BRICKWORKS
LIMITED

Brickworks Limited
ABN. 17 000 028 526

738 - 780 Wallgrove Road
Horsley Park NSW 2175

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Wetherill Park NSW 1851

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info@brickworks.com.au
www.brickworks.com.au

23 October 2013

Dear Shareholder

Proposal received from Perpetual Investment Management Limited and M.H. Carnegie & Co

Brickworks Limited (Company) advises shareholders that it has received the attached Shareholder Meeting Booklet for a general meeting of the Company to be convened under Section 249F of the Corporations Act 2001 (Act). Perpetual Investment Management Limited and M.H. Carnegie & Co have foreshadowed that they will contemporaneously requisition a general meeting of Washington H. Soul Pattinson & Company Limited under Section 249D of the Act.

The proposal put forward is complex.

The Board of the Company intends to meet at the earliest opportunity to consider the proposal.

The Company has appointed Lion Capital as commercial adviser and King & Wood Mallesons as legal adviser in connection with its assessment of the proposal.

The Board recommends that shareholders take no action at this time. The Board will advise shareholders fully on the proposal as soon as possible.

Yours sincerely

Brickworks Ltd

Iain Thompson
Company Secretary

Proudly supports
CHILDREN'S CANCER INSTITUTE AUSTRALIA

M.H. CARNEGIE & CO. | Perpetual

For a General Meeting of Shareholders of **Brickworks Limited** (ACN 000 028 526). Convened by the **Convening Shareholders** under Section 249F of the Corporations Act

SHAREHOLDER MEETING BOOKLET

A Notice of Meeting, Explanatory Statement and Independent Expert's Report are included in this Booklet. A Proxy Form accompanies this Booklet.

The Independent Expert's Report from Deloitte Corporate Finance, which is included in this Booklet, relates to two Proposed Transactions to be considered by Brickworks shareholders at this Meeting, namely:

- the Proposed Demerger Distribution Transaction (Resolution 1); and
- the Proposed Cancellation of Shares Transaction (Resolution 2).

In respect of those Transactions, the Independent Expert has concluded that:

- the Proposed Demerger Distribution Transaction is fair and reasonable to those shareholders of the Company who are not parties to the Proposed Demerger Distribution Transaction (or associates of those parties); and
- the Proposed Cancellation of Shares Transaction is fair and reasonable to those shareholders of the Company who are not parties to the Proposed Cancellation of Shares Transaction (or associates of those parties).

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This Booklet is an important document. Please read it carefully, and in its entirety.

If you are in any doubt as to how to deal with it, please consult your legal, financial or other professional adviser immediately.

Your vote is important, in particular in determining whether or not the Proposed Transactions will proceed. A Proxy Form for the Meeting accompanies this Booklet. Please complete, sign and return the Proxy Form in accordance with the details which appear on the Proxy Form.

If you have recently sold all of your Brickworks Shares, please disregard this Booklet.

DIRECTORY

Brickworks Limited
738-780 Wallgrove Road
Horsley Park NSW 2175

Board of Directors
Robert Millner (Chairman)
Michael Millner (Deputy Chairman)
Lindsay Partridge (Managing Director)
Robert Webster
David Gilham
Brendan Crotty

Company Secretaries
Iain Thompson
Alexander Payne

Auditors
Ernst & Young

Convening Shareholders
Acting on the directions of M.H. Carnegie & Co. Pty Limited:
- MHC Fund Services A Pty Limited
- MHC Fund Services B Pty Limited

Acting on the directions of Perpetual Investment Management Limited:
- RBC Investor Services Australia Nominees Pty Limited

M.H. Carnegie & Co. Pty Limited
120B Underwood Street
Paddington NSW 2021

Perpetual Investment Management Limited
Level 12 123 Pitt Street
Sydney NSW 2000

Independent Expert
Deloitte Corporate Finance Pty Limited

Legal Advisers
Watson Mangioni

Tax Advisers
BDO East Coast Partnership

Financial Advisers
BDO Corporate Finance (East Coast) Pty Limited

For further information about this Meeting, please contact the Shareholder Information Line between 9.00 am and 5.00 pm (Sydney time) on:

1800 708 308; or
+61 2 8256 3364.

IMPORTANT DATES & TIMES

Date of this Booklet	Wednesday, 23 October 2013
Last time and date by which the Proxy Form for this Meeting should be returned to Boardroom	3.00 pm (Sydney time) on Friday, 22 November 2013
Last time and date by which the Proxy Form for this Meeting can be lodged directly with the Company	11.00 am (Sydney time) on Saturday, 23 November 2013
Time and date for determining eligibility to vote at this Meeting	7.00 pm (Sydney time) on Saturday, 23 November 2013
Date of this Meeting The Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000	11.00 am (Sydney time) on Monday, 25 November 2013

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M.H. CARNEGIE & CO.

Perpetual

23 October 2013

Dear Shareholder

We are pleased to invite you to attend a general meeting of shareholders of Brickworks Limited, to be held on Monday, 25 November 2013, at The Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000, commencing at 11.00 am (Sydney time).

The Meeting has been convened under Section 249F of the Corporations Act, by registered shareholders of the Company representing M.H. Carnegie & Co. Pty Limited and Perpetual Investment Management Limited, which together control approximately 12.50% of the issued capital of the Company. Together they comprise the largest shareholding bloc in the Company after the cross-shareholding of Washington H. Soul Pattinson & Company Limited.

Included in this Booklet are a Notice of Meeting and an Explanatory Statement for the Meeting. Also included in this Booklet is an Independent Expert's Report, from Deloitte Corporate Finance Pty Limited, which relates to Resolution 1 of the Notice of Meeting (the Proposed Demerger Distribution Transaction), and to Resolution 2 of the Notice of Meeting (the Proposed Cancellation of Shares Transaction). Please read these materials carefully, and in their entirety.

A Proxy Form accompanies this Booklet, for those shareholders who may be unable to attend the Meeting in person. To vote at the Meeting by proxy, a Proxy Form must be completed, signed and returned in accordance with the details contained in that Form.

If you will be unable to attend the Meeting, a copy of the results from the voting on the various Resolutions will be posted both on the ASX website (asx.com.au) and on the Company website (brickworks.com.au) following the Meeting.

We look forward to meeting those shareholders able to attend the Meeting, and encourage all holders of ordinary shares in the Company to participate in voting on the Resolutions as proposed.

M.H. Carnegie & Co. Pty Limited and Perpetual Investment Management Limited consider that the passing of all of the Resolutions is in the best interests of the Company, and they unanimously recommend that Brickworks shareholders vote FOR all Resolutions proposed in the Notice of Meeting.

Matt Williams

Mark Carnegie
M.H. Carnegie & Co. Pty Limited

Matthew Williams
Perpetual Investment Management Limited

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M.H. CARNEGIE & CO.

Perpetual

NOTICE OF MEETING

NOTICE is given that a **GENERAL MEETING** of **BRICKWORKS LIMITED** will be held at The Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, NSW, 2000, on Monday, 25 November 2013, commencing at 11.00 am (Sydney time).

BUSINESS

Approval under Listing Rule 10.1 to the receipt by Brickworks Group Companies of a Proposed Demerger Distribution from Soul Pattinson

1. To consider and, if thought fit, to pass as an ordinary resolution –

   That, in accordance with Listing Rule 10.1 of the Listing Rules of ASX Limited, the members approve the Proposed Demerger Distribution Transaction described in Schedule 1 to the Explanatory Statement which accompanies and forms part of this Notice of Meeting, comprising (in brief):

   (a) a pro rata distribution being made by Soul Pattinson to all members of Soul Pattinson, including to Brickworks Group Companies that hold Soul Pattinson Shares;

   (b) the distribution being made by Soul Pattinson as a distribution in specie of shares in TPG held by Soul Pattinson, in respect of which Brickworks Group Companies will receive their pro rata share; and

   (c) the distribution being made in part as a return of capital, and in part as a demerger dividend to the maximum extent permissible, attracting tax effective demerger roll-over relief, under the Demerger Rules,

   as more fully explained in the Explanatory Statement.

   Note:

   (1) in accordance with Listing Rule 14.11 of the Listing Rules of ASX Limited, the Company will disregard any vote cast on this Resolution by Soul Pattinson and by any Brickworks Group Company, and by any associate of any one or more of those entities, however the Company need not disregard such a vote if:

   - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
   - it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; and

(2) in accordance with Listing Rule 10.10.2 of the Listing Rules of ASX Limited, this Notice of Meeting includes a Report on the Proposed Demerger Distribution Transaction from an Independent Expert (Deloitte Corporate Finance Pty Limited), which states the Expert's opinion as to whether the Proposed Demerger Distribution Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be disregarded.

Approval under Listing Rule 10.1 to the Proposed Cancellation of Shares held by Brickworks Group Companies in Soul Pattinson and the receipt by those Companies of related consideration

2. To consider and, if thought fit, to pass as an ordinary resolution –

That, in accordance with Listing Rule 10.1 of the Listing Rules of ASX Limited, the members approve the Proposed Cancellation of Shares Transaction described in Schedule 2 to the Explanatory Statement which accompanies and forms part of this Notice of Meeting, comprising (in brief):

(a) the cancellation by Soul Pattinson of all of the ordinary shares in the capital of Soul Pattinson held by Brickworks Group Companies; and

(b) in consideration for the Soul Pattinson shares so cancelled, the receipt by each relevant Brickworks Group Company of consideration calculated and paid in accordance with Schedule 2 to the Explanatory Statement, in part through a payment of cash, and in part by the issue of promissory notes,

as more fully explained in the Explanatory Statement.

Note:

(1) in accordance with Listing Rule 14.11 of the Listing Rules of ASX Limited, the Company will disregard any vote cast on this Resolution by Soul Pattinson and by any Brickworks Group Company, and by any associate of any one or more of those entities, however the Company need not disregard such a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; and

(2) in accordance with Listing Rule 10.10.2 of the Listing Rules of ASX Limited, this Notice of Meeting includes a Report on the Proposed Cancellation of Shares Transaction from an Independent Expert (Deloitte Corporate Finance Pty Limited), which states the Expert's opinion as to whether the Proposed Cancellation of Shares Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be disregarded.

Appointment of an Additional Director

3. To consider and, if thought fit, to pass as an ordinary resolution –

That Ms. Elizabeth Crouch be appointed as an additional Director of the Company, in accordance with Clause 6.2(b) of the Company's Constitution.

An **EXPLANATORY STATEMENT**, together with the Report of the **INDEPENDENT EXPERT**, accompanies and forms part of this **NOTICE OF MEETING**.

A Glossary of defined terms appears in the **EXPLANATORY STATEMENT**. Terms defined in that Glossary have the same meaning when used in this **NOTICE OF MEETING**.

THIS GENERAL MEETING is convened under Section 249F of the Corporations Act, by the following shareholders of **BRICKWORKS LIMITED**, who together hold in excess of 5% of the votes that may be cast at a general meeting of **BRICKWORKS LIMITED**:

THE M.H. CARNEGIE SHAREHOLDING ENTITIES
ACTING ON THE DIRECTIONS OF M.H. CARNEGIE:

Signed in my presence for and on behalf of MHC Fund Services A Pty Limited (ACN 158 377 827) by its attorney pursuant to a power of attorney who declares that he has no notice of the revocation of his powers thereunder:

Witness | **Attorney**

Signed in my presence for and on behalf of MHC Fund Services B Pty Limited (ACN 150 268 625) by its attorney pursuant to a power of attorney who declares that he has no notice of the revocation of his powers thereunder:

Witness | **Attorney**

THE PERPETUAL SHAREHOLDING ENTITY
ACTING ON THE DIRECTIONS OF PERPETUAL INVESTMENT:

Signed by RBC Investor Services Australia Nominees Pty Limited (ACN 097 125 123) in accordance with Section 127 of the Corporations Act:

Secretary | **Director**

The M.H. Carnegie Shareholding Entities named above, and the Perpetual Shareholding Entity named above, are together referred to in this **NOTICE OF MEETING**, and in the accompanying **EXPLANATORY STATEMENT**, as the Convening Shareholders.

Entitlement to Vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act, and Regulation 7.11.37 of the Corporations Regulations, the Convening Shareholders have determined that, for the purpose of determining entitlements to attend and vote at this Meeting, shares will be taken to be held by the persons who are the registered holders at 7.00 pm (Sydney time) on Saturday, 23 November 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at this Meeting.

How to Vote

Members may vote:

- by attending this Meeting in person or by attorney; or
- by proxy (see below); or
- by corporate representative in the case of corporate members (see below).

Proxies

A member entitled to attend and vote is entitled to appoint not more than 2 proxies. Where 2 proxies are appointed, and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.

A proxy need not be a member of the Company.

A Proxy Form must be signed by the member or his or her attorney. Proxy Forms by corporations must be signed under seal or under the hand of the authorised officer or attorney.

A Proxy Form must be lodged with the Company not less than 48 hours before the time for holding this Meeting. A Proxy Form accompanies this Notice of Meeting.

Corporate Representatives

A member that is a body corporate may appoint an individual to act as its representative at this Meeting. Unless otherwise specified in the Appointment, the representative may exercise, on the body corporate's behalf, all or any of the powers that the body corporate could exercise at this Meeting or in voting on a resolution.

Appointments must be lodged with the Company in advance of this Meeting, or handed in at this Meeting when registering as a corporate representative.

Lodgement of Proxy Forms & Appointments of Corporate Representatives

Please send completed and signed Proxy Forms and Appointments of Corporate Representatives to Boardroom as follows:

By mail to:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

By fax to:
Boardroom Pty Limited
Fax No.: +61 2 9290 9655

By hand to:
Boardroom Pty Limited,
Level 7   207 Kent Street
Sydney   NSW   2000
Australia

Proxy Forms and Appointments of Corporate Representatives may also be lodged directly with the Company as follows:

Brickworks Limited
738-780 Wallgrove Road
Horsley Park   NSW   2175
Australia

Appointment of Boardroom as Proxy Collector

To ensure the integrity of the proxy voting process, Perpetual Investment and M.H. Carnegie have engaged a professional and independent expert, Boardroom, to properly collect and collate Proxy Forms returned to it. Boardroom is under strict obligations pursuant to its appointment to at all times handle the Proxy Forms with due care and skill and to safeguard the Proxy Forms against tampering, filtering or other inappropriate handling. Separately, each of Perpetual Investment and M.H. Carnegie has entered into a Deed Poll in favour of members pursuant to which they undertake to ensure that the Proxy Forms are handled appropriately, and to hold Boardroom to account (including by way of commencing legal action, if required) in respect of its obligations regarding the Proxy Forms.

Please note that, in order for your appointment of proxy to be effective, Boardroom will need to forward your Proxy Form to the Company so that it is received by the Company by no later than 11.00 am (Sydney time) on Saturday, 23 November 2013. In order for it to do so, please complete, sign and return your Proxy Form to Boardroom, in accordance with the details appearing on the Proxy Form, as soon as possible, and in any event no later than 3.00 pm (Sydney time) on Friday, 22 November 2013.

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EXPLANATORY STATEMENT

This **EXPLANATORY STATEMENT** explains the **NOTICE OF MEETING** and, together with the accompanying **INDEPENDENT EXPERT'S REPORT**, forms part of and should be read in conjunction with the **NOTICE OF MEETING**.

1. INTRODUCTION

1.1 Details of the Parties Responsible for Convening this Meeting

The Convening Shareholders

Perpetual Investment and M.H. Carnegie have procured the convening of this Meeting by the Convening Shareholders. The Convening Shareholders are nominee shareholding entities acting under the directions of Perpetual Investment and M.H. Carnegie respectively. The Convening Shareholders together hold in excess of 5% of the votes that may be cast at a general meeting of Brickworks.

The Convening Shareholders are:

(a) the Perpetual Shareholding Entity[1]: RBC Investor Services Australia Nominees Pty Limited (ACN 097 125 123); and

(b) the M.H. Carnegie Shareholding Entities: MHC Fund Services A Pty Limited (ACN 158 377 827) and MHC Fund Services B Pty Limited (ACN 150 268 625).

