. Fitzharris ⁽²⁾	2010	312,118	125,000	21,654	29,622	116,712	-	605,106
	2009	326,013	-	14,152	28,899	108,417	-	477,481
P. Scott ⁽²⁾	2010	353,429	120,000	31,007	14,461	173,028	-	691,925
	2009	326,165	-	31,007	13,867	146,691	-	517,730
P. Caughey ⁽²⁾	2010	254,019	105,000	23,644	23,016	65,233	-	470,912
	2009	259,138	-	22,909	22,294	46,978	-	351,319
M. Ellenor ⁽²⁾	2010	257,199	100,000	20,140	21,021	57,711	-	456,071
	2009	224,170	-	31,574	16,693	41,097	-	313,534
D. Millington ⁽²⁾	2010	250,495	100,000	15,779	27,242	71,853	-	465,369
	2009	214,844	90,000	14,653	25,566	53,857	-	398,920
I. Thompson ⁽¹⁾	2010	180,108	47,320	16,149	15,401	34,583	-	293,561
	2009	166,852	-	16,683	15,027	30,478	-	228,040
Totals	2010	2,410,436	854,820	176,436	192,031	908,386	-	4,542,109
	2009	2,245,509	90,000	179,132	186,184	812,716	-	3,513,541

Notes

- (1) Messrs Payne and Thompson are Company Executives as defined under s300A(1B) of the Corporations Act.
- (2) Messrs Payne, Fitzharris, Scott, Caughey, Ellenor, 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 31 August 2010, in relation to performance during the 2010 financial year (2009 granted on 25 August 2009). 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).

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 \$60,000. The Directors through the Audit 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 23 September 2010.



R.D. MILLNER
Director



L.R. PARTRIDGE
Director



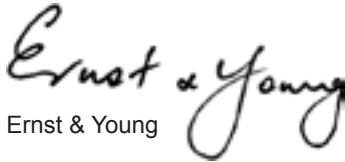
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GPO Box 2646 Sydney NSW 2001

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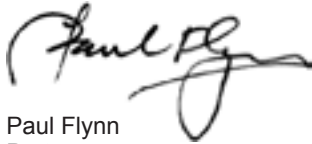
AUDITOR'S INDEPENDENCE DECLARATION

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 2010, 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.

A stylized, handwritten signature of "Ernst & Young" in cursive script.

Ernst & Young

A handwritten signature of "Paul Flynn" in cursive script.

Paul Flynn
Partner
Sydney
23 September 2010

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.
- In exceptional circumstances, senior management and Directors may trade outside these windows, providing they obtain approval from the Managing Director or Chairman respectively prior to trading.
- This restriction does not apply to normal fixed monthly share purchases made by the trustee through the Brickworks Employee Share Plans. More information on the employee share plans is available in the Remuneration Report.

Safeguard integrity in financial reporting

Brickworks has an established Audit 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 Audit 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 Audit 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 Audit Committee if required.

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

The function of the Audit 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. The specific risk management policies are contained within the Brickworks group policy manual, and are aimed at assisting the Board in the management of risks in areas such as health and safety, environmental issues, industrial relations, insurance 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 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.

It is a requirement of the Board that the Managing Director and Chief Financial Officer sign off to the Board, via the Audit 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 2010

	NOTE	CONSOLIDATED	
		31 JULY 10 \$000	31 JULY 09 \$000
Revenue	3	656,538	593,511
Cost of sales		<u>(464,231)</u>	<u>(429,433)</u>
Gross profit		192,307	164,078
Other income	3	4,975	1,805
Distribution expenses		(51,932)	(46,095)
Administration expenses		(18,630)	(18,479)
Selling expenses		(58,557)	(52,704)
Borrowing costs expense	4	(24,491)	(36,348)
Other expenses		(16,951)	(66,749)
Share of net profits of associates and joint ventures accounted for using the equity method	25 , 26	<u>84,949</u>	<u>470,977</u>
Profit from ordinary activities after income tax expense		111,670	416,485
Income tax attributable to profit from ordinary activities	5	<u>27,120</u>	<u>(111,270)</u>
Profit from ordinary activities after income tax expense		<u>138,790</u>	<u>305,215</u>
Other comprehensive income			
Cash flow hedge gain / (loss) taken to equity		(8)	(246)
Foreign currency translation		(19)	(264)
Share of increments / (decrements) in reserves attributable to associates		17,625	(6,338)
Write back to profit on disposal of investment		-	(1,016)
Income tax on items of other comprehensive income		<u>(5,286)</u>	<u>1,974</u>
Other comprehensive income for the period, net of tax		<u>12,312</u>	<u>(5,890)</u>
Total comprehensive income for the period		<u>151,102</u>	<u>299,325</u>
Net profit attributable to members of the parent entity		<u>138,790</u>	<u>305,215</u>
Total comprehensive income for the period attributable to members of the parent entity		<u>151,102</u>	<u>299,325</u>
Basic earnings per share (cents per share)	8	96.7	229.8
Diluted earnings per share (cents per share)	8	96.7	225.1

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 2010

		CONSOLIDATED	
	NOTE	31 JULY 10	31 JULY 09
		\$000	\$000
CURRENT ASSETS			
Cash assets	9	73,353	17,916
Receivables	10(a)	98,761	68,747
Held for trading financial assets	11	15	23
Inventories	12(a)	139,265	147,292
Land held for resale	13(a)	6,340	50,461
Tax receivable		3,418	-
Prepayments		6,241	5,021
TOTAL CURRENT ASSETS		327,393	289,460
NON-CURRENT ASSETS			
Receivables	10(b)	201	200
Inventories	12(b)	8,533	8,699
Land held for resale	13(b)	23,742	30,722
Investments accounted for using the equity method	14	1,189,127	1,133,580
Property, plant and equipment	15	432,069	399,809
Intangible assets	16	283,920	272,099
Prepayments		-	704
TOTAL NON-CURRENT ASSETS		1,937,592	1,845,813
TOTAL ASSETS		2,264,985	2,135,273
CURRENT LIABILITIES			
Payables	17	68,832	88,255
Interest-bearing liabilities	18(a)	-	67,000
Derivative financial instruments	19(a)	-	511
Tax payable		-	8,620
Provisions	20(a)	29,909	25,348
TOTAL CURRENT LIABILITIES		98,741	189,734
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	18(b)	300,000	333,000
Derivative financial instruments	19(b)	1,404	517
Provisions	20(b)	25,964	25,059
Deferred taxes	21	188,942	215,514
TOTAL NON-CURRENT LIABILITIES		516,310	574,090
TOTAL LIABILITIES		615,051	763,824
NET ASSETS		1,649,934	1,371,449
EQUITY			
Contributed equity	22	322,666	146,521
Reserves	23	367,217	353,573
Retained profits		960,051	871,355
TOTAL EQUITY		1,649,934	1,371,449

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 2010

NOTE	Ordinary Shares	Treasury Stock	Capital Profits Reserve	Cash Flow Hedge Reserve	Equity Adjustments Reserve	General Reserve	Foreign Currency Reserve	Share Based Payments Reserve	Associates Reserve	Retained Earnings	Total
Total equity as at 1 August 2008	149,046	(4,154)	88,102	254	(41,067)	36,125	(1,360)	-	277,496	609,027	1,113,469
Net profit for the year	-	-	-	-	-	-	-	-	-	305,215	305,215
Other comprehensive income for the year	-	-	-	(246)	1,104	-	(264)	-	(6,455)	-	(5,861)
Total comprehensive income for the year	-	-	-	(246)	1,104	-	(264)	-	(6,455)	305,215	299,354
Transactions with owners in their capacity as owners											
Dividends provided or paid during the year	-	-	-	-	-	-	-	-	-	(40,851)	(40,851)
Issue of shares	2,049	-	-	-	-	-	-	-	-	-	2,049
Purchase of shares through employee share plan	-	(2,374)	-	-	-	-	-	-	-	-	(2,374)
Shares vested to employees	-	1,954	-	-	-	-	-	-	-	-	1,954
Share of associates transfer to outside equity interests	-	-	-	-	-	-	-	-	-	(2,152)	(2,152)
Share of associates transfer from / (to) retained earnings	-	-	-	-	-	-	-	(116)	(116)	116	-
Total equity as at 31 July 2009	2,049	(420)	88,102	8	(39,963)	36,125	(1,624)	-	270,925	871,355	1,371,449
Net profit for the year	-	-	-	(8)	(4,978)	-	(19)	-	17,625	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	(50,094)	127,075
	329,047	(6,381)	88,102	-	(44,941)	36,125	(1,643)	1,024	288,550	960,051	1,649,934

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 2010

	NOTE	CONSOLIDATED	
		31 JULY 10 \$000	31 JULY 09 \$000
Cash flows from operating activities			
Receipts from customers		691,615	668,667
Payments to suppliers and employees		(578,665)	(531,899)
Interest received		2,438	3,772
Borrowing costs		(21,285)	(30,964)
PAVERS dividend		-	(5,461)
Dividends and distributions received		67,391	40,849
Income tax paid		(14,987)	(12,997)
Net cash flows from / (used in) operating activities	24(a)	<u>146,507</u>	<u>131,967</u>
Cash flows from investing activities			
Purchases of investments		(16,102)	(8,289)
Proceeds from the sale of investments		2,504	43,931
Purchases of intangible assets		-	(878)
Payment for business acquisition	29(b)	(53,087)	-
Proceeds from sale of property, plant and equipment		6,164	43,518
Purchases of property, plant and equipment		(25,191)	(17,369)
Net cash flows from / (used in) investing activities		<u>(85,712)</u>	<u>60,913</u>
Cash flows from financing activities			
Proceeds from borrowings		30,000	202,000
Repayment of borrowings		(130,000)	(200,000)
Net proceeds from issue / (repayment) of shares		173,980	(162,951)
Loan (to) / from other entity		(21,180)	-
Dividends paid		(58,158)	(51,821)
Net cash flows from / (used in) financing activities		<u>(5,358)</u>	<u>(212,772)</u>
Net increase / (decrease) in cash held		55,437	(19,892)
Cash at beginning of year		<u>17,916</u>	<u>37,808</u>
Cash at end of year	9	<u><u>73,353</u></u>	<u><u>17,916</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 2010

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 23 September 2010.

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 Standards and AASB Interpretations as of 1 August 2009.

Amendments to financial statements – AASB 2008-1, 2008-2, 2008-3, 2008-5, 2008-6, 2008-7, 2008-8, 2009-2, 2009-4, 2009-7;

AASB 3 (Revised): Business Combinations;

AASB 8: Operating Segments;

AASB 7: Financial Instruments: Disclosures

AASB 101(Revised): Presentation of Financial Statements;

AASB 123 (Revised): Borrowing Costs;

AASB 127 (Revised): Consolidated and Separate Financial Statements;

These standards predominantly impacted on disclosures contained within the accounts. Standards that led to a change in accounting policy, along with the impact of those changes, were as follows:

AASB 3 (Revised): Business Combinations – the main change for the Group was the requirement that acquisition costs associated with business combinations be expensed in the period in which they were incurred. Previously these costs were capitalised as part of the cost of the business combination. This change has resulted in \$2,825,821 being expensed in the current year. Brickworks policy is to report these costs as non-regular items, as disclosed in note 4.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(d) Revenue (cont.)**

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 is recognised on an accruals basis.

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).

(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.

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

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(n) Financial assets (cont.)**

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.

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 market 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(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, unless there is no reasonable and consistent basis to do so, in which case goodwill is allocated to groups of CGU's. Impairment is determined by assessing the recoverable amount of the CGU (or groups of units) 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.

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.

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

(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.

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

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(ag) Foreign currency transactions and balances (cont.)**

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.

(ai) Accounting standards issued but not yet effective

Australian accounting standards that have been issued but have not been adopted for the financial year ended 31 July 2010 are as follows:

Amendments to financial statements – AASB 2009-5, 2009-8, 2009-9, 2009-10, 2009-11, 2009-12, 2009-13, 2009-14, 2010-1, 2010-2, 2010-3, 2010-4

AASB 9: Financial Instruments;

AASB 124 (Revised): Related Party Disclosures;

AASB 1053: Application of Tiers of Australian Accounting Standards;

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

The Group has assessed the impact of these new or amended standards and interpretations, with the exception of AASB 9: Financial Instruments, 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.

The impact of AASB 9 has not yet been determined by the Group.

	31 JULY 10 \$000	31 JULY 09 \$000
NOTE 2: PARENT ENTITY INFORMATION		
Information relating to Brickworks Ltd		
Current assets	47,380	1,980
Total assets	963,548	913,575
Current liabilities	2,332	73,418
Total liabilities	447,610	560,852
Issued capital	322,666	146,521
Reserves		
- capital profits	84,479	84,479
- equity adjustment	307	-
- general	11,645	11,645
- share based payments	1,024	-
Total reserves	<u>97,455</u>	<u>96,124</u>
Retained earnings	<u>95,816</u>	<u>110,078</u>
Total shareholders' equity	<u>515,937</u>	<u>352,723</u>
Net profit after income tax	<u>43,896</u>	<u>101,545</u>
Total comprehensive income	<u>44,204</u>	<u>101,389</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 10	31 JULY 09
	\$000	\$000
NOTE 3: REVENUE		
Trading revenue		
Sale of goods	583,975	490,577
Sale of land held for resale	66,727	99,099
	<u>650,702</u>	<u>589,676</u>
Other operating revenue		
Interest received - other corporations	2,438	2,240
Dividends received - other corporations	4	16
Rental revenue	885	830
Other	2,509	749
	<u>656,538</u>	<u>593,511</u>
Total operating revenue	<u><u>656,538</u></u>	<u><u>593,511</u></u>
Other income		
Net gain on sale of property, plant and equipment	3,978	1,671
Other items	997	134
	<u>4,975</u>	<u>1,805</u>
Total other income	<u><u>4,975</u></u>	<u><u>1,805</u></u>
NOTE 4: INCOME AND EXPENSES		
(a) Specific expense disclosures		
Depreciation and amortisation		
- Buildings	3,274	3,242
- Leasehold improvements	45	44
- Plant and equipment	22,125	24,078
	<u>25,444</u>	<u>27,364</u>
Total depreciation	<u>25,444</u>	<u>27,364</u>
- Intangible assets	311	292
	<u>311</u>	<u>292</u>
Total amortisation	<u>311</u>	<u>292</u>
Total depreciation and amortisation expense	<u><u>25,755</u></u>	<u><u>27,656</u></u>
Finance costs - interest to other corporations	24,491	32,563
Finance costs - PAVERS interest	-	3,650
Finance costs - PAVERS amortisation	-	135
	<u>24,491</u>	<u>36,348</u>
Total finance costs expensed	<u>24,491</u>	<u>36,348</u>
Finance costs capitalised	-	1,122
	<u>-</u>	<u>1,122</u>
Total finance costs	<u><u>24,491</u></u>	<u><u>37,470</u></u>
Rental expense on operating leases		
- Minimum lease payments	16,770	8,782
Unrealised loss / (gain) on carrying value of held for trading financial assets	(7)	7
Employee benefit expense	106,730	107,317
Defined contribution superannuation expense	5,539	7,213
Research and development expenditure	544	2,419
Bad and doubtful debts - trade debtors	901	1,417
Write down of inventories to net realisable value	5,387	8,611