Perpetual Investment

The Perpetual Group is an Australian headquartered independent and diversified financial services group providing specialised investment management, wealth advice and corporate fiduciary services to individuals, families, financial advisers and institutions.

Perpetual Investment is one of Australia's leading investment managers, with $25.3 billion in funds under management (as at 30 June 2013). Perpetual Investment is a wholly owned subsidiary of Perpetual, and part of the Perpetual Group, which has been in operation for over 125 years.

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1 Perpetual Investment controls additional Brickworks Shares and Soul Pattinson Shares in respect of which the Perpetual Shareholding Entity is not the registered shareholder. References in this Shareholder Booklet to shares under the control of Perpetual Investment include those additional shares.

M.H. Carnegie

M.H. Carnegie is a venture capital, private equity and alternative asset management firm founded in 2011 by Mark Carnegie, who has a long and successful track record in principal investing in the Australian and Asian markets.

M.H. Carnegie invests in Australasian businesses, entrepreneurs and ideas, and also provides specialist advisory services to companies seeking independent strategic advice. Investments are made through several funds, with a total of $230 million in committed capital to date from institutional, wholesale and high net worth investors.

1.2 Relationship between Perpetual Investment and M.H. Carnegie

On 26 November 2012, Perpetual Investment and M.H. Carnegie commenced a working collaboration with each other. The purpose and scope of that collaboration is documented in a Cooperation Agreement entered into on that date. The full terms of the Cooperation Agreement have been released on ASX[2].

Specifically, the Cooperation Agreement recites that:

> *Extract from the Cooperation Agreement dated 26 November 2012*
>
> *"[Perpetual Investment] and [M.H. Carnegie] intend to work together and co-operate with each other in respect of identifying and pursuing strategic options which seek to unlock or increase the value of the shares of [Brickworks] and [Soul Pattinson] ...".*

The Proposed Transactions, the subject of Resolutions to be considered at this Meeting, comprise strategic options being pursued by Perpetual Investment and M.H. Carnegie to unlock or increase the value of the shares of Brickworks and Soul Pattinson.

1.3 Relevant Ownership Interests of Perpetual Investment and M.H. Carnegie

Brickworks Shares

Perpetual Investment has had an investment in Brickworks Shares for over 25 years, since 1986.

As at 7 October 2013, Perpetual Investment and M.H. Carnegie controlled the following shareholdings in the Company:

Perpetual Investment:	18,409,663 Shares	12.44%
M.H. Carnegie:	89,553 Shares	0.06%
Total:	18,499,216 Shares	12.50%[3]

With a combined substantial shareholding in the Company of approximately 12.50%, Perpetual Investment and M.H. Carnegie comprise the largest shareholding bloc in the Company after Soul Pattinson. At the 5-day VWAP of Brickworks Shares of $13.90 as at 7 October 2013, that combined shareholding is valued at over $257 million.

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2 For the full terms of the Cooperation Agreement between the Convening Shareholders, see http://www.asx.com.au/asxpdf/20121126/pdf/42bgz5fc7gvgr1.pdf.

3 As at 7 October 2013, the Company had a total issued capital of 148,038,996 Brickworks Shares.

Soul Pattinson Shares

Perpetual Investment has also had an investment in Soul Pattinson Shares for over 25 years, since 1987.

As at 7 October 2013, Perpetual Investment and M.H. Carnegie controlled the following shareholdings in Soul Pattinson:

Perpetual Investment:	27,912,821 Shares	11.66%
M.H. Carnegie:	146,593 Shares	0.06%
Total:	28,059,414 Shares	11.72%[4]

With a combined substantial shareholding in Soul Pattinson of approximately 11.72%, Perpetual Investment and M.H. Carnegie comprise the largest shareholding bloc in Soul Pattinson after Brickworks. At the 5-day VWAP of Soul Pattinson Shares of $13.85 as at 7 October 2013, that combined shareholding is valued at over $388 million.

1.4 Reasons for Convening this Meeting: the Proposed Transactions

Goal of Releasing Value Back to Brickworks Shareholders

Perpetual Investment and M.H. Carnegie consider that the current market valuation of Brickworks Shares in trading on ASX is significantly below the intrinsic value of the Company's assets. Perpetual Investment and M.H. Carnegie consider that the Company's shareholders will benefit from the Company engaging in transactions which seek to release some or all of that underlying value back to the Company's shareholders.

To that end, Perpetual Investment and M.H. Carnegie (among others) have, for some time, been endeavouring to engage with the Board of the Company (and also with the board of Soul Pattinson) to pursue transactions which can release value back to shareholders. However, in March 2013, the Brickworks Board responded to those initiatives, through a series of ASX releases which included the following statements:

> *Extract from the Important Letter from the Board of Directors dated 21 March 2013*
>
> *"At our 2012 Annual General Meeting, the Lead Independent Director of Brickworks[5], the Hon. Robert Webster, outlined the comprehensive review of Brickworks' corporate structure that was undertaken last year. The independent review considered whether any restructure could create additional value for all Brickworks' shareholders compared with the current structure. It considered all realistic restructure options within the control of Brickworks ... .*
>
> *The findings of Brickworks' independent review were clear – no corporate restructure within Brickworks' control would unequivocally improve value for shareholders. ...*
>
> *The Board is writing to you now to advise that Brickworks will not continue to waste time, effort and resources on unsolicited short-term restructuring proposals that may jeopardise the long-term performance of our Company".*

[4] As at 7 October 2013, Soul Pattinson had a total issued capital of 239,395,320 Soul Pattinson Shares.
[5] As to the independence of Brickworks Directors, see the commentary in Section 5 of this Explanatory Statement.

Extract from the ASX Media Release dated 21 March 2013

"Following the presentation of findings from the corporate structure review at the 2012 Annual General Meeting, more proposals relating to a change in Brickworks' corporate structure have been received. The Board has reviewed all of the restructuring proposals and believes that each is fundamentally flawed.

Lead Independent Director, Mr Robert Webster, said: 'The Board is not prepared to compromise Brickworks' long-term strategy for value creation in order to address the short-term objectives of a small number of shareholders. In the future, we will continue to consider the full range of alternatives for the Company's portfolio as part of the annual strategic review process; however, we will not continue to allocate time, effort and resources to respond to short-term restructuring proposals'".

Full details of the Board's responses, as published by the Company on 21 March 2013, are available on the ASX[6].

Perpetual Investment and M.H. Carnegie do not agree with the views expressed by the Board of Brickworks set out in the foregoing extracts from the Company's ASX releases.

Circumstances & Purpose of Resolutions 1 and 2

Since the rejection by the Brickworks Board of further engagement with Perpetual Investment and M.H. Carnegie, Perpetual Investment and M.H. Carnegie have continued to develop alternative transactions which may be pursued by the Company, and Soul Pattinson, to release value back to the Company's shareholders, and to shareholders of Soul Pattinson (including, of course, the Company, which currently holds 42.72% of Soul Pattinson).

However, in the face of the Board's earlier rebuff, Perpetual Investment and M.H. Carnegie consider that they have no alternative now but to move to convene their own general meetings of the Company, and Soul Pattinson, to put potential transactions to the shareholders of both companies, so that the shareholders themselves can have a direct say in whether or not those transactions should, or should not, be implemented.

To that end, Perpetual Investment and M.H. Carnegie have therefore procured the convening of this Meeting by the Convening Shareholders under Section 249F of the Corporations Act as a general meeting of Brickworks shareholders, and have simultaneously procured the Convening Shareholders to requisition the board of Soul Pattinson under Section 249D of the Corporations Act to convene a general meeting of Soul Pattinson shareholders[7], in each case to consider and, if thought fit, to pass resolutions to approve, and implement, two specific transactions to release value back to shareholders.

As regards this Meeting of Brickworks shareholders, the two Proposed Transactions are the subject of separate Resolutions set out in the Notice of Meeting.

The purpose of Resolution 1 is to provide Brickworks shareholders with the opportunity to vote on the Proposed Demerger Distribution Transaction. Full details of that Transaction are set out in Section 3 of this Explanatory Statement.

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[6] For the full terms of the relevant ASX releases issued by the Company on 21 March 2013, see http://www.asx.com.au/asxpdf/20130321/pdf/42dt4tbjxqtng7.pdf and http://www.asx.com.au/asxpdf/20130321/pdf/42dt4f4snwvsbb.pdf.

[7] For a full copy of the Section 249D requisition given by the Convening Shareholders to Soul Pattinson, see http://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=sol&timeframe=Y&year=2013.

The purpose of Resolution 2 is to provide Brickworks shareholders with the opportunity to vote on the Proposed Cancellation of Shares Transaction. Full details of that Transaction are set out in Section 4 of this Explanatory Statement.

Perpetual Investment and M.H. Carnegie consider that both of these Proposed Transactions are in the best interests of Brickworks shareholders, and that therefore Resolutions 1 and 2 should be supported by all voting shareholders.

1.5 Reasons for Convening this Meeting: a New Independent Director

Goal of a More Independent Brickworks Board

Perpetual Investment and M.H. Carnegie consider that the current composition of the Board of Brickworks is not in conformity with the recommended governance principles of ASX and other relevant bodies, or with the recommended governance principles of various independent shareholder advocacy groups. Perpetual Investment and M.H. Carnegie consider that the Company's shareholders will benefit from the Company appointing a new independent Director with appropriate credentials to the Board.

At present, the Board of the Company is comprised of the following Directors:

Name	Title	Term Start	Classification
Robert Millner	Chairman	1997	Not Independent
Michael Millner	Deputy Chairman	1998	Not Independent
Lindsay Partridge	Managing Director	2000	Executive / Not Independent
Robert Webster	Director	2001	Independent
David Gilham	Director	2003	Not Independent
Brendan Crotty	Director	2008	Independent

As can be seen, neither the Chairman nor a majority of the Brickworks Board is independent, there has been no Board renewal for at least 5 years since 2008, and there is no gender diversity on the Board. Perpetual Investment and M.H. Carnegie consider that, in at least these significant respects, the Brickworks Board is not operating in accordance with preferred governance principles and best practice.

Circumstances & Purpose of Resolution 3

In order to take steps to bring the composition of the Brickworks Board into line with preferred governance principles and best practice, Perpetual Investment and M.H. Carnegie propose the appointment of Ms. Elizabeth Crouch as a new independent Director on the Board.

The purpose of Resolution 3 is to provide Brickworks shareholders with the opportunity to vote on the appointment of Ms. Crouch as an additional Director of the Company. Full details of Ms. Crouch's credentials are set out in Section 5 of this Explanatory Statement.

Perpetual Investment and M.H. Carnegie consider that the appointment of Ms. Crouch to the Board of the Company is in the best interests of Brickworks shareholders, and that therefore Resolution 3 should be supported by all voting shareholders.

1.6 Legal Provisions Relevant to the Convening of this Meeting

Section 249F of the Corporations Act provides that shareholders of a company, with at least 5% of the votes that may be cast at a general meeting of that company, may call and arrange to hold (at their own expense) a general meeting of the company. Any such meeting is to be called in the same way, in as far as is possible, as general meetings of that company are normally called.

The Convening Shareholders are registered shareholders of Brickworks, with at least 5% of the votes that may be cast at a general meeting of Brickworks. The Convening Shareholders are therefore entitled to convene this Meeting under Section 249F of the Corporations Act. In fact, Perpetual Investment and M.H. Carnegie together control approximately 12.50% of the votes that may be cast at a general meeting of Brickworks.

For the purposes of this Meeting, the Convening Shareholders are the M.H. Carnegie Shareholding Entities and the Perpetual Shareholding Entity. The Meeting has been convened by the Convening Shareholders under Section 249F of the Corporations Act. As required by Section 249F of the Corporations Act, the Convening Shareholders are paying for all of the expenses of this Meeting.

2. FORMALITIES CONCERNING THIS MEETING

2.1 Outline of the Business of this Meeting

The business of this Meeting comprises three separate Resolutions, summarised as follows:

<u>Resolution 1:</u> Resolution 1 is an ordinary resolution, seeking the approval of Brickworks shareholders under Listing Rule 10.1 of the Listing Rules to the receipt by certain Brickworks Group Companies of a proposed distribution in specie of shares in TPG from Soul Pattinson. This transaction is referred to in this Explanatory Statement as the Proposed Demerger Distribution Transaction.

Resolution 1 is explained further in Section 3 of this Explanatory Statement. Full details of the Proposed Demerger Distribution Transaction are set out in Schedule 1 to this Explanatory Statement.

In accordance with Listing Rule 10.10.2 of the Listing Rules, the Notice of Meeting includes a Report on the Proposed Demerger Distribution Transaction from an Independent Expert (Deloitte Corporate Finance). That Independent Expert's Report accompanies, forms part of, and should be read in conjunction with the Notice of Meeting.

For the reasons, and subject to the analysis, contained in the Independent Expert's Report, Deloitte Corporate Finance has concluded that the Proposed Demerger Distribution Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be disregarded in relation to this Resolution.

Shareholders whose votes are to be disregarded in relation to this Resolution are those shareholders which are parties to the Proposed Demerger Distribution Transaction (namely, Soul Pattinson, and the relevant Brickworks Group Companies), and any associate of any one or more of those parties.

As an ordinary resolution, Resolution 1 will be passed if it is approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution.

Resolution 2: Resolution 2 is an ordinary resolution, seeking the approval of Brickworks shareholders under Listing Rule 10.1 of the Listing Rules to the cancellation of all Soul Pattinson Shares held by Brickworks Group Companies, and the receipt by those Brickworks Group Companies of related consideration from Soul Pattinson in return for the share cancellation. This transaction is referred to in this Explanatory Statement as the Proposed Cancellation of Shares Transaction.

Resolution 2 is explained further in Section 4 of this Explanatory Statement. Full details of the Proposed Cancellation of Shares Transaction are set out in Schedule 2 to this Explanatory Statement.

In accordance with Listing Rule 10.10.2 of the Listing Rules, the Notice of Meeting includes a Report on the Proposed Cancellation of Shares Transaction from an Independent Expert (Deloitte Corporate Finance). That Independent Expert's Report accompanies, forms part of, and should be read in conjunction with the Notice of Meeting.

For the reasons, and subject to the analysis, contained in the Independent Expert's Report, Deloitte Corporate Finance has concluded that the Proposed Cancellation of Shares Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be disregarded in relation to this Resolution.

Shareholders whose votes are to be disregarded in relation to this Resolution are those shareholders which are parties to the Proposed Cancellation of Shares Transaction (namely, Soul Pattinson, and the relevant Brickworks Group Companies), and any associate of any one or more of those parties.

As an ordinary resolution, Resolution 2 will be passed if it is approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution.

Resolution 3: Resolution 3 is an ordinary resolution, seeking the approval of Brickworks shareholders under Clause 6.2(b) of the Company's Constitution to the appointment of Ms. Elizabeth Crouch as an additional Director of the Company.

Resolution 3 is explained further in Section 5 of this Explanatory Statement.

As an ordinary resolution, Resolution 3 will be passed if it is approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution.

The business to be considered by Brickworks shareholders at this Meeting is important. Please give this Explanatory Statement, and the accompanying Independent Expert's Report, your careful attention.

Please read this Booklet carefully, and in its entirety. If you are in any doubt as to how to deal with it, please consult your legal, financial or other professional adviser immediately.

2.2 Recommendations & Voting

Resolutions 1 & 2: the Proposed Transactions

Resolution 1 provides Brickworks shareholders with the opportunity to vote on the Proposed Demerger Distribution Transaction, described in Section 3 of this Explanatory Statement. Resolution 2 provides Brickworks shareholders with the opportunity to vote on the Proposed Cancellation of Shares Transaction, described in Section 4 of this Explanatory Statement.

Resolutions 1 and 2 will be passed if they are approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution. For these purposes, Soul Pattinson, and certain other Brickworks shareholders, are excluded from voting on Resolutions 1 and 2.