		CONSOLIDATED	
	NOTE	31 JULY 10	31 JULY 09
		\$000	\$000

NOTE 4: INCOME AND EXPENSES (cont.)

(b) Significant Revenues and Expenses

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

Profit from sale of land held for resale		13,813	24,129
Development profits from joint ventures		133	3,501
Fair value adjustment on completion of developments		-	7,277
Fair value adjustment of properties		2,780	(32,244)
Property Trust rental profits		7,346	8,108
Total profits from Property Trusts	26	<u>10,259</u>	<u>(13,358)</u>
Share of associates profit from discontinued operations		-	(248)

(c) Non-regular items

Significant one-off transactions of associate (Washington H. Soul Pattinson & Co Ltd) ⁽¹⁾		-	392,882
Write down of assets to recoverable value			
- Property, plant & equipment ⁽²⁾		(2,728)	(43,779)
- Investment property ⁽¹⁾		-	(24,716)
- Investment in associate (BKI) ⁽²⁾		-	(13,674)
- Building products inventory ⁽³⁾		(4,750)	(8,171)
Costs on closure of manufacturing facilities ⁽²⁾		(3,482)	-
Business acquisition costs ⁽²⁾		(2,826)	-
Remediation provision recognised ⁽²⁾		-	(12,039)
Borrowing costs ⁽⁴⁾		-	(3,036)
Other non-regular items ⁽²⁾		(577)	(3,489)
Tax adjustment for WHSP carrying value ⁽⁵⁾		38,688	-
Income tax on non-regular items ⁽⁵⁾		4,283	(92,443)
		<u>28,608</u>	<u>191,535</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 "Finance costs" line on Income Statement

⁽⁵⁾ Disclosed in "Tax expense" line on Income Statement

NOTE 5: INCOME TAX

(a) Current Tax		2,594	18,360
Deferred Tax		(28,703)	108,403
Under / (over) provided in prior years		(1,011)	(15,493)
		<u>(27,120)</u>	<u>111,270</u>

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31 JULY 10 **31 JULY 09**
\$000 **\$000**

NOTE 5: INCOME TAX (cont.)

(b) Reconciliation of income tax expense to prima facie tax payable		
Prima facie tax payable on profit / (loss) before income tax at 30%	33,502	124,946
Adjust for tax effect of:		
difference in foreign tax rates	-	(34)
non-allowable PAVERS dividend	-	1,095
rebateable dividends	(17,793)	(9,976)
capital losses recognised during year	(12)	(1,432)
deferred tax items derecognised	(2,724)	9,182
share of net profits of associates	(40,482)	(6,136)
other non-allowable items	1,401	740
overprovision for income tax in prior year	(1,012)	(7,115)
	<u>(27,120)</u>	<u>111,270</u>
(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)	(74)
Share of increments / (decrements) in reserves attributable to associates	5,288	(1,900)
Deferred tax - debited / (credited) directly to equity	5,286	(1,974)
	<u>5,286</u>	<u>(1,974)</u>

NOTE 6: AUDITORS' REMUNERATION

Auditor of the parent entity		
Audit of the financial report	415	471
Other regulatory audits	5	5
Other assurance services	60	139
	<u>480</u>	<u>615</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 26.5 cents per share paid 9/12/09 (2008 - 26.5c paid 10/12/08)	39,018	35,212
Interim ordinary dividend of 13.0 cents per share paid 20/05/10 (2009 - 12.5c paid 19/05/09)	19,141	16,609
Group's share of dividend received by associated company	(11,111)	(10,970)
	<u>47,048</u>	<u>40,851</u>
Proposed final ordinary dividend of 27 cents per share not recognised as a liability at year end (2009 26.5c)	39,754	35,211

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	<u>170,918</u>	<u>152,663</u>
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CONSOLIDATED
31 JULY 10 **31 JULY 09**
\$000 **\$000**

NOTE 7: DIVIDENDS (cont.)

Impact on franking account balance of dividends not recognised	<u>(17,037)</u>	<u>(15,090)</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	<u>138,790</u>	<u>305,215</u>
Earnings used in the calculation of basic EPS	138,790	305,215
add: redeemable preference share interest	<u>-</u>	<u>3,785</u>
Earnings used in the calculation of diluted EPS	<u>138,790</u>	<u>309,000</u>
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	143,565,083	132,828,686
Number of potential ordinary shares from convertible redeemable preference shares (PAVERS) on issue	<u>-</u>	<u>4,448,219</u>
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<u>143,565,083</u>	<u>137,276,905</u>
	cents	cents
Basic earnings per share	96.7	229.8
Diluted earnings per share	96.7	225.1

NOTE: There were no dilutive shares on issue at 31 July 2009 or 31 July 2010 as PAVERS were repurchased in December 2008 (refer note 18(d)).

NOTE 9: CASH ASSETS

Cash on hand	30,164	16,633
Deposits at call	<u>43,189</u>	<u>1,283</u>
	<u>73,353</u>	<u>17,916</u>

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	86,702	68,344
Less: provision for doubtful debts	<u>731</u>	<u>838</u>
	85,971	67,506
Less: advance payments by customers	<u>2,696</u>	<u>1,797</u>
Net trade receivables	83,275	65,709
Add: other debtors	<u>15,486</u>	<u>3,038</u>
	<u>98,761</u>	<u>68,747</u>

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\$000 **\$000**

NOTE 10: RECEIVABLES (cont.)

(b) Non-Current		
Amount receivable from associated companies	201	200
	<u> </u>	<u> </u>
(c) Movement in provision for doubtful debts		
Balance at the beginning of the year	838	1,645
Additional provisions recognised	1,001	1,562
Trade debts written off	(1,008)	(2,224)
Reversals of provisions not required	(100)	(145)
	<u> </u>	<u> </u>
Balance at the end of the year	731	838
	<u> </u>	<u> </u>
(d) Receivables past due		
Receivables past due but not impaired		
Past due 0 - 30 days	2,546	2,478
Past due 30+ days	1,203	982
	<u> </u>	<u> </u>
	3,749	3,460
	<u> </u>	<u> </u>

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.

NOTE 11: HELD FOR TRADING FINANCIAL ASSETS

Share trading portfolio at fair value	15	23
	<u> </u>	<u> </u>

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	27,833	27,692
Work in progress at cost	8,224	8,970
Finished goods at cost	101,066	109,564
	<u> </u>	<u> </u>
	137,123	146,226
	<u> </u>	<u> </u>
Finished goods at net realisable value	2,142	1,066
	<u> </u>	<u> </u>
	139,265	147,292
	<u> </u>	<u> </u>
(b) Non-Current		
Raw materials and stores at cost	8,533	8,699
	<u> </u>	<u> </u>

		CONSOLIDATED	
	NOTE	31 JULY 10	31 JULY 09
		\$000	\$000

NOTE 13: LAND HELD FOR RESALE

(a) Current		6,340	50,461
(b) Non-Current		23,742	30,722

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	1,044,807	1,004,863
Investment in associated entities - unlisted		758	758
Investment in jointly controlled entities	26	143,562	127,959
		<u>1,189,127</u>	<u>1,133,580</u>
Market value of listed associates		<u>1,329,352</u>	<u>1,124,836</u>

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

Land			
Freehold land at cost		161,176	149,823
Leasehold land at cost		235	235
		<u>161,411</u>	<u>150,058</u>
Buildings			
At cost		137,392	122,638
Accum depreciation and impairment writedowns		43,984	40,777
		<u>93,408</u>	<u>81,861</u>
Plant and equipment			
At cost		390,677	374,366
Accum depreciation and impairment writedowns		230,097	216,678
		160,580	157,688
Add: capital works in progress		16,670	10,202
Total plant and equipment		<u>177,250</u>	<u>167,890</u>
		<u>432,069</u>	<u>399,809</u>

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	2,784
Assets not subject to write-downs		93,029	79,077
		<u>93,408</u>	<u>81,861</u>
Plant and equipment			
Assets subject to write-downs		2,443	7,325
Assets not subject to write-downs		174,807	160,565
		<u>177,250</u>	<u>167,890</u>

The recoverable value of non-current assets has been assessed after considering the economic benefits to be derived over the remaining useful life.

The carrying amount of temporarily idle buildings, plant and equipment at 31 July 2010 was Nil (2009 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 2008				
Cost	152,012	139,587	459,536	751,135
Accumulated depreciation	-	(36,730)	(214,202)	(250,932)
Balance at 1 August 2008	<u>152,012</u>	<u>102,857</u>	<u>245,334</u>	<u>500,203</u>
Year ended 31 July 2009				
Additions	-	1,120	16,249	17,369
Assets transferred to inventory	165	(94)	191	262
Disposals	(2,119)	(968)	(43,795)	(46,882)
Impairment losses	-	(17,769)	(26,010)	(43,779)
Depreciation expense	-	(3,285)	(24,079)	(27,364)
Balance at 31 July 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 acquisition of business	12,054	11,946	13,425	37,425
Disposals	(701)	(33)	(1,033)	(1,767)
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>177,251</u>	<u>432,070</u>

CONSOLIDATED
31 JULY 10 **31 JULY 09**
\$000 **\$000**

NOTE 16: INTANGIBLE ASSETS

Goodwill		
At cost	277,310	265,178
Less: impairment write-downs	-	-
	<u>277,310</u>	<u>265,178</u>
Timber access rights		
At cost	7,141	7,141
Less: accumulated amortisation	1,147	860
	<u>5,994</u>	<u>6,281</u>
Other intangibles		
At cost	5,946	5,946
Less: accumulated amortisation	5,330	5,306
	<u>616</u>	<u>640</u>
	<u>283,920</u>	<u>272,099</u>

NOTE 16: INTANGIBLE ASSETS (cont.)

(a) Reconciliations

Consolidated

	Goodwill \$000	Timber access rights \$000	Other Intangibles \$000	Total \$000
At 1 August 2008				
Cost	264,535	7,141	5,711	277,387
Accumulated amortisation and impairment	-	(574)	(5,300)	(5,874)
Balance at 1 August 2008	<u>264,535</u>	<u>6,567</u>	<u>411</u>	<u>271,513</u>
Year ended 31 July 2009				
Additions	643	-	235	878
Amortisation / impairment charge	-	(286)	(6)	(292)
Balance at 31 July 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>

(b) Intangible assets with indefinite useful lives

Timber access rights with a carrying value of \$4.8 million (2009 \$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.

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.

(c) Impairment of Goodwill

Goodwill has been allocated for impairment testing purposes to the timber products CGU, and to a group of CGU's comprising the clay and concrete products operations. Combined, these CGUs represent the building products segment. The carrying amount of goodwill allocated to the clay and concrete products group of CGUs is significant, representing \$275.5 million of the total balance of \$277.3 million.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by the board covering a five year period. These budgets use 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 (such as negotiated wage 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 of 2.5% (2009 2.5%). This growth rate is considered reasonable having regard to current inflation rates, and the position in the building materials and construction cycle. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment. For the 2010 financial year the discount rate was 14.05% (2009 14.36%).

Management's assessment of the appropriateness of the carrying value of goodwill is based on key assumptions which may vary. Specifically, these are 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, if the WACC was to increase by 1.03%, or the LTGR was to reduce by 1.55%, the carrying amount would equal its recoverable value.

	CONSOLIDATED	
NOTE	31 JULY 10	31 JULY 09
	\$000	\$000

NOTE 17: PAYABLES

Current

Trade payables and accruals	64,150	70,655
Deposits received on land sale agreements	4,682	17,600
	68,832	88,255
	68,832	88,255

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	67,000
		67,000

(b) Non-current

Commercial bills	28	333,000
		333,000

(c) Commercial bills

Commercial bills are drawn under either a 12 month facility expiring in August 2010 or a 3 year facility, expiring in August 2011. 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 \$279.3 million (2009 \$303.9 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.

(d) Redeemable preference shares (PAVERS)

The PAVERS were bought back from the holders on the reset date of 1 December 2008, at their face value of \$100 per PAVERS. The total amount paid to PAVERS holders was \$165.0 million.

NOTE 19: DERIVATIVE FINANCIAL INSTRUMENTS

(a) Current

Interest rate swap contract	28(h)	519
Forward exchange contracts		(8)
		511
		511

(b) Non-Current

Interest rate swap contract	28(h)	517
		517

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).

The forward exchange contracts are used to hedge exposure to changes in exchange rates on foreign currency purchases of goods and services.

NOTE 20: PROVISIONS

(a) Current

Employee benefits	15,475	15,565
Remediation	5,414	1,960
Product claims	411	478
Workers' compensation	4,431	5,040
Other	4,178	2,305
	29,909	25,348
	29,909	25,348

(b) Non-current

Employee benefits	17,017	13,333
Remediation	8,947	11,726
	25,964	25,059
	25,964	25,059

(c) Reconciliations

Consolidated	Remediation \$000	Product Claims \$000	Workers Comp. \$000	Other \$000
Year ended 31 July 2010				
Balance at the beginning of the year	13,686	478	5,040	2,305
Amounts recognised on acquisition of subsidiary	-	-	316	564
Additional provisions recognised	830	602	1,913	1,774
Amounts used	(155)	(330)	(1,393)	(465)
Reversals of provisions	-	(339)	(1,445)	-
Balance at the end of the year	<u>14,361</u>	<u>411</u>	<u>4,431</u>	<u>4,178</u>
Current	5,414	411	4,431	4,178
Non-current	<u>8,947</u>	-	-	-
	<u>14,361</u>	<u>411</u>	<u>4,431</u>	<u>4,178</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 product claims

A provision has been recognised for estimated claims in respect of products sold. The provision has been based upon product rectification or replacement requests made known to the Group as at the end of the financial year. It is expected that this provision will be satisfied during 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.