Perpetual Investment and M.H. Carnegie consider that both of the Proposed Transactions are in the best interests of Brickworks shareholders, and that therefore Resolutions 1 and 2 should be supported by all voting shareholders.

Perpetual Investment and M.H. Carnegie intend to cast all of the votes which they control (representing approximately 12.50% of the issued capital of the Company) in favour of Resolutions 1 and 2.

Your vote is important in determining whether or not the Proposed Transactions will proceed. Please complete, sign and return the Proxy Form which accompanies this Booklet in accordance with the details which appear on the Proxy Form.

Resolution 3: a New Independent Director

Resolution 3 provides Brickworks shareholders with the opportunity to vote on the appointment of Ms. Elizabeth Crouch as an additional Director of the Company, described in Section 5 of this Explanatory Statement.

Resolution 3 will be passed if it is approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution.

Perpetual Investment and M.H. Carnegie consider that the appointment of Ms. Crouch as a new independent Director of the Company is in the best interests of Brickworks shareholders, and that therefore Resolution 3 should be supported by all voting shareholders.

Perpetual Investment and M.H. Carnegie intend to cast all of the votes which they control (representing approximately 12.50% of the issued capital of the Company) in favour of Resolution 3.

Your vote is important in determining whether or not the appointment of Ms. Crouch as a Director will proceed. Please complete, sign and return the Proxy Form included in this Booklet in accordance with the details which appear on the Proxy Form.

2.3 Appointment of Boardroom as Proxy Collector

To ensure the integrity of the proxy voting process, Perpetual Investment and M.H. Carnegie have engaged a professional and independent expert, Boardroom, to properly collect and collate Proxy Forms returned to it. Boardroom is under strict obligations pursuant to its appointment to at all times handle the Proxy Forms with due care and skill and to safeguard the Proxy Forms against tampering, filtering or other inappropriate handling.

Separately, each of Perpetual Investment and M.H. Carnegie has entered into a Deed Poll in favour of Brickworks shareholders pursuant to which they undertake to ensure that the Proxy Forms are handled appropriately, and to hold Boardroom to account (including by way of commencing legal action, if required) in respect of its obligations regarding the Proxy Forms.

Please note that, in order for your appointment of proxy to be effective, Boardroom will need to forward your Proxy Form to the Company so that it is received by the Company by no later than 11.00 am (Sydney time) on Saturday, 23 November 2013. In order for it to do so, please complete, sign and return your Proxy Form to Boardroom, in accordance with the details appearing on the Proxy Form, as soon as possible, and in any event no later than 3.00 pm (Sydney time) on Friday, 22 November 2013.

Proxy Forms may also be lodged directly with the Company.

2.4 Further Information about this Meeting

If you are in any doubt as to how to deal with the matters raised in this Explanatory Statement, please consult your legal, financial or other professional adviser immediately.

For further information about this Meeting, please contact the Shareholder Information Line between 9.00 am and 5.00 pm (Sydney time) on:

1800 708 308; or
+61 2 8256 3364.

3. RESOLUTION 1: THE PROPOSED DEMERGER DISTRIBUTION TRANSACTION

3.1 Outline of Resolution 1

Resolution 1 is an ordinary resolution, seeking the approval of Brickworks shareholders under Listing Rule 10.1 of the Listing Rules to the receipt by certain Brickworks Group Companies of a proposed distribution in specie of shares in TPG from Soul Pattinson. This transaction is referred to in this Explanatory Statement as the Proposed Demerger Distribution Transaction.

3.2 The Proposed Demerger Distribution Transaction Described

Full details of the Proposed Demerger Distribution Transaction are set out in Schedule 1 to this Explanatory Statement.

However, in summary, the Proposed Demerger Distribution Transaction, insofar as Brickworks specifically is concerned, contemplates that:

(a) Soul Pattinson will make a distribution in specie of shares which it holds in TPG, pro rata to all Soul Pattinson shareholders as at a nominated Record Date, which will include those Brickworks Group Companies that hold Soul Pattinson Shares at that time;

(b) through that distribution, virtually all of Soul Pattinson's shareholding in TPG will be disposed of, and the Brickworks Group Companies (in aggregate) will be expected to receive approximately 42.72% or approximately 91.2 million of those TPG Shares[8];

(c) on that basis, at the 5-day VWAP of TPG Shares of $4.41 as at 25 September 2013, the portion of the distribution to be made to the Brickworks Group Companies (in aggregate) will be expected to have a value of approximately $402 million[9];

(d) the distribution will be made in part as a return of capital, and in part as a demerger dividend to the maximum extent permissible, attracting tax effective demerger roll-over relief, under the Demerger Rules contained in Division 125 of the ITAA 1997 and Section 44 of the ITAA 1936; and

(e) on that basis, the Brickworks Group Companies will not incur any tax impost with respect to the receipt of their portion of the distribution (as to which, see Section 3.7 of this Explanatory Statement).

Important Note: Reading this summary is no substitute for reading the full details of the Proposed Demerger Distribution Transaction set out in Schedule 1 to this Explanatory Statement. Shareholders should read Schedule 1 to this Explanatory Statement carefully, and in its entirety. If there is any discrepancy between this summary and Schedule 1 to this Explanatory Statement, Schedule 1 prevails.

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8 The actual number of TPG Shares that will be received by the Brickworks Group Companies will depend on the number of TPG Shares held by Soul Pattinson on the Record Date, and on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Record Date.

9 The actual value of the portion of the distribution that will be received by the Brickworks Group Companies will depend on the market value of TPG Shares on the Record Date, on the number of TPG Shares held by Soul Pattinson on the Record Date, and on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Record Date.

3.3 Application of Listing Rule 10.1 to the Transaction

Listing Rule 10.1 provides that a listed company and its subsidiaries (such as the Brickworks Group Companies) must not acquire a substantial asset from a substantial holder in that listed company, without the approval of the listed company's ordinary shareholders.

Soul Pattinson is a substantial holder in Brickworks.

For these purposes, Listing Rule 10.1.3 provides that a shareholder will be a substantial holder in a listed company if the shareholder and its associates have a relevant interest in at least 10% of the total votes attached to all voting securities of the listed company. By reference to the latest substantial shareholding notice given by Soul Pattinson to Brickworks on 4 November 2009, Soul Pattinson and its associates had a relevant interest in approximately 48.15% of Brickworks[10]. Based on more recent information disclosed by Soul Pattinson and Brickworks on ASX, the Convening Shareholders understand that that relevant interest may now have reduced to approximately 47.95%[11]. In any event, it exceeds 10%.

The portion of the proposed distribution to be made by Soul Pattinson to the Brickworks Group Companies is a substantial asset of Brickworks.

For these purposes, Listing Rule 10.2 provides that an asset is substantial if its value is 5% or more of the equity interests of the listed company as set out in the latest accounts of the listed company given to ASX under the Listing Rules. By reference to the latest accounts of Brickworks given to ASX on 19 September 2013, an asset will be substantial for Brickworks if it exceeds approximately $86 million[12].

No relevant exception to Listing Rule 10.1 applies to the Proposed Demerger Distribution Transaction under Listing Rule 10.3.

Accordingly, Listing Rule 10.1 applies to the Proposed Demerger Distribution Transaction, and the approval of Brickworks shareholders must therefore be obtained by ordinary resolution for it to proceed.

3.4 Independent Expert's Report

In accordance with Listing Rule 10.10.2 of the Listing Rules, the Notice of Meeting is required to include a report on the Proposed Demerger Distribution Transaction from an Independent Expert. Deloitte Corporate Finance has been appointed as the Independent Expert for that purpose.

The Independent Expert’s Report accompanies, forms part of, and should be read in conjunction with the Notice of Meeting.

For the reasons, and subject to the analysis, contained in the Independent Expert’s Report, Deloitte Corporate Finance has, in summary, concluded that the Proposed Demerger Distribution Transaction is fair and reasonable to those shareholders of the Company who are not parties to that Transaction or their associates. Shareholders who are parties to the Proposed Demerger Distribution Transaction and their

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[10] For the full terms of the Soul Pattinson substantial shareholding notice dated 4 November 2009, see http://www.asx.com.au/asxpdf/20091104/pdf/31lvx9ldz4slvv.pdf.

[11] The aggregate relevant interest appears to have reduced by the issue of additional Brickworks Shares since November 2009.

[12] For the full terms of the latest Brickworks accounts given to ASX on 19 September 2013, see http://www.asx.com.au/asxpdf/20130919/pdf/42jg6c4l819f93.pdf.

associates may not vote on Resolution 1 (as explained further in Section 3.5 of this Explanatory Statement).

Important Note: Reading this summary is no substitute for reading the full Independent Expert's Report which accompanies this Explanatory Statement. Shareholders should read the full Independent Expert's Report which accompanies this Explanatory Statement carefully, and in its entirety. If there is any discrepancy between this summary and the full Independent Expert's Report which accompanies this Explanatory Statement, the full Report prevails.

3.5 Voting Exclusions Relevant to Resolution 1

In accordance with Listing Rule 10.10.1 of the Listing Rules, the Notice of Meeting is required to include a voting exclusion statement, to the effect that the Company will disregard any vote cast on Resolution 1 by Soul Pattinson and by any Brickworks Group Company (as parties to the Proposed Demerger Distribution Transaction), and by any associate of any one or more of those entities, unless either it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

It follows that Soul Pattinson and its relevant associates, and the Company and its relevant associates, are excluded from voting on Resolution 1. For these purposes, Perpetual Investment and M.H. Carnegie have determined that, without limitation, the following shareholders will be excluded from voting on Resolution 1:

Shareholder	**No. of Shares**	**Percentage of Shares**	**Reason for Exclusion**
Soul Pattinson[13]	65,645,140	44.34%	Party to the Proposed Transaction
Allanlea P/L	51,209	0.03%	Associate of Soul Pattinson
Hexham Holdings P/L	161,209	0.11%	Associate of Soul Pattinson
Estate Late J.S. Milner	1,361,292	0.92%	Associate of Soul Pattinson
J.S. Milner Holdings P/L	2,717,137	1.84%	Associate of Soul Pattinson
Lineage P/L	101,209	0.07%	Associate of Soul Pattinson
Millane P/L	341,349	0.23%	Associate of Soul Pattinson
T.G. Milner Holdings P/L	608,509	0.41%	Associate of Soul Pattinson
Tyneside P/l	4,529	> 0.01%	Associate of Soul Pattinson
Total	**70,991,583**	**47.95%**	

Resolution 1 will be passed if it is approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution. For these purposes, Soul Pattinson, and certain other Brickworks shareholders, including, without limitation, those shown in the table above, will be excluded from voting on Resolution 1.

3.6 Voting Intentions of Perpetual Investment and M.H. Carnegie

Perpetual Investment and M.H. Carnegie consider that the Proposed Demerger Distribution Transaction is in the best interests of Brickworks shareholders, and that therefore Resolution 1 should be supported by all voting shareholders.

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[13] The information concerning Soul Pattinson and its associates which appears in this table is taken from the last substantial shareholding notice given by Soul Pattinson to the Company on 4 November 2009, updated by more recent information disclosed by Soul Pattinson and Brickworks on ASX.

Perpetual Investment and M.H. Carnegie intend to cast all of the votes which they control (representing approximately 12.50% of the issued capital of the Company) in favour of Resolution 1.

3.7 Tax Implications for Brickworks of Implementing the Proposed Demerger Distribution Transaction

BDO Tax has been appointed to provide Perpetual Investment and M.H. Carnegie with a tax opinion in relation to the Proposed Demerger Distribution Transaction[14].

Following is the executive summary of BDO Tax's conclusions concerning the Proposed Demerger Distribution Transaction extracted from the BDO Tax Opinion:

> *"[Soul Pattinson] will undertake a pro rata distribution of all shares held in [TPG] to [Soul Pattinson] shareholders. It is our opinion that participants in the proposed pro rata TPG transactions should be eligible for demerger relief as provided in the Income Tax Assessment Act 1997. In forming our opinion we have assumed that all of the relevant choices are made by members of the demerger group, and that Taxation Rulings (as relevant) in respect of all of the transactions are requested and that a favourable response is obtained from the Tax Commissioner in regard to the demerger rules.*
>
> *Implications for [Soul Pattinson]*
>
> *As a consequence of the demerger relief, no taxable gain will arise for [Soul Pattinson] from the disposal of the shares in TPG, in satisfaction of [Soul Pattinson's] obligations under the ... Proposal.*
>
> *Implications for [Soul Pattinson] Shareholders*
>
> *A proportion of the value of the TPG shares distributed by [Soul Pattinson] will be accounted for by [Soul Pattinson] as a distribution of profits and a proportion will be accounted for as a return of capital. The distribution of the TPG shares by [Soul Pattinson] will be considered for taxation purposes as being comprised of a demerger dividend and a capital return, where the demerger relief is available.*
>
> *Demerger Dividend*
>
> *As a consequence of the demerger relief, the receipt of shares in TPG under this demerger arrangement, by the respective resident shareholders in [Soul Pattinson], to the extent that the value of the TPG shares represents a distribution of profits by [Soul Pattinson] will not be subject to income tax for those shareholders.*
>
> *The distribution of the shares in TPG by [Soul Pattinson] to all shareholders, in compliance with the demerger relief rules, would not be frankable and as such no franking credits would be utilised by [Soul Pattinson] in regard to the distribution of the TPG Shares.*
>
> *Capital Return – if Shares in [Soul Pattinson] are Pre-CGT*
>
> *Shareholders of [Soul Pattinson] who participate in the demerger and who hold pre-CGT [Soul Pattinson] shares will have no taxable capital gain from the demerger transaction. Where demerger relief is chosen by such shareholders, the TPG shares acquired under the ... Proposal will be treated as being pre-CGT.*

[14] For the full terms of the BDO Tax Opinion dated 18 October 2013, see www.howtounlockvalue.com.

Capital Return – if Shares in [Soul Pattinson] are Post-CGT

Where the demerger relief is available and the shares in [Soul Pattinson] are post-CGT, the shareholders of [Soul Pattinson] who participate in the demerger will be entitled to disregard any capital gain arising from the return of capital.

In addition, participating [Soul Pattinson] shareholders will have tax cost base adjustments in regard to their original investment in [Soul Pattinson] based on their particular circumstances. The tax cost base adjustments apportion their original tax cost base between the [Soul Pattinson] shares and the new interest acquired in TPG. The tax cost base of the shares acquired in TPG by the recipient shareholders will be deemed to be an amount determined under the demerger rules in the Income Tax Assessment Act 1997.

The deemed tax cost base for the TPG shares acquired by the shareholders is determined by apportioning the respective recipients' original tax cost base for the investment in [Soul Pattinson] based on the market value of the TPG shares acquired and the residual market value interest in [Soul Pattinson]. The apportionment also provides the tax cost base for the [Soul Pattinson] shares for future transactions. The relevant tax cost base adjustments for shareholders are expected to be confirmed by [Soul Pattinson] at the time the demerger transaction is to be undertaken".

Important Note: Reading this summary is no substitute for reading the full BDO Tax Opinion. Shareholders should read the full BDO Tax Opinion carefully, and in its entirety. If there is any discrepancy between this summary and the full BDO Tax Opinion, the full Opinion prevails.

3.8 Key Steps to Implementation of the Proposed Demerger Distribution Transaction

If Resolution 1 is not passed at this Meeting by the required majority, the Proposed Demerger Distribution Transaction will not proceed.