	CONSOLIDATED	
	31 JULY 10 \$000	31 JULY 09 \$000
NOTE 21: NET DEFERRED TAXES		
Net deferred taxes	<u>188,942</u>	<u>215,514</u>
The balance comprises temporary differences attributable to:		
Equity accounted associates	191,862	223,710
Property, plant and equipment	11,391	12,704
Timber access rights	-	622
Provisions	(15,181)	(13,776)
Deposits received on land sale agreements	(1,443)	(5,107)
Land held for development and resale	734	(1,984)
Other sundry items	1,579	(655)
	<u>188,942</u>	<u>215,514</u>

NOTE 22: CONTRIBUTED EQUITY

Fully paid ordinary shares	329,047	151,095
Reserved shares	<u>(6,381)</u>	<u>(4,574)</u>
	<u>322,666</u>	<u>146,521</u>

NOTE 22: CONTRIBUTED EQUITY (cont.)

(a) Ordinary shares

	2010		2009	
	No. of Shares	Value \$000	No. of Shares	Value \$000
Opening balance	132,872,050	151,095	132,692,188	149,046
Shares issued during the year	14,363,854	178,416	179,862	2,049
Costs associated with shares issued	-	(464)	-	-
Balance at end of year	<u>147,235,904</u>	<u>329,047</u>	<u>132,872,050</u>	<u>151,095</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 shareholders' 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	377,035	(4,574)	332,279	(4,154)
add: bonus shares purchased by share plan	319,818	(4,313)	211,445	(2,374)
less: bonus shares vested or forfeited during period	(200,643)	2,506	(166,689)	1,954
Balance at end of period	<u>496,210</u>	<u>(6,381)</u>	<u>377,035</u>	<u>(4,574)</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

(a) Composition of reserves

	CONSOLIDATED	
	31 JULY 10 \$000	31 JULY 09 \$000
- capital profits	88,102	88,102
- cash flow hedge	-	8
- equity adjustment	(44,941)	(39,963)
- general	36,125	36,125
- foreign currency translation	(1,643)	(1,624)
- share based payments	1,024	-
- associates	<u>288,550</u>	<u>270,925</u>
	<u>367,217</u>	<u>353,573</u>

(b) Descriptions

Capital profits reserve

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

Cash flow hedge reserve

The Cash flow hedge reserve includes the movements in fair values of derivatives.

Equity adjustments reserve

The 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.

NOTE 23: RESERVES (cont.)**(b) Descriptions (cont.)**

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 difference between 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 10	31 JULY 09
		\$000	\$000

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

Net profit after tax		138,790	305,215
Non-cash flows in net profit			
Amortisation of intangible assets		311	292
Amortisation of borrowing costs		-	135
Depreciation of non-current assets		25,444	27,364
Write down of property, plant & equipment to recoverable value		2,728	43,779
(Profits) / losses on disposal of property, plant & equipment		(3,978)	(2,131)
(Profits) / losses on sale of investments		(3)	10,808
Share of profits of associates not received as dividends		(17,561)	(431,937)
Changes in assets and liabilities net of the effects of acquisitions of businesses			
(Increase) / decrease in trade and sundry debtors		(21,052)	11,983
(Increase) / decrease in inventories		9,986	(10,827)
(Increase) / decrease in land held for resale		51,100	48,311
(Increase) / decrease in prepayments		(387)	567
(Increase) / decrease in share trading portfolio		8	7
(Increase) / decrease in treasury stock		2,166	(420)
Increase / (decrease) in creditors and accruals		(3,072)	14,001
Increase / (decrease) in taxes payable		(12,037)	(13,754)
Increase / (decrease) in other current provisions		3,229	3,254
Increase / (decrease) in other non-current provisions		905	11,499
Increase / (decrease) in deferred tax liabilities		(30,070)	113,821
Net cash flows from / (used in) operating activities		<u>146,507</u>	<u>131,967</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	73,353	17,916
Bank overdraft		-	-
		<u>73,353</u>	<u>17,916</u>

NOTE 25: ASSOCIATED COMPANIES

Information relating to significant associates:

Name	Ownership interest		Carrying value		Profit contribution	
	2010	2009	2010	2009	2010	2009
	%	%	\$000	\$000	\$000	\$000
Washington H Soul Pattinson & Co Ltd	42.85	42.85	1,044,807	1,004,863	74,047	484,700
Brickworks Investment Company Ltd	-	-	-	-	-	(527)
			<u>1,044,807</u>	<u>1,004,863</u>	<u>74,047</u>	<u>484,173</u>

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 44.59% (2009 49.40%) of issued ordinary shares of Brickworks Ltd. WHSP is incorporated in Australia.

Brickworks Investment Co Ltd (BKI) is a listed investment company. Brickworks Ltd sold its shareholding in BKI on 17 February 2009.

	CONSOLIDATED	
	31 JULY 10	31 JULY 09
	\$000	\$000
(a) Summarised share of associates financial information		
Current assets	1,080,038	1,286,293
Non-current assets	598,868	698,833
	<u>1,678,906</u>	<u>1,985,126</u>
Current liabilities	64,018	361,375
Non-current liabilities	120,034	109,091
	<u>184,052</u>	<u>470,466</u>
Net assets	<u>1,494,854</u>	<u>1,514,660</u>
Outside equity interest	<u>445,378</u>	<u>507,495</u>
	<u>1,049,476</u>	<u>1,007,165</u>
Revenue	<u>352,787</u>	<u>332,067</u>
Profit before income tax	142,427	1,142,807
Income tax expense	(37,201)	(339,278)
Outside equity interest	(31,180)	(316,491)
Profit after income tax	<u>74,046</u>	<u>487,038</u>
(b) Share of associates' expenditure commitments		
Capital commitments	- *	22,052
Lease commitments	- *	29,562
	-	<u>51,614</u>

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

* Note: Associated company (WHSP) figures for 2010 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	- *	<u>6,200</u>

The entity has no legal liability for any contingent liabilities incurred by associates.

* Note: Associated company (WHSP) figures for 2010 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	
	2010	2009	2010	2009	2010	2009
	%	%	\$000	\$000	\$000	\$000
BGAI CDC Trust	50.00	50.00	29,108	18,440	3,849	(11,297)
BGAI Erskine Trust	50.00	50.00	48,470	47,077	5,009	(5,155)
BGAI TTP Trust	50.00	50.00	7,773	7,684	669	(2,358)
BGAI Capicure Trust	50.00	50.00	6,408	4,183	(127)	389
BGAI Heritage Trust	50.00	50.00	16,096	12,453	311	(960)
BGAI Oakdale Trust	50.00	50.00	30,978	30,978	-	-
BGAI Wacol Trust	50.00	50.00	3,798	6,158	548	(1,253)
Other jointly controlled entities			931	986	643	161
Fair value adjustments on completion of developments					-	7,277
			<u>143,562</u>	<u>127,959</u>	<u>10,902</u>	<u>(13,196)</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 \$2.8 million (2009 (\$32.2) million). Refer note 4(b) for more detail on these profits.