If Resolution 1 is passed at this Meeting by the required majority, the Proposed Demerger Distribution Transaction will proceed, subject to satisfaction of the following further pre-requisites:

(a) in accordance with the requisition given by the Convening Shareholders to the board of Soul Pattinson under Section 249D of the Corporations Act (noted in Section 1.4 of this Explanatory Statement)[15], the board of Soul Pattinson must convene a general meeting of Soul Pattinson shareholders to consider a series of corresponding resolutions required to approve the Proposed Demerger Distribution Transaction;

(b) the shareholders of Soul Pattinson (including those Brickworks Group Companies that hold Soul Pattinson Shares, to the extent that they are entitled to vote) must pass those corresponding resolutions by the required majorities at that general meeting; and

Important Note: Given the conclusions of the Independent Expert concerning Resolution 1 as set out in the Independent Expert's Report, and if Resolution 1 is passed at this Meeting by the required majority, Perpetual Investment and M.H. Carnegie expect that the Board of Brickworks will procure that the Brickworks Group Companies vote all of the Soul Pattinson Shares which they hold in favour of all resolutions on which they are entitled to vote at the requisitioned Soul Pattinson general meeting to approve the Proposed Demerger Distribution Transaction, and do all other things necessary to facilitate the Proposed Demerger Distribution Transaction.

[15] For a full copy of the Section 249D requisition given by the Convening Shareholders to Soul Pattinson, see http://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=sol&timeframe=Y&year=2013.

(c) Soul Pattinson must make certain tax elections, and must obtain favourable ATO rulings, relevant to the application of the Demerger Rules to the Proposed Demerger Distribution Transaction.

If these further pre-requisites are not satisfied, the Proposed Demerger Distribution Transaction will not proceed, even if Resolution 1 is passed at this Meeting by the required majority.

3.9 Consequences for Brickworks if the Proposed Demerger Distribution Transaction is Implemented

If the Proposed Demerger Distribution Transaction proceeds, the Brickworks Group Companies will be expected to receive approximately 91.2 million TPG Shares from Soul Pattinson[16], having a value of approximately $402 million[17], on a tax effective basis.

There will be no impact on the franking credit position of Brickworks from the implementation of the Proposed Demerger Distribution Transaction.

With a shareholding of 91.2 million TPG Shares, representing approximately 11.49% of the issued capital of TPG, Brickworks will be a substantial shareholder of TPG.

Owning TPG Shares directly will provide additional liquidity for Brickworks. Going forward, the Brickworks Group Companies will receive all further dividend and other distributions made by TPG with respect to the TPG Shares that they hold. In addition, the Brickworks Group Companies will be entitled to dispose of the TPG Shares that they hold at any time, if they wish to do so.

3.10 Consequences for Brickworks if the Proposed Demerger Distribution Transaction is Not Implemented

If the Proposed Demerger Distribution Transaction does not proceed, there will be no change to the status quo. Soul Pattinson will continue to hold its TPG Shares.

3.11 Voting Recommendation of Perpetual Investment and M.H. Carnegie

Perpetual Investment and M.H. Carnegie consider that the Proposed Demerger Distribution Transaction is in the best interests of Brickworks shareholders.

Perpetual Investment and M.H. Carnegie unanimously recommend that Brickworks shareholders vote <u>FOR</u> Resolution 1 as proposed in the Notice of Meeting.

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16 The actual number of TPG Shares that will be received by the Brickworks Group Companies will depend on the number of TPG Shares held by Soul Pattinson on the Record Date, and on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Record Date.

17 The actual value of the portion of the distribution that will be received by the Brickworks Group Companies will depend on the market value of TPG Shares on the Record Date, on the number of TPG Shares held by Soul Pattinson on the Record Date, and on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Record Date.

4. RESOLUTION 2: THE PROPOSED CANCELLATION OF SHARES TRANSACTION

4.1 Outline of Resolution 2

Resolution 2 is an ordinary resolution, seeking the approval of Brickworks shareholders under Listing Rule 10.1 of the Listing Rules to the cancellation of all Soul Pattinson Shares held by Brickworks Group Companies, and the receipt by those Brickworks Group Companies of related consideration from Soul Pattinson in return for the share cancellation. This transaction is referred to in this Explanatory Statement as the Proposed Cancellation of Shares Transaction.

4.2 The Proposed Cancellation of Shares Transaction Described

Full details of the Proposed Cancellation of Shares Transaction are set out in Schedule 2 to this Explanatory Statement.

However, in summary, the Proposed Cancellation of Shares Transaction, insofar as Brickworks specifically is concerned, contemplates that:

(a) following the making of the distribution in specie of TPG Shares contemplated in Resolution 1, Soul Pattinson will undertake a selective reduction of capital by which it will cancel all of the Soul Pattinson Shares held by Brickworks Group Companies;

(b) that share cancellation will take effect on the date 12 months after the Soul Pattinson shareholders approve the Proposed Cancellation of Shares Transaction (the Cancellation Date);

(c) through that share cancellation, the capital of Soul Pattinson will be reduced, and Brickworks Group Companies will cease to hold any Soul Pattinson Shares;

(d) the consideration for each Soul Pattinson Share so cancelled that will be payable by Soul Pattinson to the Brickworks Group Companies will be calculated in accordance with a formula set out in Schedule 2 to this Explanatory Statement, and will (in summary) be the greater of:

  (i) a floor price of $15.75 per Cancelled Share (adjusted down if there are any distributions made by Soul Pattinson to the Brickworks Group Companies before the Calculation Date); and

  (ii) an indicative price of $18.00 per Cancelled Share (adjusted up or down by reference to the circumstances prevailing at the Calculation Date);

(e) for indicative purposes only:

  (i) if the consideration were $15.75 per Cancelled Share, the total consideration payable to all Brickworks Group Companies (in aggregate) will be expected to be approximately $1,610.6 million (being 102,257,830 Soul Pattinson Shares at $15.75 per Cancelled Share)[18]; or

[18] The actual value of the aggregate consideration will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date.

(ii) if the consideration were $18.00 per Cancelled Share, the total consideration payable to all Brickworks Group Companies (in aggregate) will be expected to be approximately $1,840.6 million (being 102,257,830 Soul Pattinson Shares at $18.00 per Cancelled Share)[19];

(f) the consideration will comprise in part a payment in cash of $250 million (in aggregate), and in part the issue of Promissory Notes[20];

(g) Soul Pattinson will use its best endeavours to ensure that the consideration is paid as a fully franked dividend to the maximum extent permissible;

(h) for indicative purposes only, the Brickworks Group Companies will be expected to incur a tax impost with respect to the receipt of the consideration:

(i) of approximately $178.9 million (in aggregate), if the consideration were $15.75 per Cancelled Share; and

(ii) of approximately $247.9 million (in aggregate), if the consideration were $18.00 per Cancelled Share,

(as to which, see Section 4.7 of this Explanatory Statement), which will be expected to be paid by the Brickworks Group Companies out of the $250 million in cash received from Soul Pattinson as part of the consideration; and

(i) the Promissory Notes will have a face value referable to the final Share Cancellation Price[21], will bear interest at the Coupon Rate, will be secured to the extent of the Agreed Security, and will be repayable by Soul Pattinson to the Brickworks Group Companies at any time up to but not later than the Maturity Date (ie. 1 year after the date of issue).

Important Note: Reading this summary is no substitute for reading the full details of the Proposed Cancellation of Shares Transaction set out in Schedule 2 to this Explanatory Statement. Shareholders should read Schedule 2 to this Explanatory Statement carefully, and in its entirety. If there is any discrepancy between this summary and Schedule 2 to this Explanatory Statement, Schedule 2 prevails.

4.3 Application of Listing Rule 10.1 to the Transaction

Listing Rule 10.1 provides that a listed company and its subsidiaries (such as the Brickworks Group Companies) must not acquire a substantial asset from, or dispose of a substantial asset to, a substantial holder in that listed company, without the approval of the listed company's ordinary shareholders.

Soul Pattinson is a substantial holder in Brickworks.

For these purposes, Listing Rule 10.1.3 provides that a shareholder will be a substantial holder in a listed company if the shareholder and its associates have a relevant interest in at least 10% of the total votes attached to all voting securities of the listed company. By reference to the latest substantial shareholding notice given by Soul Pattinson to Brickworks on 4 November 2009, Soul Pattinson and its associates

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19 The actual value of the aggregate consideration will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date.

20 The actual face value of the Promissory Notes will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date and the final Share Cancellation Price.

21 The actual face value of the Promissory Notes will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date and the final Share Cancellation Price.

had a relevant interest in approximately 48.15% of Brickworks[22]. Based on more recent information disclosed by Soul Pattinson and Brickworks on ASX, the Convening Shareholders understand that that relevant interest may now have reduced to approximately 47.95%[23]. In any event, it exceeds 10%.

The value of the Soul Pattinson Shares held by the Brickworks Group Companies to be cancelled by Soul Pattinson, and the consideration to be paid by Soul Pattinson to the Brickworks Group Companies with respect to that cancellation (including the Promissory Notes), are in each case a substantial asset of Brickworks.

For these purposes, Listing Rule 10.2 provides that an asset is substantial if its value is 5% or more of the equity interests of the listed company as set out in the latest accounts of the listed company given to ASX under the Listing Rules. By reference to the latest accounts of Brickworks given to ASX on 19 September 2013, an asset will be substantial for Brickworks if it exceeds approximately $86 million[24].

No relevant exception to Listing Rule 10.1 applies to the Proposed Cancellation of Shares Transaction under Listing Rule 10.3.

Accordingly, Listing Rule 10.1 applies to the Proposed Cancellation of Shares Transaction, and the approval of Brickworks shareholders must therefore be obtained by ordinary resolution for it to proceed.

4.4 Independent Expert's Report

In accordance with Listing Rule 10.10.2 of the Listing Rules, the Notice of Meeting is required to include a report on the Proposed Cancellation of Shares Transaction from an Independent Expert. Deloitte Corporate Finance has been appointed as the Independent Expert for that purpose.

The Independent Expert's Report accompanies, forms part of, and should be read in conjunction with the Notice of Meeting.

For the reasons, and subject to the analysis, contained in the Independent Expert's Report, Deloitte Corporate Finance has, in summary, concluded that the Proposed Cancellation of Shares Transaction is fair and reasonable to those shareholders of the Company who are not parties to that Transaction or their associates. Shareholders who are parties to the Proposed Cancellation of Shares Transaction and their associates may not vote on Resolution 2 (as explained further in Section 4.5 of this Explanatory Statement).

Important Note: Reading this summary is no substitute for reading the full Independent Expert's Report which accompanies this Explanatory Statement. Shareholders should read the full Independent Expert's Report which accompanies this Explanatory Statement carefully, and in its entirety. If there is any discrepancy between this summary and the full Independent Expert's Report which accompanies this Explanatory Statement, the full Report prevails.

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22 For the full terms of the Soul Pattinson substantial shareholding notice dated 4 November 2009, see http://www.asx.com.au/asxpdf/20091104/pdf/31lvx9ldz4slvv.pdf.

23 The aggregate relevant interest appears to have reduced by the issue of additional Brickworks Shares since November 2009.

24 For the full terms of the latest Brickworks accounts given to ASX on 19 September 2013, see http://www.asx.com.au/asxpdf/20130919/pdf/42jg6c4l819f93.pdf.

4.5 Voting Exclusions Relevant to Resolution 2

In accordance with Listing Rule 10.10.1 of the Listing Rules, the Notice of Meeting is required to include a voting exclusion statement, to the effect that the Company will disregard any vote cast on Resolution 2 by Soul Pattinson and by any Brickworks Group Company (as parties to the Proposed Cancellation of Shares Transaction), and by any associate of any one or more of those entities, unless either it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

It follows that Soul Pattinson and its relevant associates, and the Company and its relevant associates, are excluded from voting on Resolution 2. For these purposes, Perpetual Investment and M.H. Carnegie have determined that, without limitation, the following shareholders will be excluded from voting on Resolution 2:

Shareholder	No. of Shares	Percentage of Shares	Reason for Exclusion
Soul Pattinson[25]	65,645,140	44.34%	Party to the Proposed Transaction
Allanlea P/L	51,209	0.03%	Associate of Soul Pattinson
Hexham Holdings P/L	161,209	0.11%	Associate of Soul Pattinson
Estate Late J.S. Milner	1,361,292	0.92%	Associate of Soul Pattinson
J.S. Milner Holdings P/L	2,717,137	1.84%	Associate of Soul Pattinson
Lineage P/L	101,209	0.07%	Associate of Soul Pattinson
Millane P/L	341,349	0.23%	Associate of Soul Pattinson
T.G. Milner Holdings P/L	608,509	0.41%	Associate of Soul Pattinson
Tyneside P/l	4,529	> 0.01%	Associate of Soul Pattinson
Total	**70,991,583**	**47.95%**	

Resolution 2 will be passed if it is approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution. For these purposes, Soul Pattinson, and certain other Brickworks shareholders, including, without limitation, those shown in the table above, will be excluded from voting on Resolution 2.

4.6 Voting Intentions of Perpetual Investment and M.H. Carnegie

Perpetual Investment and M.H. Carnegie consider that the Proposed Cancellation of Shares Transaction is in the best interests of Brickworks shareholders, and that therefore Resolution 2 should be supported by all voting shareholders.

Perpetual Investment and M.H. Carnegie intend to cast all of the votes which they control (representing approximately 12.50% of the issued capital of the Company) in favour of Resolution 2.

[25] The information concerning Soul Pattinson and its associates which appears in this table is taken from the last substantial shareholding notice given by Soul Pattinson to the Company on 4 November 2009, updated by more recent information disclosed by Soul Pattinson and Brickworks on ASX.

4.7 Tax Implications for Brickworks of Implementing the Proposed Cancellation of Shares Transaction

BDO Tax has been appointed to provide Perpetual Investment and M.H. Carnegie with a tax opinion in relation to the Proposed Cancellation of Shares Transaction[26].

Following is the executive summary of BDO Tax's conclusions concerning the Proposed Cancellation of Shares Transaction extracted from the BDO Tax Opinion:

> *"The cancellation by [Soul Pattinson] of the shares held by the [Brickworks Group Companies] will give rise to a taxable gain for [Brickworks], as head company of the [Brickworks] Tax Consolidated Group. A taxable gain will arise for [Brickworks] where the proceeds for the cancellation exceed the tax cost base for the shares in [Soul Pattinson].*
>
> *The proceeds received by [Brickworks] for the cancellation of the [Soul Pattinson] shares held by [Brickworks] will be cash and promissory notes. It is anticipated that the market value of the cash and promissory notes to be provided by [Soul Pattinson] will exceed the tax cost base for [Brickworks'] investment in [Soul Pattinson] and therefore a taxable gain will arise to [Brickworks].*
>
> *It is expected that [Soul Pattinson] will account for the capital reduction by reducing [Soul Pattinson's] share capital as well reducing the profits and reserves of the company. It is also expected that [Soul Pattinson] will determine the relevant proportions, of the proceeds for the cancellation of the [Soul Pattinson] shares, for the reduction to share capital and profits, in accordance with guidance provided by the Australian Taxation Office, and confirmation of both proportions (capital and profits) will be obtained through an application to the Tax Commissioner for a Taxation Ruling.*
>
> *It is anticipated that the greater proportion of the proceeds provided by [Soul Pattinson] will be accounted for as a reduction to profits and will be treated, to the extent of available profits in [Soul Pattinson], as a dividend paid to [Brickworks].*
>
> *The dividend component of the cancellation proceeds will be included in the assessable income for [Brickworks] and is able to be partly franked, subject to the profits and franking credits available to [Soul Pattinson]. Based on the information provided, the dividend component of the proceeds for the share cancellation is expected to be franked to approximately 63%.*
>
> *The capital component of the cancellation proceeds will not be treated as a dividend.*
>
> *The assessable dividend component of the cancellation proceeds is expected to exceed the taxable capital gain arising from the cancellation of the [Soul Pattinson] shares and therefore only the assessable dividend component will be included in the taxable income for [Brickworks].*
>
> *It is estimated an income tax liability of $178.9M will be realised by [Brickworks] on the cancellation of the shares held in [Soul Pattinson] (based on an offer price per [Soul Pattinson] share of $15.75 at the time of the cancellation – the unadjusted floor price), or an income tax liability of $247.9M (based on an offer price per [Soul Pattinson] share of $18.00 at the time of the cancellation – the unadjusted indicative price).*
>
> *It is possible for the offer price to be higher or lower than the indicative price. If the offer price is higher than the indicative price, a corresponding higher tax liability will be incurred by [Brickworks] (approximately equal to 30% of the amount exceeding $18.00).*

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[26] For the full terms of the BDO Tax Opinion dated 18 October 2013, see www.howtounlockvalue.com.

Following the receipt of the promissory notes, the tax cost base for [Brickworks] for the promissory notes payable by [Soul Pattinson], will be equal to the market value of the [Soul Pattinson] shares held by [Brickworks] that are to be cancelled, less the cash component of the cancellation proceeds. Based on the information provided, the tax cost base of the promissory notes to be held by [Brickworks] is estimated to be $1,360.6M (based on an offer price per [Soul Pattinson] share of $15.75), or $1,590.6M (based on an offer price per [Soul Pattinson] share of $18.00).

Due to the cancellation proceeds received by [Brickworks] for the cancellation of the shares in [Soul Pattinson] held by [Brickworks] being partly franked, [Brickworks] will hold a large franking credit balance. The franking credits will be available to be used by [Brickworks] in the future in providing franked distributions to [Brickworks] shareholders".

Important Note: Reading this summary is no substitute for reading the full BDO Tax Opinion. Shareholders should read the full BDO Tax Opinion carefully, and in its entirety. If there is any discrepancy between this summary and the full BDO Tax Opinion, the full Opinion prevails.

4.8 Key Steps to Implementation of the Proposed Cancellation of Shares Transaction

If Resolution 2 is not passed at this Meeting by the required majority, the Proposed Cancellation of Shares Transaction will not proceed.

If Resolution 2 is passed at this Meeting by the required majority, the Proposed Cancellation of Shares Transaction will proceed, subject to satisfaction of the following further pre-requisites:

(a) in accordance with the requisition given by the Convening Shareholders to the board of Soul Pattinson under Section 249D of the Corporations Act (noted in Section 1.4 of this Explanatory Statement)[27], the board of Soul Pattinson must convene a general meeting of Soul Pattinson shareholders to consider a series of corresponding resolutions required to approve the Proposed Cancellation of Shares Transaction (and the Proposed Demerger Distribution Transaction);

(b) the shareholders of Soul Pattinson (including those Brickworks Group Companies that hold Soul Pattinson Shares, to the extent that they are entitled to vote) must pass those corresponding resolutions by the required majorities at that general meeting;

Important Note: Given the conclusions of the Independent Expert concerning Resolution 2 as set out in the Independent Expert's Report, and if Resolution 2 is passed at this Meeting by the required majority, Perpetual Investment and M.H. Carnegie expect that the Board of Brickworks will procure that the Brickworks Group Companies vote all of the Soul Pattinson Shares which they hold in favour of all resolutions on which they are entitled to vote at the requisitioned Soul Pattinson general meeting to approve the Proposed Cancellation of Shares Transaction (and the Proposed Demerger Dividend Transaction), and do all other things necessary to facilitate the Proposed Cancellation of Shares Transaction (and the Proposed Demerger Dividend Transaction).

(c) the Brickworks Group Companies must approve the cancellation of their Soul Pattinson Shares by a separate special resolution passed at a meeting of only those Brickworks Group Companies convened by Soul Pattinson under Section 256C(2) of the Corporations Act; and

[27] For a full copy of the Section 249D requisition given by the Convening Shareholders to Soul Pattinson, see http://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=sol&timeframe=Y&year=2013.

Important Note: Given the conclusions of the Independent Expert concerning Resolution 2 as set out in the Independent Expert's Report, and if Resolution 2 is passed at this Meeting by the required majority, Perpetual Investment and M.H. Carnegie expect that the Board of Brickworks will procure that the Brickworks Group Companies vote all of the Soul Pattinson Shares which they hold in favour of that special resolution to approve the Proposed Cancellation of Shares Transaction, and do all other things necessary to facilitate the Proposed Cancellation of Shares Transaction.

(d) Soul Pattinson must make certain tax elections, and must obtain favourable ATO rulings, relevant to the Proposed Cancellation of Shares Transaction.

If these further pre-requisites are not satisfied, the Proposed Cancellation of Shares Transaction will not proceed, even if Resolution 2 is passed at this Meeting by the required majority.

In addition to these further pre-requisites, the Proposed Cancellation of Shares Transaction contemplates that:

(e) the Board of Brickworks (excluding any Directors with a conflict of interest) acting reasonably and in good faith will negotiate the form and terms of the Agreed Security relevant to the Promissory Notes with the board of Soul Pattinson (excluding any directors with a conflict of interest) also acting reasonably and in good faith; and

(f) failing agreement being reached regarding the Agreed Security by the Cancellation Date, the Promissory Notes will be unsecured, but will bear interest at a much more favourable Coupon Rate.

4.9 Consequences for Brickworks if the Proposed Cancellation of Shares Transaction is Implemented

Immediate Consequences of Implementation of the Proposed Cancellation of Shares Transaction

If the Proposed Cancellation of Shares Transaction proceeds, Brickworks Group Companies will cease to hold any Soul Pattinson Shares.

In substitution for their Soul Pattinson Shares (which will have been cancelled by Soul Pattinson), the Brickworks Group Companies will be expected to have received substantial consideration from Soul Pattinson. That consideration, the Share Cancellation Price, will be calculated in accordance with a formula set out in Schedule 2 to this Explanatory Statement, and will (in summary) be the greater of:

(a) a floor price of $15.75 per Cancelled Share (adjusted down if there are any distributions made by Soul Pattinson to the Brickworks Group Companies before the Calculation Date); and

(b) an indicative price of $18.00 per Cancelled Share (adjusted up or down by reference to the circumstances prevailing at the Calculation Date).

Based on valuation work undertaken for them by BDO, Perpetual Investment and M.H. Carnegie consider that, if the share cancellation were completed applying prevailing valuations of Soul Pattinson and Brickworks, and their underlying assets, the Share Cancellation Price would be close to the indicative price of $18.00 per Cancelled Share.

For indicative purposes only:

(a) if the consideration were $15.75 per Cancelled Share, the total consideration payable to all Brickworks Group Companies (in aggregate) will be expected to be approximately $1,610.6 million (being 102,257,830 Soul Pattinson Shares at $15.75 per Cancelled Share)[28], comprising cash of $250 million and Promissory Notes with a face value of approximately $1,360.6 million; or

(b) if the consideration were $18.00 per Cancelled Share, the total consideration payable to all Brickworks Group Companies (in aggregate) will be expected to be approximately $1,840.6 million (being 102,257,830 Soul Pattinson Shares at $18.00 per Cancelled Share)[29], comprising cash of $250 million and Promissory Notes with a face value of approximately $1,590.6 million.

However, the consideration may be higher or lower than these amounts, depending on the application of the pricing formula as at the Calculation Date.

Comparison of the Share Cancellation Price to Historical Trading

As already noted (see, for example, Section 4.2 of this Explanatory Statement), it is envisaged that, prior to the Proposed Cancellation of Shares Transaction being completed, the distribution in specie of TPG Shares contemplated in Resolution 1 (ie. the Proposed Demerger Distribution Transaction) will first be completed. Accordingly, to compare the Share Cancellation Price to historical trading prices of Soul Pattinson Shares, the Share Cancellation Price must be notionally adjusted to add back the value of the TPG Shares attributable to each Brickworks Share which will have already been distributed as a consequence of the earlier completion of the Proposed Demerger Distribution Transaction. Based on valuation work undertaken for them by BDO, Perpetual Investment and M.H. Carnegie consider that, if the share cancellation were completed applying prevailing valuations of TPG Shares, the value of the TPG Shares attributable to each Brickworks Share would be close to $4.00 per Cancelled Share.

For indicative purposes only:

(a) if the Share Cancellation Price were to be $15.75 per Cancelled Share, the Adjusted Share Cancellation Price to be used to compare against historical trading prices in Soul Pattinson Shares would therefore be $19.75 per Cancelled Share ($15.75 plus $4.00 per Cancelled Share); and

(b) if the Share Cancellation Price were to be $18.00 per Cancelled Share, the Adjusted Share Cancellation Price to be used to compare against historical trading prices in Soul Pattinson Shares would therefore be $22.00 per Cancelled Share ($18.00 plus $4.00 per Cancelled Share).

The following comparisons are based on these Adjusted Share Cancellation Prices.

For indicative purposes only, at $19.75 per Cancelled Share, the Adjusted Share Cancellation Price represents a premium of 31.4% over the highest ever closing price for trading of Soul Pattinson Shares on ASX in the 5 years prior to the date of this Booklet (namely, $15.03 per share on 9 April 2010)[30]. It also represents a premium of 41.2% over the 5-day VWAP of Soul Pattinson Shares for the 5-days in the week

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[28] The actual value of the aggregate consideration will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date.

[29] The actual value of the aggregate consideration will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date.

[30] This information has been obtained from ASX.

immediately preceding the date of this Booklet (namely, $13.99 per share to 18 October 2013)[31]. It also represents a premium of 81.0% over the carrying value of the Soul Pattinson Shares in the latest accounts of Brickworks given to ASX on 19 September 2013 (namely, $10.91 per share)[32].

For indicative purposes only, at $22.00 per Cancelled Share, the Adjusted Share Cancellation Price represents a premium of 46.4% over the highest ever closing price for trading of Soul Pattinson Shares on ASX in the 5 years prior to the date of this Booklet (namely, $15.03 per share on 9 April 2010)[33]. It also represents a premium of 57.3% over the 5-day VWAP of Soul Pattinson Shares for the 5-days in the week immediately preceding the date of this Booklet (namely, $13.99 per share to 18 October 2013)[34]. It also represents a premium of 101.6% over the carrying value of the Soul Pattinson Shares in the latest accounts of Brickworks given to ASX on 19 September 2013 (namely, $10.91 per share)[35].

The above chart, obtained from ASX, shows historical trading of Soul Pattinson Shares over the past 5 years.

31 This information has been obtained from ASX.
32 For the full terms of the latest Brickworks accounts given to ASX on 19 September 2013, see http://www.asx.com.au/asxpdf/20130919/pdf/42jg6c4l819f93.pdf.
33 This information has been obtained from ASX.
34 This information has been obtained from ASX.
35 For the full terms of the latest Brickworks accounts given to ASX on 19 September 2013, see http://www.asx.com.au/asxpdf/20130919/pdf/42jg6c4l819f93.pdf.

Recent Purchases of Soul Pattinson Shares by the Millner Family

Recent disclosures to ASX[36] indicate that interests associated with the Millner Family have recently purchased additional Soul Pattinson Shares, expending approximately $1.46 million to acquire shares at an average of approximately $13.90 per share. This suggests that the Millner Family interests consider that Soul Pattinson Shares represent good value at that price level.

The Cash Component of the Share Cancellation Price

As regards the consideration, $250 million will be expected to be paid to the Brickworks Group Companies in cash[37], which Brickworks will be entitled to apply to its own purposes going forward (eg. to meet tax payable by Brickworks on the Proposed Cancellation of Shares Transaction, to reduce external debt and attendant on-going interest charges, or to use as additional working capital).

The Promissory Notes Component of the Share Cancellation Price

In addition, the Brickworks Group Companies will receive the balance of the consideration in interest bearing Promissory Notes from Soul Pattinson[38].

If secured, these Promissory Notes will rank higher on an insolvency of Soul Pattinson than the previous shares in Soul Pattison held by those Brickworks Group Companies, and will have an after-tax yield greater than the dividends previously payable by Soul Pattinson on the corresponding number of Soul Pattinson Shares. If unsecured, these Promissory Notes will still rank higher on an insolvency of Soul Pattinson than the previous shares in Soul Pattison held by those Brickworks Group Companies, but they will have an after-tax yield significantly higher than the dividends previously payable by Soul Pattinson on the corresponding number of Soul Pattinson Shares. Either way, the Brickworks Group Companies will be expected to be commercially better off by holding the Promissory Notes during their term, compared to the previously held Soul Pattinson Shares.

The amount of the balance payable by Soul Pattinson to Brickworks with respect to the share cancellation, represented by the Promissory Notes, will be reduced by distributions which are made by Soul Pattinson to the Brickworks Group Companies before the Calculation Date (including dividends, distributions of capital, and consideration paid for share buybacks and/or cancellations of shares, but excluding the amount attributable to the Proposed Demerger Distribution Transaction which is already factored into the Share Cancellation Price). Accordingly, if Soul Pattinson were to make such distributions, they would reduce the amount payable to the Brickworks Group Companies with respect to the share cancellation. This may be beneficial to both Soul Pattinson and to Brickworks. For example, if Soul Pattinson were to make a demerger distribution of its NHC Shares in the 12 month period prior to the Cancellation Date, in the same manner as presently proposed for the TPG Shares in the Proposed Demerger Distribution Transaction, that would significantly reduce the face value of the Promissory Notes (which would be beneficial to Soul Pattinson), but it would also provide the Brickworks Group Companies with further liquidity and diversification of investments (which would also be quite beneficial to Brickworks).

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[36] The Millner Family disclosures are contained in Appendix 3Y Notices filed with ASX on 26 September 2013 and 8 October 2013: see http://www.asx.com.au/asxpdf/20130926/pdf/42jmg6718cnpnt.pdf and http://www.asx.com.au/asxpdf/20131008/pdf/42jx266prf025f.pdf.

[37] The actual value of the aggregate consideration will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date and the final Share Cancellation Price.

[38] The actual face value of the Promissory Notes will depend on the number of Soul Pattinson Shares held by the Brickworks Group Companies on the Cancellation Date and the final Share Cancellation Price.

Any additional net cash, and the after-tax interest paid on the Promissory Notes, will be expected to contribute to increased cash flow and net profits for Brickworks, and therefore increased liquidity for Brickworks, during the term of the Promissory Notes. This will be expected to create increased opportunity for dividends to Brickworks shareholders over that period.

Franking Credits

There will be expected to be a significant and favourable impact on the franking credit position of Brickworks from the implementation of the Proposed Cancellation of Shares Transaction. Following that Transaction, Brickworks will hold a significantly larger 'bank' of franking credits, which will be available for distribution to Brickworks shareholders in the normal way.

Options for Repayment of the Promissory Notes

Soul Pattinson will be expected to have a number of options available to it to meet its obligation to repay the Promissory Notes by the Maturity Date (ie. 1 year after the date of issue), although some of those options may require discussions with, and agreement from, Brickworks. These options may include, without limitation:

(a) Brickworks could declare a fully franked dividend out of its 'bank' of franking credits and could distribute in specie to all Brickworks shareholders a proportion of the Promissory Notes in satisfaction of that dividend (to the extent that Soul Pattison received Promissory Notes issued by itself through this dividend, those Promissory Notes could then be extinguished);

(b) Brickworks could undertake a selective share buy back or a selective reduction of capital to eliminate the Soul Pattinson shareholding in Brickworks (to the extent of any resulting mutual debts between Soul Pattinson and Brickworks, the Promissory Notes owing could then be reduced);

(c) Soul Pattinson could undertake a scrip takeover for Brickworks, which if successful would result in Soul Pattinson owing 100% of Brickworks (as a wholly owned subsidiary, the intercompany debt between Soul Pattinson and Brickworks with respect to the Promissory Notes could then be eliminated); or

(d) Soul Pattinson could borrow necessary funds on a longer term (of say 5 years) from a bank or other financial institution, and could use that borrowing to repay the Promissory Notes, and Brickworks could in turn use that cash repayment and its 'bank' of franking credits to declare a fully franked dividend to Brickworks shareholders payable in cash (of which, Soul Pattinson would receive 44.34% back, which it could then use to significantly reduce the external borrowing).

4.10 Consequences for Brickworks if the Proposed Cancellation of Shares Transaction is Not Implemented

If the Proposed Cancellation of Shares Transaction does not proceed, there will be no change to the status quo. The Brickworks Group Companies will continue to hold their Soul Pattinson Shares.