	CONSOLIDATED	
	31 JULY 10 \$000	31 JULY 09 \$000
(a) Summarised share of JV's financial information		
Current assets	4,343	3,976
Non-current assets	303,580	319,187
	<u>307,923</u>	<u>323,163</u>
Current liabilities	2,579	2,244
Non-current liabilities	190,597	203,246
	<u>193,176</u>	<u>205,490</u>
Net assets	<u>114,747</u>	<u>117,673</u>
Revenues	<u>4,321</u>	<u>4,143</u>
Profit before income tax	10,902	(20,473)
Income tax expense	-	-
Profit after income tax	<u>10,902</u>	<u>(20,473)</u>
(b) Share of JV's expenditure commitments		
Capital commitments	-	694
Lease commitments	-	-
	<u>-</u>	<u>694</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 10	31 JULY 09	31 JULY 10	31 JULY 09	31 JULY 10	31 JULY 09	31 JULY 10	31 JULY 09
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE								
Segment revenue from sales to external customers	<u>580,283</u>	<u>489,253</u>	<u>73,812</u>	<u>102,982</u>	<u>2,443</u>	<u>1,276</u>	<u>656,538</u>	<u>593,511</u>
RESULT								
Segment EBITDA	79,134	64,682	28,393	40,639	76,481	95,425	184,008	200,746
Less depreciation and amortisation	<u>(25,755)</u>	<u>(27,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,755)</u>	<u>(27,656)</u>
Segment EBIT	<u>53,379</u>	<u>37,026</u>	<u>28,393</u>	<u>40,639</u>	<u>76,481</u>	<u>95,425</u>	<u>158,253</u>	<u>173,090</u>
(Less) / add non-regular items	<u>(14,363)</u>	<u>(67,478)</u>	<u>-</u>	<u>(24,716)</u>	<u>-</u>	<u>379,208</u>	<u>(14,363)</u>	<u>287,014</u>
Segment result	<u>39,016</u>	<u>(30,452)</u>	<u>28,393</u>	<u>15,923</u>	<u>76,481</u>	<u>474,633</u>	<u>143,890</u>	<u>460,104</u>
Unallocated expenses								
Finance costs							(24,491)	(32,011)
Non regular finance costs							-	(4,337)
Other unallocated expenses							<u>(7,729)</u>	<u>(7,271)</u>
Profit before income tax							111,670	416,485
Income tax benefit / (expense)							<u>27,120</u>	<u>(111,270)</u>
Profit after income tax							<u>138,790</u>	<u>305,215</u>
ASSETS								
Segment assets	<u>998,973</u>	<u>918,135</u>	<u>173,810</u>	<u>209,048</u>	<u>1,088,068</u>	<u>1,006,248</u>	<u>2,260,851</u>	<u>2,133,431</u>
Unallocated assets							<u>4,134</u>	<u>1,842</u>
Total assets							<u>2,264,985</u>	<u>2,135,273</u>
LIABILITIES								
Segment liabilities	<u>113,659</u>	<u>117,517</u>	<u>8,167</u>	<u>19,904</u>	<u>-</u>	<u>-</u>	<u>121,826</u>	<u>137,421</u>
Unallocated liabilities							<u>493,225</u>	<u>626,403</u>
Total liabilities							<u>615,051</u>	<u>763,824</u>
OTHER								
Aggregate share of the profit of investments accounted for using the equity method	642	164	10,260	(13,360)	74,047	484,173	84,949	470,977
Aggregate carrying amount of investments accounted for using the equity method	1,686	1,744	142,634	126,973	1,044,807	1,004,863	1,189,127	1,133,580
Acquisition of non-current segment assets	74,331	18,012	-	1,920	-	-	74,331	19,932
Non-cash expenses other than depreciation & amortisation	28,779	90,447	-	-	-	-	28,779	90,447

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 2010 was \$13.2 million (2009 \$10.7 million). The carrying value of non-current assets held outside of Australia at 31 July 2010 was \$0.7 million (2009 \$0.8 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%. The target limit is the same as in prior years, however the lower end of the target range (20% in the prior year) has been removed by the Company following the global financial crisis and its impacts on both local and international economies.

	CONSOLIDATED	
	31 JULY 10	31 JULY 09
	\$000	\$000
Net debt to capital employed		
Net debt	226,647	382,084
Total equity	1,649,934	1,371,449
Gearing Ratio	12.1%	21.8%

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 10	31 JULY 09
		\$000	\$000
Financial assets and liabilities by category			
Financial Assets			
Cash and cash equivalents	9	73,353	17,916
Loans and receivables - current	10(a)	98,761	68,747
Loans and receivables - non-current	10(b)	201	200
Total Loans and receivables		<u>98,962</u>	<u>68,947</u>
Held for trading assets at fair value through profit and loss	11	15	23
Total financial assets		<u>98,977</u>	<u>68,970</u>
Financial Liabilities			
Other financial liabilities			
Payables - current	17	68,832	88,255
Interest bearing liabilities - current	18(a)	-	67,000
Interest bearing liabilities - non-current	18(b)	300,000	333,000
Derivative financial assets - current	19(a)	-	511
Derivative financial assets - non-current	19(b)	1,404	517
Total other financial liabilities		<u>370,236</u>	<u>489,283</u>
Total financial liabilities		<u>370,236</u>	<u>489,283</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	375,000	483,000
Amount utilised	<u>300,000</u>	<u>400,000</u>
Unused credit facility	<u>75,000</u>	<u>83,000</u>

The Group has a \$375.0 million (2009 \$483.0 million) unsecured variable interest rate facility in place with a syndicate of Australian and overseas banks. The facility is made up of a \$75.0 million 364 day revolving tranche (undrawn) and a \$300.0 million term tranche (fully drawn) which expires in August 2011. In the prior period the facility was made up of three tranches: a \$150.0 million 364 day revolving tranche (classified as current on the balance sheet); a \$300.0 million term tranche (fully drawn) which expired in July 2011; and a \$33.0 million tranche (fully drawn) which expires in July 2011. The \$300.0 million tranche and \$33.0 million tranche were both classified as non-current on the balance sheet.

Subsequent to year end the Group signed a \$100.0 million 364 day working capital bilateral facility with an Australian bank, to replace the \$75.0 million revolving tranche referred to above. This new facility expires in August 2011.

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 10 \$000	31 JULY 09 \$000
Liquidity risk maturity analysis			
1 year or less			
Trade and other payables	17(a)	68,832	88,255
Commercial bills	18(a)	-	69,131
Derivatives	19(a)	-	511
Total 1 year or less		<u>68,832</u>	<u>157,897</u>
1 to 5 years			
Commercial bills	18(b)	314,340	354,179
Derivatives	19(b)	1,404	517
Total 1 to 5 years		<u>315,744</u>	<u>354,696</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 no bank borrowings unhedged (2009 \$50.0 million).