4.11 Voting Recommendation of Perpetual Investment and M.H. Carnegie

Perpetual Investment and M.H. Carnegie consider that the Proposed Cancellation of Shares Transaction is in the best interests of Brickworks shareholders.

Perpetual Investment and M.H. Carnegie unanimously recommend that Brickworks shareholders vote FOR Resolution 2 as proposed in the Notice of Meeting.

5. RESOLUTION 3: THE APPOINTMENT OF A NEW INDEPENDENT DIRECTOR

5.1 Outline of Resolution 3

Resolution 3 is an ordinary resolution, seeking the approval of Brickworks shareholders under Clause 6.2(b) of the Company's Constitution to the appointment of Ms. Elizabeth Crouch as an additional Director of the Company.

5.2 Current Deficiences in the Composition of the Brickworks Board

Applicable Corporate Governance Requirements

Perpetual Investment and M.H. Carnegie consider that the current composition of the Board of Brickworks is not in conformity with the recommended governance principles of ASX and other relevant bodies, or with the recommended governance principles of various independent shareholder advocacy groups.

Companies listed on ASX must comply with the requirements of the Listing Rules. In addition, ASX-listed companies are encouraged to follow an 'if not, why not' approach with respect to the ASX Corporate Governance Principles. Among other things, those Principles recommend that:

Paragraph 2.1: A majority of the board should be independent directors.

Paragraph 2.2: The chair should be an independent director.

Paragraphs 3.2 & 3.4: Companies should establish a policy concerning diversity, which should include requirements to establish measurable objectives for achieving gender diversity. Companies should disclose in each annual report the proportion of women on the board.

The ASX Corporate Governance Principles are currently being revised. Relevantly, the ASX Corporate Governance Principles & Recommendations – Consultation Draft re-state recommendations to the effect of those set out above, indicating that those recommendations are intended to be continued under the updated governance regime which will commence in 2014.

In addition to the ASX Corporate Governance Principles, there are three other sets of influential corporate governance guidelines in Australia which make recommendations relevant to the composition of public company boards. They are those published by the Australian Council of Superannuation Investors, the Financial Services Council, and the Australian Prudential Regulatory Authority.

Composition of the Brickworks Board

At present, the Board of the Company is comprised of the following Directors:

Name	Title	Term Start	Classification
Robert Millner	Chairman	1997	Not Independent
Michael Millner	Deputy Chairman	1998	Not Independent
Lindsay Partridge	Managing Director	2000	Executive / Not Independent

Robert Webster	Director	2001	Independent
David Gilham	Director	2003	Not Independent
Brendan Crotty	Director	2008	Independent

As can be seen, neither the Chairman nor a majority of the Brickworks Board is independent, there has been no Board renewal for at least 5 years since 2008, and there is no gender diversity on the Board. Perpetual Investment and M.H. Carnegie consider that, in at least these significant respects, the Brickworks Board is not operating in accordance with preferred governance principles and best practice.

The ASX Corporate Governance Principles & Recommendations – Consultation Draft also makes a number of statements which are relevant in this context:

> *Extract from the Consultation Draft – Box 2.1*
>
> *"A director of a listed entity should be characterised and described as an independent director only if he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holder generally.*
>
> *Examples of interests, positions, associations and relationships that might cause doubts about the independence of a director include if the director;*
>
> - *is, or has been, employed in an executive capacity by the entity ...; ...*
> - *is ... an officer of ... a substantial shareholder of the entity; ... or*
> - *has been a director of the entity for more than 9 years".*

Applying the last of these proposed tests would cause doubts to be raised also about the independence of Mr Webster as a director on the Brickworks Board.

Further, on the subject of board diversity, the ASX Corporate Governance Principles & Recommendations – Consultation Draft also makes another important observation:

> *Extract from the Consultation Draft – Recommendation 1.5 – Commentary*
>
> *"Having an appropriate balance between the representation of men and women on the board ... can have important governance ramifications. Research has shown that increased gender diversity on boards is associated with better financial performance".*

Perpetual Investment and M.H. Carnegie agree with the views expressed by the ASX Corporate Governance Council set out in the foregoing extracts from the ASX Corporate Governance Principles & Recommendations – Consultation Draft.

Goal of a More Independent Brickworks Board

Perpetual Investment and M.H. Carnegie consider that the Company's shareholders will benefit from the Company appointing a new independent Director with appropriate credentials to the Board.

In order to take steps to bring the composition of the Brickworks Board into line with preferred governance principles and best practice, Perpetual Investment and M.H. Carnegie propose the appointment of Ms. Elizabeth Crouch as a new independent Director on the Board.

Perpetual Investment and M.H. Carnegie consider that the appointment of Ms. Crouch to the Board of the Company is in the best interests of Brickworks shareholders, and that therefore Resolution 3 should be supported by all voting shareholders.

5.3 Credentials and Experience of Ms. Crouch

Ms. Crouch is a professional public company director who has been involved with public company boards for over a decade, in addition to holding a number of significant appointments to government.

She has vast experience in the practical application of corporate governance principles and enterprise risk management, and also has significant experience in building, construction and infrastructure.

Ms. Crouch spent 16 years with the federal government before moving into the private sector.

Previously, her roles included Chief Executive and Executive Director of the Housing Industry Association (1998 to 2007), Chairman of Railcorp (2009 to 2011), Deputy Chairman of the Central Sydney Planning Committee (2007 to 2009), and Member of the Building Products Innovation Council (2003 to 2006).

Currently, Ms. Crouch is Deputy Chancellor of Macquarie University (where she Chairs the Finance Committee and is a Member of the Audit & Risk Committee), Chairman of the National Occupational Licensing Authority, and a Non-Executive Director of Chandler Macleod Group (where she is the Chairman of the Audit, Risk & Compliance Committee). Ms. Crouch also Chairs a number of Audit & Risk Committees in the health, finance and transport sectors.

Ms. Crouch is a Fellow of Australian Institute of Company Directors, and a Member of Women on Boards.

She holds a Bachelor of Economics degree.

5.4 Voting Exclusions Relevant to Resolution 3

There are no voting exclusions applicable to Resolution 3. Accordingly, all Brickworks shareholders (including Soul Pattinson) can vote on Resolution 3.

Resolution 3 will be passed if it is approved by a simple majority of those Brickworks shareholders who are present at this Meeting in person, by proxy or by other permitted means, and who being entitled to do so vote in favour of the Resolution.

Important Note: If Soul Pattinson votes its Brickworks shares against this Resolution to defeat it, that should raise grave concerns for institutional and other Brickworks shareholders who will, in those circumstances, continue to be inequitably represented on the Brickworks Board. That outcome would not be in the best interests of Brickworks shareholders, and should be an outcome which the Brickworks Board, particularly the independent Directors on the Brickworks Board, should be actively seeking to avoid.

5.5 Voting Intentions of Perpetual Investment and M.H. Carnegie

Perpetual Investment and M.H. Carnegie consider that the appointment of Ms. Crouch to the Board of the Company in the best interests of Brickworks shareholders, and that therefore Resolution 3 should be supported by all voting shareholders.

Perpetual Investment and M.H. Carnegie intend to cast all of the votes which they control (representing approximately 12.50% of the issued capital of the Company) in favour of Resolution 3.

5.6 Consequences for Brickworks if Resolution 3 is Passed

If Resolution 3 is passed, Ms. Crouch will be appointed as a new independent Director on the Brickworks Board.

Ms. Crouch will be appointed as an addition to the Board. There will be no other changes to the Brickworks Board, and all other incumbent Directors will remain in office.

The appointment of Ms. Crouch to the Board of the Company will assist the Company in better conforming to the recommended governance principles of ASX and other relevant bodies, and to the recommended governance principles of various independent shareholder advocacy groups.

5.7 Consequences for Brickworks if Resolution 3 is Not Passed

If Resolution 3 is not passed, there will be no change to the status quo. If Resolution 3 is not passed, Ms. Crouch will not be appointed as a new independent Director on the Brickworks Board. The composition of the Company's Board will continue to be inconsistent with preferred governance principles (including, without limitation, the ASX Corporate Governance Principles), and best practice.

5.8 Voting Recommendation of Perpetual Investment and M.H. Carnegie

Perpetual Investment and M.H. Carnegie consider that the appointment of Ms. Crouch to the Brickworks Board is in the best interests of Brickworks shareholders.

Perpetual Investment and M.H. Carnegie unanimously recommend that Brickworks shareholders vote <u>FOR</u> Resolution 3 as proposed in the Notice of Meeting.

GLOSSARY

Defined Terms used in this Booklet

Adjusted Share Cancellation Price means the Share Cancellation Price adjusted to reflect the prior distribution in specie of TPG Shares contemplated in Resolution 1 (ie. the Proposed Demerger Distribution Transaction);

Agreed Security has the meaning given in Schedule 2 to the Explanatory Statement;

ASX means ASX Limited (ACN 008 624 691);

ASX Corporate Governance Principles means the ASX Corporate Governance Council Principles & Recommendations (2nd Edition) (as amended);

ASX Corporate Governance Principles & Recommendations – Consultation Draft means the consultation draft for the 3rd Edition of the ASX Corporate Governance Principles as published by the ASX Corporate Governance Council;

ATO means Australian Taxation Office;

BDO means BDO Corporate Finance (East Coast) Pty Limited (ACN 050 038 170);

BDO Tax means BDO East Coast Partnership;

BDO Tax Opinion means the tax opinion of BDO Tax dated 18 October 2013, in relation to the Proposed Transactions, which is available at www.howtounlockvalue.com;

Board means the board of the Company;

Boardroom means Boardroom Pty Limited (ACN 003 209 836);

Booklet means this booklet, comprising the Notice of Meeting, the Explanatory Statement, the Independent Expert's Report and the Proxy Form;

Brickworks or **Company** means Brickworks Limited (ACN 000 028 526);

Brickworks Group Company means the Company to the extent that it holds shares in Soul Pattinson, and each subsidiary of the Company that holds shares in Soul Pattinson;

Brickworks Shares means shares in Brickworks;

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day;

Calculation Date means the day 10 Business Days prior to the Cancellation Date;

Cancellation Date means the day 12 months after the date on which the Proposed Cancellation of Shares Transaction is approved by Soul Pattinson shareholders;

Cancelled Share has the meaning given in Schedule 2 to the Explanatory Statement;

Cash Component has the meaning given in Schedule 2 to the Explanatory Statement;

Company or **Brickworks** means Brickworks Limited (ACN 000 028 526);

Constitution means the constitution of the Company;

Convening Shareholders means the M.H. Carnegie Shareholding Entities and the Perpetual Shareholding Entity;

Cooperation Agreement means the agreement between the Convening Shareholders dated 26 November 2012;

Corporations Act means the *Corporations Act* 2001 (Cth);

Corporations Regulations means regulations made under the Corporations Act;

Coupon Rate has the meaning given in Schedule 2 to the Explanatory Statement;

Deloitte Corporate Finance means Deloitte Corporate Finance Pty Limited (ACN 003 833 127), acting as the Independent Expert;

Demerger Rules means the demerger rules contained in Division 125 of the ITAA 1997 and Section 44 of the ITAA 1936;

Director means a director of the Company;

Explanatory Statement means the explanatory statement included in the Booklet for this Meeting;

5-day VWAP means the volume weighted average price per share for shares in the capital of the relevant company as traded on ASX over the nominated 5 trading days, calculated excluding special crossings, overnight sales, and exchange traded options exercises;

Independent Expert means the independent expert appointed for the purposes of preparing the report under Listing Rule 10.10.2 in relation to Resolutions 1 and 2;

Independent Expert's Report means the report under Listing Rule 10.10.2 in relation to Resolutions 1and 2 prepared by Deloitte Corporate Finance included in the Booklet for this Meeting;

ITAA 1936 means the *Income Tax Assessment Act* 1936 (Cth);

ITAA 1997 means the *Income Tax Assessment Act* 1997 (Cth);

Listing Rules means the listing rules of ASX;

Maturity Date has the meaning given in Schedule 2 to the Explanatory Statement;

Meeting means this general meeting of Brickworks shareholders, convened by the Convening Shareholders by the issue of the Notice of Meeting;

M.H. Carnegie means M.H. Carnegie & Co. Pty Limited (ACN 146 859 341);

M.H. Carnegie Shareholding Entities means MHC Fund Services A Pty Limited (ACN 158 377 827) and MHC Fund Services B Pty Limited (ACN 150 268 625);

MYX means Bursa Malaysia Securities Berhad;

NHC Shares means shares in New Hope Corporation Limited (ACN 010 653 844);

Notice of Meeting means the notice of meeting included in the Booklet for this Meeting;

Perpetual means Perpetual Limited (ACN 000 431 827);

Perpetual Group means Perpetual and its subsidiaries, including Perpetual Investment;

Perpetual Investment means Perpetual Investment Management Limited (ACN 000 866 535);

Perpetual Shareholding Entity means RBC Investor Services Australia Nominees Pty Limited (ACN 097 125 123);

Promissory Notes has the meaning given in Schedule 2 to the Explanatory Statement;

Promissory Notes Component has the meaning given in Schedule 2 to the Explanatory Statement;

Proposed Cancellation of Shares Transaction means the transaction envisaged in Resolution 2;

Proposed Demerger Distribution Transaction means the transaction envisaged in Resolution 1;

Proposed Transactions means the Proposed Demerger Distribution Transaction and the Proposed Cancellation of Shares Transaction;

Proxy Form means the proxy form which accompanies the Booklet for this Meeting, or any substitute proxy form created, issued or used for this Meeting;

Record Date has the meaning given in Schedule 1 to the Explanatory Statement;

Resolutions means resolutions included in the Notice of Meeting to be considered by Brickworks shareholders at this Meeting;

Share Cancellation Price means the price per Cancelled Share calculated in accordance with the Appendix to Schedule 2;

Soul Pattinson means Washington H. Soul Pattinson & Company Limited (ACN 000 002 728);

Soul Pattinson Shares means shares in Soul Pattinson;

TPG means TPG Telecom Limited (ACN 093 058 069); and

TPG Shares means shares in TPG.

SCHEDULE 1

Details of the Proposed Demerger Distribution Transaction

It is proposed that Soul Pattinson will make a distribution to all members of Soul Pattinson, including to those Brickworks Group Companies that hold Soul Pattinson shares, on the following terms:

(a) the total amount of the distribution to be made in respect of all shares in Soul Pattinson will be an amount equal to the TPG Demerger Distribution Shares Value;

(b) the record date for the distribution will be the Record Date;

(c) the distribution will be made to all members of Soul Pattinson as at the Record Date;

(d) the distribution to be made to each such member of Soul Pattinson will be that number of TPG Demerger Distribution Shares as is equal to the total number of TPG Demerger Distribution Shares <u>divided</u> by the total number of shares on issue in Soul Pattinson at the Record Date and <u>multiplied</u> by the number of shares held by that member in Soul Pattinson at the Record Date (with any resulting fractions of TPG Demerger Distribution Shares to be ignored);

(e) the distribution will be made within 5 business days after the Record Date;

(f) the distribution to be made to an Eligible Member will be made by transferring the relevant number of TPG Demerger Distribution Shares for that Eligible Member as determined in accordance with Paragraph (d) to such Eligible Member;

(g) the distribution to be made to Ineligible Overseas Members will be made by transferring the relevant number of TPG Demerger Distribution Shares for all Ineligible Overseas Members as determined in accordance with Paragraph (d) to a person nominated by Soul Pattinson, who will sell those TPG Demerger Distribution Shares on behalf of those Ineligible Overseas Members on ASX as soon as practicable and remit the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) to Soul Pattinson for distribution to the Ineligible Overseas Members in accordance with usual practice for transactions of this nature;

(h) the distribution will be made in part as a return of capital, and in part as a demerger dividend to the maximum extent permissible, attracting tax effective demerger roll-over relief, under the demerger rules contained in Division 125 of the *Income Tax Assessment Act* 1997 (Cth) and Section 44 of *the Income Tax Assessment Act* 1936 (Cth); and

(i) the distribution will be unfranked.