The Brickworks group variable interest rate facility currently drawn to \$300.0 million (2009 \$400.0 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 6.02% (2009 4.66%).

At 31 July 2010, 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 \$0.03 million higher or lower respectively (2009 \$2.4 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 5.28%, 2009 4.54%). 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 \$300.0 million over the next four years (2009 \$350.0 million over five years) as detailed below:

Settlement	2010	2009	2010	2009
	Avg %	Avg %	\$000	\$000
Less than 1 year	5.28	4.54	25,000	75,000
1 to 3 years	5.20	5.28	175,000	175,000
3 to 5 years	6.10	5.20	75,000	50,000
Over 5 years	5.96	6.10	25,000	50,000
Total notional principal at balance date			<u>300,000</u>	<u>350,000</u>

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

The hedges in place at 31 July 2010 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 4.64% (2009 2.77%).

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 2010.

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 / ACN	Parent Entity's Interest	
		2010 %	2009 %
A.C.N. 125 934 947 Pty Ltd	83 125 934 947	100.0	100.0
A.C.N. 120 364 356 Pty Ltd	53 120 364 356	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 (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 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 Holdings Pty Ltd	97 141 629 996	100.0	100.0
Austral Precast (QLD) Pty Ltd	20 145 070 855	100.0	n/a
Austral Precast (VIC) Pty Ltd	16 145 070 837	100.0	n/a
Austral Precast (WA) Pty Ltd	22 145 070 884	100.0	n/a
Austral Precast Holdings Pty Ltd	88 140 573 646	100.0	100.0
Austral Precast Pty Ltd	81 125 934 938	100.0	100.0
Austral Roof Tiles (East Coast) Pty Ltd	63 144 804 553	100.0	n/a
Austral Roof Tiles (WA) Pty Ltd	61 144 804 544	100.0	n/a
Austral Roof Tiles Pty Ltd	67 144 804 571	100.0	n/a
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
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

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

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

Controlled entities incorporated in Australia	ABN / ACN	Parent Entity's Interest	
		2010 %	2009 %
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 Australia Pty Ltd	38 000 012 340	100.0	100.0
Eureka Tiles Holdings Pty Ltd	53 120 364 356	100.0	100.0
Eureka Tiles Pty Ltd	82 074 202 592	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 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. Details of the net assets acquired under this transaction are set out below, with all values determined provisionally at balance date.

	2010
	\$000
Cost of acquisition	
Cash paid	35,799
Net assets acquired	
Inventory	887
Property, plant & equipment	26,425
Goodwill	9,355
Other assets	134
Non commercial contracts assumed	(564)
Employee entitlements assumed	(363)
Fair value of net assets acquired	35,799
Contribution to net profit before tax for the year ended 31 July 2010	(2,082)
Direct costs relating to the acquisition	(2,087)
Contribution to revenue for the year ended 31 July 2010	7,628

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. Details of the net assets acquired under this transaction are set out below, with all values determined provisionally at balance date.

	2010
	\$000
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
Contribution to net profit before tax for the year ended 31 July 2010	755
Direct costs relating to the acquisition	(739)
Contribution to revenue for the year ended 31 July 2010	4,859

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.

The acquisition of these businesses has resulted in the recognition of goodwill. The key factors contributing to the goodwill on these businesses are the strength of the companies acquired, due to their product ranges and exposure to growing markets, and the synergies presented from combining these similar businesses with the existing building product businesses within the Group.

There were no entities acquired during the 2009 financial year.

(c) Controlled entities disposed of

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

NOTE 29: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)**(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 10	31 JULY 09
	\$000	\$000
CONSOLIDATED INCOME STATEMENT		
Profit before income tax expense	101,567	432,872
Income tax benefit / (expense)	28,119	(110,282)
Profit after income tax expense	<u>129,686</u>	<u>322,590</u>
RETAINED PROFITS		
Retained profits at the beginning of the year	878,555	598,746
Profit after income tax expense	129,686	322,590
Dividends paid	(47,047)	(40,850)
Share of associate's transfer to outside equity interests	(3,046)	(2,152)
Aggregate of amounts transferred to reserves	-	116
Retained profits at the end of the year	<u>958,148</u>	<u>878,450</u>

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

(d) Closed group (cont.)

	CLOSED GROUP	
	31 JULY 10	31 JULY 09
	\$000	\$000
CONSOLIDATED BALANCE SHEET		
CURRENT ASSETS		
Cash assets	73,353	17,916
Receivables	85,344	66,933
Held for trading financial assets	15	23
Inventories	134,378	142,519
Land held for resale	6,340	50,461
Tax receivable	3,418	-
Prepayments	6,025	4,737
TOTAL CURRENT ASSETS	308,873	282,589
NON-CURRENT ASSETS		
Receivables	161,348	150,487
Other financial assets	10,000	10,000
Inventories	8,533	8,699
Land held for resale	23,742	30,722
Investments accounted for using the equity method	1,046,496	1,006,607
Property, plant and equipment	428,571	386,549
Intangibles	283,920	272,099
Other	-	704
TOTAL NON-CURRENT ASSETS	1,962,610	1,865,867
TOTAL ASSETS	2,271,483	2,148,456
CURRENT LIABILITIES		
Payables	65,251	85,848
Interest-bearing liabilities	-	67,000
Derivative financial instruments	-	511
Tax payable	-	5,728
Provisions	29,740	25,160
TOTAL CURRENT LIABILITIES	94,991	184,247
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	300,000	333,000
Derivative financial instruments	1,404	517
Provisions	25,963	25,059
Deferred tax liabilities	199,338	225,910
TOTAL NON-CURRENT LIABILITIES	526,705	584,486
TOTAL LIABILITIES	621,696	768,733
NET ASSETS	1,649,787	1,379,723
EQUITY		
Contributed equity	322,666	146,521
Reserves	368,973	354,752
Retained profits	958,148	878,450
TOTAL EQUITY	1,649,787	1,379,723

CONSOLIDATED
31 JULY 10 **31 JULY 09**
\$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>17,099</u>	<u>16,906</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>25,696</u>	<u>5,977</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>63,208</u>	<u>67,438</u>
Payable		
- not later than one year	12,729	14,459
- later than one year but not later than five years	30,150	30,061
- later than five years	<u>20,329</u>	<u>22,918</u>
	<u>63,208</u>	<u>67,438</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 2010, the Brickworks Employee Share Plans had 816 members taking part who owned a combined 1,033,230 shares or 0.70% of issued ordinary capital (2009 474 members, 904,945 shares, 0.68%). 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.

(c) Equity-based compensation plans

	Opening Balance	Granted	Vested	Forfeited / Withdrawn	Closing Balance
Unvested					
Granted Sept 05	27,592	-	(26,167)	(1,425)	-
Granted Sept 06	70,096	-	(32,771)	(4,488)	32,837
Granted Sept 07	104,996	-	(31,576)	(10,184)	63,236
Granted Sept 08	168,881	-	(38,540)	(14,537)	115,804
Granted Sept 09	-	319,818	(59,004)	(23,920)	236,894
	<u>371,565</u>	<u>319,818</u>	<u>(188,058)</u>	<u>(54,554)</u>	<u>448,771</u>
Total unvested					
Vested	277,666	-	188,058	(90,828)	374,896
	<u>649,231</u>	<u>319,818</u>	<u>-</u>	<u>(145,382)</u>	<u>823,667</u>

NOTE 32: EMPLOYEE SHARE PLANS (cont.)