For the purposes of the foregoing:

Eligible Member means a member of Soul Pattinson whose address as shown in the register of members of Soul Pattinson as at the Record Date is in:

(a) Australia or any of its external territories; or

(b) any other place where Soul Pattinson is satisfied, acting reasonably, that the laws of that place permit the transfer of TPG Demerger Distribution Shares to that member in accordance with Resolution 1 either unconditionally or after compliance with conditions that Soul Pattinson in its sole discretion regards as acceptable and not unduly onerous or impracticable;

Ineligible Overseas Member means a member of Soul Pattinson who is not an Eligible Member;

Record Date means the record date and time for the distribution notified by Soul Pattinson to ASX, at least 10 business days in advance, being the earliest date that Soul Pattinson can reasonably notify ASX once Soul Pattinson has made all relevant taxation elections, and has obtained all relevant taxation rulings, with respect to the distribution, as envisaged in its Constitution (as amended);

TPG Demerger Distribution Shares means all of the fully paid ordinary shares in TPG held by Soul Pattinson at the Record Date; and

TPG Demerger Distribution Shares Value means the market value of all of the TPG Demerger Distribution Shares to be distributed as envisaged in Paragraphs (c) and (d).

SCHEDULE 2

Details of the Proposed Cancellation of Shares Transaction

It is proposed that Soul Pattinson will effect a selective reduction of its share capital, on the following terms:

(a) by cancelling all of the ordinary shares in the capital of Soul Pattinson held by each Brickworks Group Company, with effect from the Cancellation Date; and

(b) in consideration for the Soul Pattinson Shares so cancelled, by Soul Pattinson calculating and making payment in accordance with the following requirements:

(i) the value of each Cancelled Share held by each Brickworks Group Company will be equal to the Share Cancellation Price;

(ii) the total consideration payable by Soul Pattinson to each Brickworks Group Company in respect of all of its Cancelled Shares will be the Cancellation Consideration Value;

(iii) the Cancellation Consideration Value payable to each Brickworks Group Company will comprise two components, as follows:

(A) first, a cash component, calculated by applying the following formula:

$250,000,000 x the number of Cancelled Shares held by that Brickworks Group Company ÷ the total number of Cancelled Shares held by all Brickworks Group Companies (with any resulting fractions of cents to be ignored); and

(B) second, a residual component, calculated by applying the following formula:

the Cancellation Consideration Value payable to that Brickworks Group Company - the Cash Component payable to that Brickworks Group Company;

(iv) Soul Pattinson will pay the Cancellation Consideration Value to each Brickworks Group Company, within 2 business days after the day of the cancellation of the Cancelled Shares in accordance with Paragraph (a):

(A) in satisfaction of the Cash Component of the consideration, by paying to the relevant Brickworks Group Company the amount of the Cash Component, by cheque, direct deposit or other usual means; and

(B) in satisfaction of the Promissory Notes Component of the consideration, by issuing to the relevant Brickworks Group Company a promissory note, on the following terms:

(1) the promissory note will have a face value equal to the Promissory Notes Component payable to that Brickworks Group Company;

(2) the promissory note will bear interest at the Coupon Rate, accruing daily, and payable every 6 months during its term, and otherwise on the date of final repayment of the promissory note;

(3) the promissory note will be secured to the extent of the Agreed Security; and

(4) the promissory note will be repayable by Soul Pattinson on the Maturity Date but may be repaid earlier by Soul Pattinson at its election; and

(v) Soul Pattinson will use its best endeavours (including, without limitation, by making all relevant taxation elections and obtaining all relevant taxation rulings) to ensure that the consideration paid in accordance with Paragraph (b)(iv) is paid as a franked dividend to the maximum extent permissible, to the same extent in respect of each Cancelled Share.

Notwithstanding the foregoing:

(c) if, between 25 September 2013 and the Cancellation Date (inclusive), the S&P/ASX All Ordinaries Index decreases to a level that is at least 35% below the level of that Index as at the close of trading on 25 September 2013, and remains at or below that level for 3 consecutive Business Days, Soul Pattinson may, at any time prior to 12.00 noon on the Cancellation Date, terminate the Proposed Cancellation of Shares Transaction, by written notice to Brickworks, without cost or liability to Soul Pattinson; and

(d) if, between 25 September 2013 and the Cancellation Date (inclusive), Soul Pattinson acquires all of the issued Brickworks Shares, Soul Pattinson may, at any time prior to 12.00 noon on the Cancellation Date, terminate the Proposed Cancellation of Shares Transaction, by written notice to Brickworks, without cost or liability to Soul Pattinson.

Finally, Soul Pattinson must ensure that the Proposed Demerger Distribution Transaction is completed no later than 10 Business Days prior to the Calculation Date.

For the purposes of the foregoing:

Agreed Security, in respect of a Promissory Note, means either:

(a) first ranking security (sharing priority only with the first ranking security of other Brickworks Group Companies determined in accordance with this Paragraph) over assets of Soul Pattinson to secure an amount of $550,000,000 <u>multiplied</u> by the face value of that Promissory Note and <u>divided</u> by the aggregate face value of all Promissory Notes (with any resulting fractions of cents to be ignored), and second ranking security (sharing priority only with the second ranking security of other Brickworks Group Companies determined in accordance with this Paragraph) over assets of Soul Pattinson to secure the balance of the face value of the Promissory Note, in the form and on the terms agreed between (on the one hand) the Board of the Company (excluding any Directors with a conflict of interest) acting reasonably and in good faith, and (on the other hand) the board of Soul Pattinson (excluding any directors with a conflict of interest) acting reasonably and in good faith; or

(b) if no such agreement is reached by or on the Cancellation Date, no security (ie. unsecured);

BBSY means the Australian Bank Bill Swap Bid Rate, being the average bid rate for Australian dollar bills of exchange having various tenors which appear on the Reuters Screen BBSY Page at approximately 10.10 am (Sydney time) on the Cancellation Date, or if no such rate appears on the Cancellation Date the last appearing Australian Bank Bill Swap Bid Rate immediately preceding the Cancellation Date;

Cancellation Consideration Value, payable to a Brickworks Group Company, means the Share Cancellation Price multiplied by the number of Cancelled Shares held by that Brickworks Group Company;

Cancelled Share means an ordinary share in the capital of Soul Pattinson which is to be cancelled as envisaged in Resolution 2;

Cash Component, payable to a Brickworks Group Company, means the cash component of the Cancellation Consideration Value payable to that Brickworks Group Company calculated in accordance with Paragraph (b)(iii)(A);

Coupon Rate, in respect of a Promissory Note, means the rate of interest applicable to the Promissory Note, to be fixed at the Cancellation Date, being:

(a) if the Promissory Note is secured as envisaged in Paragraph (a) of the definition of Agreed Security above:

   (i) for the amount secured by the first ranking security, an annual interest rate of BBSY + 350 basis points; and

   (ii) for the amount secured by the second ranking security, an annual interest rate of BBSY + 950 basis points; or

(b) otherwise, an annual interest rate of BBSY + 1250 basis points;

Maturity Date, in respect of a Promissory Note, means the date 1 year after the date of issue of that Promissory Note;

Promissory Note means a promissory note to be issued to a Brickworks Group Company as envisaged in Paragraph (b)(iv)(B);

Promissory Notes means the Promissory Notes to be issued to all Brickworks Group Companies, jointly and severally; and

Promissory Notes Component, payable to a Brickworks Group Company, means the residual component of the Cancellation Consideration Value payable to that Brickworks Group Company calculated in accordance with Paragraph (b)(iii)(B).

Appendix

1. The Share Cancellation Price will be calculated as of 5.00 pm on the Calculation Date.

2. The Share Cancellation Price, calculated as of 5.00 pm on the Calculation Date, will be the greater of:

   (a) the Indicative Price reduced or increased (as the case may be) by the Adjustment Amount (if any); and

   (b) the Floor Price reduced by the Distribution Amount (if any).

   For these purposes:

   Adjustment Amount means the amount calculated in accordance with Clause 4 (if any).

   Distribution Amount means the amount calculated in accordance with Clause 3 (if any).

   Floor Price means $15.75.

   Indicative Price means $18.00.

   If, between 25 September 2013 and 5.00 pm on the Cancellation Date, there is a consolidation or a subdivision, or a bonus issue for no consideration, of Soul Pattinson Shares, Clause 5 applies.

3. The Distribution Amount will be the aggregate amount of all distributions to which the Brickworks Group Companies, in their capacity as Soul Pattinson shareholders, become entitled, between 25 September 2013 and the Calculation Date (inclusive), in respect of each Cancelled Share, which comprise:

   (a) dividends;

   (b) distributions of capital; and/or

   (c) consideration paid for share buybacks and/or cancellations of shares,

   excluding the amount of the distribution of TPG Shares envisaged in the Proposed Demerger Distribution Transaction.

4. The Adjustment Amount will be the amount, in respect of each Cancelled Share, equal to the Actual Price less the Indicative Price.

   For these purposes:

   Actual Price means the amount calculated in accordance with the following formula:

   Actual Price = Offer Price ÷ BKW Shareholding.

   BKW Shareholding means the number of Soul Pattinson Shares held by the Brickworks Group Companies (currently, 102,257,830 Shares).

BKW Shareholding Market Valuation means the 5-day VWAP, calculated as of 5.00 pm on the Calculation Date, of Soul Pattinson Shares multiplied by the BKW Shareholding as of 5.00 pm on the Calculation Date.

BKW Sum-of-the-Parts Valuation means:

(a) $298,907,000 (the value attributed to the net assets and liabilities of Brickworks, other than the Soul Pattinson Shares and the TPG Shares); plus

(b) the aggregate amount of all distributions to which the Brickworks Group Companies, in their capacity as Soul Pattinson shareholders, become entitled, between 25 September 2013 and the Calculation Date (inclusive), which comprise:

  (i) dividends;

  (ii) distributions of capital; and/or

  (iii) consideration for share buybacks and/or cancellations of shares,

  excluding the amount of the distribution of TPG Shares envisaged in the Proposed Demerger Distribution Transaction; plus

(c) as appropriate:

  (i) the 5-day VWAP, calculated as of 5.00 pm on the Calculation Date, of TPG Shares multiplied by the number of such of those TPG Shares held by Soul Pattinson at 25 September 2013 as are distributed to the Brickworks Group Companies as envisaged in the Proposed Demerger Distribution Transaction that remain held by the Brickworks Group Companies as of 5.00 pm on the Calculation Date; and

  (ii) the gross proceeds of sale of such of those TPG Shares held by Soul Pattinson at 25 September 2013 as are distributed to the Brickworks Group Companies as envisaged in the Proposed Demerger Distribution Transaction that do not remain held by the Brickworks Group Companies as of 5.00 pm on the Calculation Date; plus

(d) the net proceeds of share issues made by Brickworks, between 25 September 2013 and the Calculation Date (inclusive); less

(e) the aggregate amount of all distributions made by Brickworks, between 25 September 2013 and the Calculation Date (inclusive), which comprise:

  (i) dividends;

  (ii) distributions of capital; and/or

  (iii) consideration paid for share buybacks and/or cancellations of shares.

External Market Capitalisation means:

(a) the 5-day VWAP, calculated as of 5.00 pm on the Calculation Date, of Brickworks Shares multiplied by the number of Brickworks Shares held by Brickworks shareholders other than Soul Pattinson and its subsidiaries; plus

(b) the 5-day VWAP, calculated as of 5.00 pm on the Calculation Date, of Soul Pattinson Shares multiplied by the number of Soul Pattinson Shares held by Soul Pattinson shareholders other than the Brickworks Group Companies.

Listed Reference Group Shares means Shares held by Soul Pattinson in the following listed entities:

(a) entities with shares which trade on an ASX securities exchange: New Hope Corporation Limited (ACN 010 653 844); BKI Investment Company Limited (ACN 106 719 868); Australian Pharmaceutical Industries Limited (ACN 000 004 320); Ruralco Holdings Limited (ACN 009 660 879); and Clover Corporation Limited (ACN 003 622 866); and

(b) entities with shares which trade on an MYX securities exchange: Apex Healthcare Berhad (473108-T).

Offer Price means the BKW Shareholding Market Valuation plus the Valuation Amount.

SOL Sum-of-the-Parts Valuation means:

(a) $1,006,530,000 (the value attributed to the net assets and liabilities of Soul Pattinson, other than the Listed Reference Group Shares, the Brickworks Shares and the TPG Shares); plus

(b) the aggregate amount of all distributions to which Soul Pattinson, in its capacity as a Brickworks shareholder, becomes entitled, between 25 September 2013 and the Calculation Date (inclusive), which comprise:

    (i) dividends;

    (ii) distributions of capital; and/or

    (iii) consideration for share buybacks and/or cancellations of shares; plus

(c) as appropriate:

    (i) the 5-day VWAP, calculated as of 5.00 pm on the Calculation Date, of each of the Listed Reference Group Shares multiplied by the number of such of each of those Listed Reference Group Shares held by Soul Pattinson at 25 September 2013 that remain held by Soul Pattinson as of 5.00 pm on the Calculation Date; and

(ii) the gross proceeds of sale of such of those Listed Reference Group Shares held by Soul Pattinson at 25 September 2013 that do not remain held by Soul Pattinson as of 5.00 pm on the Calculation Date; plus

(d) the net proceeds of share issues made by Soul Pattinson, between 25 September 2013 and the Calculation Date (inclusive); less

(e) the aggregate amount of all distributions made by Soul Pattinson, between 25 September 2013 and the Calculation Date (inclusive), which comprise:

(i) dividends;

(ii) distributions of capital; and/or

(iii) consideration for share buybacks and/or cancellations of shares,

excluding the amount of the distribution of TPG Shares envisaged in the Proposed Demerger Distribution Transaction.

SOTP Valuation means the BKW Sum-of-the-Parts Valuation plus the SOL Sum-of-the-Parts Valuation.

Tax Payable means the amount of tax which, after consultation with Brickworks (as appropriate), Soul Pattinson, acting reasonably and in good faith, estimates that the Brickworks Group Companies will have to pay with respect to the receipt of the Share Cancellation Price as consideration for the cancellation of the Cancelled Shares.

Undervaluation means the greater of:

(a) nil; and

(b) the SOTP Valuation less the External Market Capitalisation.

Valuation Amount means the amount calculated in accordance with the following formula:

Valuation Amount = [(Undervaluation – Tax Payable) ÷ 2] + Tax Payable.

5-day VWAP means the volume weighted average price per share for shares in the capital of the relevant listed entity:

(a) in the case of entities with shares which trade on an ASX securities exchange, as traded on that ASX exchange over the 5 Business Days ending on the Calculation Date; and

(b) in the case of entities with shares which trade on an MYX securities exchange, as traded on that MYX exchange over the 5 Business Days ending on the Calculation Date (converted into Australian dollars by dividing the resulting amount of Malaysian Ringgit by the 'Bank buys Cash' rate for Malaysian Ringgit published at 5.00 pm on the Calculation Date at https://service.commbank.com.au/guides/personal/other/foreignexchangerates.asp, or at any replacement web page if that web page ceases to exist, by the Commonwealth Bank of Australia),

calculated excluding special crossings, overnight sales, and exchange traded options exercises.

If the Adjustment Amount as calculated above is a positive number, it will be added to the Indicative Price, and will increase the amount of the Share Cancellation Price. If the Adjustment Amount as calculated above is a negative number, it will be subtracted from the Indicative Price, and will reduce the amount of the Share Cancellation Price.

5. For the avoidance of doubt, if, between 25 September 2013 and 5.00 pm on the Cancellation Date, there is a consolidation or a subdivision, or a bonus issue for no consideration, of Soul Pattinson Shares, the Share Cancellation Price calculated in accordance with Clauses 1 to 4 (including, without limitation, the Floor Price and the Indicative Price) will be adjusted in a corresponding manner.