(c) 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 2010 was \$2,506,465 (2009 \$1,953,897).

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 2010 was \$5,640,669 (2009 \$5,270,350), based on the closing share price at 31 July 2010 (\$11.81 per share) (2009 \$12.85 per share). The fair value of shares granted during the period was \$4,336,429 (2009 \$2,423,844), 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 2009	Granted as Remuneration	Net change Other	Shares Disposed of	Held 31 July 2010
DIRECTORS					
Mr R. Millner	5,221,520	-	102,254	-	5,323,774
Mr M. Millner	5,196,771	-	102,254	-	5,299,025
Mr L. Partridge	160,019	22,102	1,612	(13,900)	169,833
Mr B. Crotty	5,000	-	1,209	-	6,209
Mr D. Gilham	99,850	-	2,418	-	102,268
The Hon. R. Webster	14,713	-	1,209	-	15,922
OTHER KEY MANAGEMENT PERSONNEL					
Mr A. Payne	130,679	11,839	3,627	(10,000)	136,145
Ms M. Kublins	50,146	9,772	-	(15,000)	44,918
Mr D. Fitzharris	63,931	9,772	-	(10,000)	63,703
Mr P. Scott	36,224	9,772	1,209	(7,316)	39,889
Mr P. Caughey	23,491	7,539	-	-	31,030
Mr M. Ellenor	16,635	6,701	-	-	23,336
Mr D. Millington	23,546	6,701	1,209	(8,941)	22,515
Mr I. Thompson	8,587	3,387	-	(3,197)	8,777

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 10	31 JULY 09
	\$000	\$000
Short term employee benefits	5,546	3,908
Post-employment benefits	255	298
Other long-term employee benefits	-	-
Termination benefits	-	300
Share based payment benefits	1,310	1,214
	<u>7,111</u>	<u>5,720</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 2010. The sale of land held for resale by the Brickworks Group in 2009 to these trusts resulted in revenue of \$4.1 million and profit of \$3.0 million. All transactions were 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 \$1.2 million (2009 \$1.2 million). Mr R.D. Millner is a director of TPM.

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

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. The impact of this transaction has not been incorporated into these financial statements.

Details of the net assets acquired under this transaction are set out below, with all values determined provisionally at balance date. Further information and disclosures are unavailable at the time of preparing this report due to the timing of the settlement compared with the preparation of these financial statements.

	2010
	\$000
Net assets acquired	
Inventory	1,075
Property, plant & equipment	13,842
Other assets	323
Employee entitlements assumed	(1,080)
	<u>14,160</u>
Fair value of net assets acquired	<u><u>14,160</u></u>

On 23 August 2010, an acquisition scheme became effective for the sale of Arrow Energy Ltd shares by its shareholders, including New Hope Corporation Ltd (NHC), an associate of WHSP. WHSP estimate that the unrealised gain after tax for NHC will be \$326.3 million. At the time of writing WHSP had not indicated their share of profit from this transaction. Brickworks will report a share of this as an equity accounted profit in the 2011 financial year, following accounting of this transaction by NHC and WHSP.

Aside from the above, 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 2010 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 consolidated entity 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 2010.

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

Dated 23 September 2010



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 statement of financial position as at 31 July 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the Accounting Standards Board.

Auditor's Responsibility

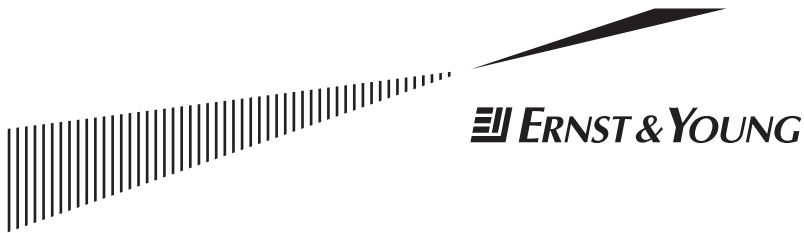
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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.



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INDEPENDENT AUDIT REPORT TO MEMBERS OF BRICKWORKS LIMITED

AUDIT 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 financial position of Brickworks Limited and the consolidated entity at 31 July 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

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 2010. 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.

AUDITOR'S OPINION

In our opinion the Remuneration Report of Brickworks Limited for the year ended 31 July 2010, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Paul Flynn'.

Paul Flynn

Paul Flynn
Partner
Sydney
23 September 2010

STATEMENT OF SHAREHOLDERS

ORDINARY SHARES AT 31 AUGUST 2010

Number of holders 9,119
 Voting entitlement is one vote per fully paid ordinary share

% of total holdings by or on behalf of twenty largest shareholders 80.07%

Distribution of shareholdings:

1 - 1,000	3,503
1,001 - 5,000	4,674
5,001 - 10,000	489
10,000 - 100,000	408
100,001 and over	45
	9,119
	9,119

Holdings of less than marketable parcel of 45 shares 736

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
Perennial Value Management Ltd	10,370,151
Permanent Trustee Company Ltd	7,111,550

20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 31 AUGUST 2010

	Number of Shares	%
1. Washington H Soul Pattinson & Company Limited	65,645,140	44.59
2. RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	14,061,278	9.55
3. National Nominees Limited	7,766,898	5.28
4. J P Morgan Nominees Australia Limited	5,678,032	3.86
5. Cogent Nominees Pty Limited	3,258,064	2.21
6. J S Millner Holdings Pty Limited	2,717,137	1.85
7. Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 4 A/C>	2,343,977	1.59
8. Milton Corporation Limited	2,166,498	1.47
9. Mr K S Baker & Mrs M I Baker	1,923,250	1.31
10. HSBC Custody Nominees (Australia) Limited	1,776,653	1.21
11. RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	1,706,246	1.16
12. Australian Foundation Investment Company Limited	1,477,970	1.00
13. Mr R D Millner & Mr M J Millner <est James S Millner A/C>	1,361,292	0.92
14. Citicorp Nominees Pty Limited	1,169,189	0.79
15. Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 18 A/C>	1,146,481	0.78
16. Choiseul Investments Limited	1,058,069	0.72
17. CPU Share Plans Pty Ltd	906,270	0.62
18. T G Millner Holdings Pty Limited	608,509	0.41
19. Argo Investments Limited	574,960	0.39
20. Sandhurst Trustees Ltd <DMP ASSET MANAGEMENT A/C>	548,747	0.37
	117,894,660	80.07

TABLE OF IMPORTANT DATES

2010 annual result released	23 September 2010
Record date for final ordinary dividend	23 November 2010
Annual General Meeting	30 November 2010
Payment date for final ordinary dividend	1 December 2010
2011 half-year end	31 January 2011
2011 half-year result announced	24 March 2011
Record date for interim ordinary dividend	28 April 2011
Payment date for interim ordinary dividend	17 May 2011
2011 financial year end	31 July 2011
2011 annual result released	22 September 2011

The above dates are indicative only and are subject to change