6. Soul Pattinson must, by no later than 3 Business Days prior to the Cancellation Date, notify Brickworks and ASX of the Share Cancellation Price calculated in accordance with this Appendix.

7. All references to time in this Appendix are to Sydney time.

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Brickworks Limited

Independent expert's report and Financial Services Guide

18 October 2013

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds and related regulated emissions units (i.e., carbon) to retail and wholesale clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately $450,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposal to demerge Washington H Soul Pattinson Company Limited's interest in TPG Telecom Limited and unwind the current holding in Washington H Soul Pattinson Company Limited held by Brickworks Limited.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (**FOS**). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Services
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne Victoria 3001
Sydney New South Wales 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cwlth).

1 February 2013

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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Member of Deloitte Touche Tohmatsu Limited

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A report for Shareholders in Brickworks Limited

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18 October 2013

Dear Sirs

Independent expert's report

Background and context

Brickworks Limited (**Brickworks**) is a conglomerate with a diverse range of interests including:

- a 42.7% interest in Washington H Soul Pattinson Company Limited (**WHSP**) which has a range of investments, principally in New Hope Corporation Limited (**New Hope**) (59.7%), TPG Telecom Limited (**TPG**) (26.9%) and Brickworks (44.3%) (**Investments**)
- manufacturing and distributing clay and concrete products used in residential construction (**Building Products**). The Building Products business generates approximately 25.5 [1]% of operating earnings of Brickworks
- active and passive property activities through direct interests in a number of residential and industrial land banks and indirectly via an industrial property joint venture with Macquarie Goodman (**Property).** The Property business generates approximately 29.5% of operating the earnings of Brickworks.

The most material contribution to Brickworks' earnings and asset base (and by extension, market capitalisation) is its investment in WHSP. WHSP also has a 44.3% interest in Brickworks (the **Cross-Shareholding**).

As a result of the Cross-Shareholding, each of Brickworks and WHSP hold indirect interests in themselves of approximately 19.0%. This arrangement has been in place since 1969 when Brickworks and WHSP entered into a share swap agreement primarily to protect both companies from unwanted takeover offers.

Brickworks and WHSP also have several common Directors including Mr Robert Millner who is Chairman of both companies. Other Directors of both companies are also associated with the Millner family. As a result of this and the Cross-Shareholding, the Millner family is effectively able to exert a significant amount of influence over both companies.

M.H. Carnegie & Co. Pty Limited (**MHC**) and Perpetual Investment Management Limited (**Perpetua**l) collectively have a substantial holding (as defined by the Corporations Act 2001 (Cwlth) (**Corporations Act**)) in the shares of both Brickworks and WHSP. MHC and Perpetual have entered into an agreement, the purpose of which is to 'work together and co-operate with each other in respect of identifying and pursuing strategic options which seek to unlock or increase the value of the shares' of Brickworks and WHSP and details of which were made public on 26 November 2012 (**Cooperation Agreement**).

[1] Based on average EBIT contribution for FY11 to FY13 excluding non-recurring items

Proposed Transactions

The respective nominees of MHC and Perpetual registered as the shareholders in each of Brickworks and WHSP (**Convening Shareholders**) intend to convene a meeting of Brickworks shareholders and requisition a meeting of WHSP shareholders to present a proposal to demerge WHSP's interest in TPG and unwind the current holding in WHSP held by Brickworks (the **Proposed Transactions**).

We understand that the Convening Shareholders are also considering other proposals between Brickworks and WHSP. The scope of our report and analysis pertains exclusively to the Proposed Transactions as discussed below.

The proposal to be presented to Brickworks and WHSP shareholders is as follows:

- the distribution of WHSP's interest in TPG to the shareholders of WHSP (including Brickworks) via a demerger dividend (**TPG Demerger**)
- the cancellation of the 102.3 million WHSP shares held by the Brickworks group (**Brickworks Shareholding**), by way of a selective capital reduction (**Share Cancellation**), for a price per share determined in accordance with a formula (explained below), to be paid in part in cash of $250 million and the remainder by interest bearing promissory notes payable within one year (**Promissory Notes**) of the Share Cancellation (**Cancellation Date**). The Promissory Notes will be either secured (if the terms as to security can be agreed between Brickworks and WHSP) or unsecured (if no terms as to security can be agreed) (the cash and the Promissory Notes are collectively referred to as the **Consideration**).

MHC and Perpetual and their advisers have prepared a Shareholder Booklet in respect of the Proposed Transactions which includes a Notice of Meeting and an Explanatory Statement in respect of the Proposed Transactions (**Shareholder Booklet)**.

The Consideration will be payable by WHSP to Brickworks at the Cancellation Date and will be determined based on the greater of the following:

- a minimum price (subject to the conditions below) of $15.75 (following the TPG Demerger) (**Floor Price**) which equates to a price of approximately $19.75 per share prior to the TPG Demerger
- a price based on a formula that, if applied as at 25 September 2013, would result in an offer price of approximately $18.00 per share (following the TPG Demerger) (**Indicative Price**) which equates to a price of approximately $22.00 per share prior to the TPG Demerger, to be applied 10 days prior to the Cancellation Date (**Calculation Date**) (collectively the **Offer Price Mechanism**). In simple terms, the Offer Price Mechanism estimates the difference between the market capitalisation of both WHSP and Brickworks (excluding the shares represented by the Cross-Shareholding) and the value of each entity on a sum of the parts (**SOTP**) basis (excluding the Cross-Shareholding) and apportions this equally between external shareholders of WHSP and Brickworks (net of estimated tax). Further details of the Offer Price Mechanism are set out below in Section 1.3 of our report.

The balance payable by WHSP to Brickworks with respect to the Share Cancellation, represented by the Promissory Notes, will be reduced by distributions which are made by WHSP to Brickworks before the Calculation Date (including dividends, distributions of capital, and consideration paid for share buybacks and/or cancellations of shares, but excluding the amount attributable to the TPG Demerger which is already factored into the formula). Accordingly, if WHSP were to make such distributions, it would reduce the amount payable with respect to the Share Cancellation.

A portion of the Consideration may be paid as a partly franked dividend to the extent that WHSP has profits and franking credits available to do so. Based on the information provided in the Explanatory Statement, and subject to finalisation of the amount of the Consideration, the dividend component of the proceeds for the Share Cancellation is expected to be franked to approximately 63.0%. The capital component of the Consideration will not be treated as a dividend.

It is estimated by MHC and their advisers that an income tax liability of $178.9 million would be realised by Brickworks in respect of the Share Cancellation based on the Floor Price of $15.75 per share or $247.9 million based on the Indicative Price of $18.00 per share.

It is anticipated that the Promissory Notes will pay interest calculated at a margin over the bank bill swap bid rate (**BBSY**) equivalent to 350 basis points (**bps**) for the fully secured portion of the Promissory Notes, 950 bps for the portion of the Promissory Notes that have a second charge over the residual assets of WHSP and 1,250 bps for the unsecured portion of the Promissory Notes (**Coupon Rates**). Based on the BBSY as at 11 October 2013 of 2.7%, the Coupon Rates would equate to 6.2%, 12.2% and 15.2% respectively.

The terms of the security for the Promissory Notes are subject to commercial negotiation between the Boards of WHSP and Brickworks.

Other key terms of the Promissory Notes are set out below:

- the Promissory Notes will be repayable by WHSP one year after the date of issue but may be repaid earlier by WHSP at its election
- WHSP will use its best endeavours to ensure that the consideration paid is paid as a fully franked dividend to the maximum extent permissible, to the same extent in respect of each cancelled share.

The shareholding and operational structure of Brickworks and WHSP before and after the Proposed Transactions are set out below:

Figure 1: Structure prior to implementation of the Proposed Transactions

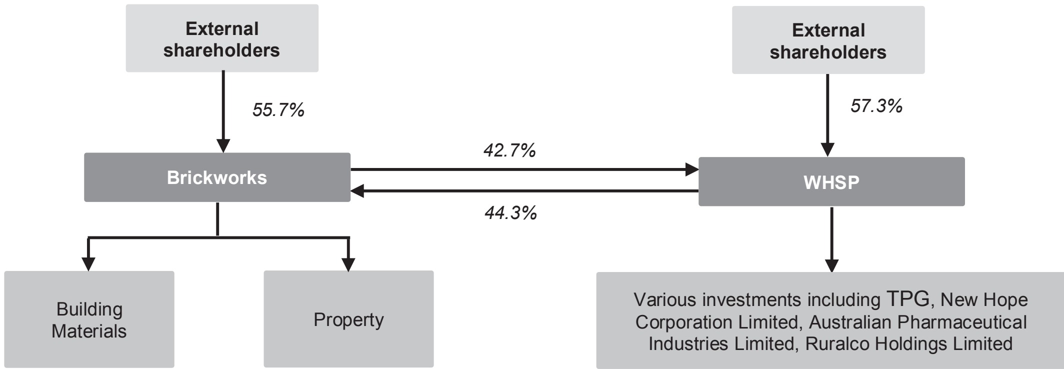
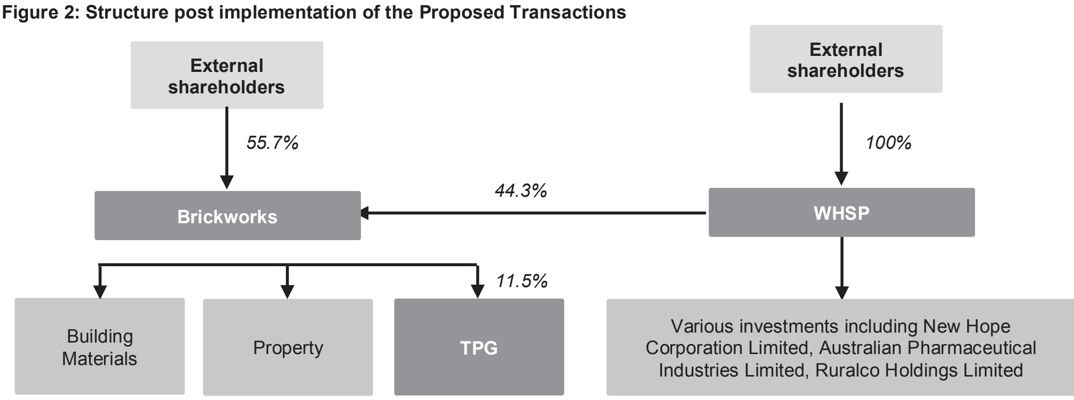


Figure 2: Structure post implementation of the Proposed Transactions



Source: Brickworks website, Brickworks ASX announcements, CapitalIQ

The Proposed Transactions are subject to various conditions including:

- Brickworks and WHSP shareholder approvals
- receipt of favourable tax rulings from the Australian Taxation Office (**ATO**) in respect of the TPG Demerger and in respect of the Share Cancellation
- commercial negotiation between the boards of Brickworks and WHSP in respect of the terms of the security applicable to the Promissory Notes relevant to the Share Cancellation
- in regards to the Share Cancellation, the following additional conditions:
    - completion of the TPG Demerger
    - if, between 25 September 2013 and the Cancellation Date (inclusive), the S&P/ASX All Ordinaries Index decreases to a level that is at least 35.0% below the level of that Index as at the close of trading on 25 September 2013, and remains at or below that level for three consecutive business days, WHSP may, at any time prior to 12:00 noon on the Cancellation Date, terminate the Share Cancellation, by written notice to Brickworks, without cost or liability to WHSP
    - if, between 25 September 2013 and the Cancellation Date, WHSP acquires all of the issued Brickworks Shares, WHSP may, at any time prior to 12:00 noon on the Cancellation Date, terminate the Share Cancellation, by written notice to Brickworks, without cost or liability to WHSP.

Scope and purpose of our report

Scope

Chapter 10 of the Listing Rules of the ASX (**Listing Rule 10**) requires, when the disposal of a substantial asset to a substantial holder is proposed, the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the non-associated securityholders.

For these purposes, Listing Rule 10 provides that a shareholder will be a substantial holder in a listed company if the shareholder and its associates have a relevant interest in at least 10.0% of the total votes attached to all voting securities of the listed company and an asset is substantial if its value is 5.0% or more of the equity interests of the listed company as set out in the latest accounts of the listed company provided to the ASX.

Both the TPG Demerger and the Share Cancellation will require approval of Brickworks shareholders in accordance with Chapter 10 of the ASX Listing Rules (**ASX Listing Rule 10**) since WHSP and its associates have a relevant interest in Brickworks of approximately 47.95% and that:

- Brickworks' portion of the TPG Demerger represents a substantial asset of Brickworks based on the latest accounts provided to the ASX
- Brickworks' 42.7% interest in WHSP represents a substantial asset of Brickworks based on the latest accounts provided to the ASX.

The votes of WHSP and its associates are to be disregarded in the resolutions to approve the TPG Demerger and the Share Cancellation.

Purpose

Section 249F of the Corporations Act provides that shareholders of a company, with at least 5.0% of the votes that may be cast at a general meeting of that company, may call and arrange to hold (at their own expense) a general meeting of the company. Any such meeting is to be called in the same way, in as far as is possible, as general meetings of that company are normally called.

As the Convening Shareholders together hold over 5.0% of the votes that may be cast at a general meeting of Brickworks, they are entitled to convene a meeting under Section 249F of the Corporations Act.

The Share Cancellation and the TPG Demerger require approval of Brickworks shareholders other than WHSP and its associates (**Non-Associated Shareholders**) through an ordinary resolution, under Listing Rule 10.

Similar approvals will also be required from WHSP shareholders however for the purpose of our report we have not considered the interest of WHSP shareholders.

Deloitte Corporate Finance Pty Limited (**Deloitte Corporate Finance**) has been appointed by the Convening Shareholders to prepare an independent expert's report for Brickworks' shareholders, advising whether each of the Proposed Transactions is fair and reasonable to Non-Associated Shareholders.

This independent expert's report will be included in the Shareholder Booklet to be prepared in respect of the Proposed Transactions and provided to Non-Associated Shareholders.

Basis of evaluation

Introduction

In evaluating whether the TPG Demerger and the Share Cancellation are fair and reasonable we have considered the Corporations Act, ASIC Regulatory Guide 111: Content of expert reports (**RG 111**) and market practice.

RG 111 requires an expert who is requested to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.

In applying the fair and reasonable test in respect of the Proposed Transactions, we have had regard to:

- RG 111.57: "A proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity."
- RG 111.56: "Where an expert assesses whether a related party transaction is 'fair and reasonable' this should be applied as a composite test – that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

TPG Demerger

RG 111 specifically addresses the basis under which an expert should form an opinion in relation to demergers and demutualisations. In particular, RG 111.32 and 111.33 state that the issue of 'value' may be of secondary importance in the absence of the following effects resulting from the implementation of the demerger:

- a change in the underlying economic interests of security holders
- a change of control
- selective treatment of different security holders.

In these instances, the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages.

In substance the TPG Demerger results in Brickworks shareholders exchanging an indirect interest in TPG (via WHSP) for the same effective interest (11.5%) held directly by Brickworks, with no change in Brickworks' underlying economic interest in TPG. As a result, in assessing whether the TPG Demerger is fair and reasonable we have therefore considered whether the advantages of the TPG Demerger outweigh the disadvantages. In considering the advantages and disadvantages of the Proposed Demerger we have considered whether there may be any impact on the value of Brickworks' effective interest in TPG as a consequence of the Proposed Demerger.

Share Cancellation

In substance, Non-Associated Shareholders are divesting their 42.7% interest in WHSP in return for the Consideration.

In order to assess whether the Share Cancellation is fair and reasonable we have:

- assessed whether the Share Cancellation is fair by assessing whether the fair market value of the Consideration to be received by Brickworks (being $250 million in cash and interest bearing Promissory Notes) is equal to or greater than the fair market value of the Brickworks Shareholding
- assessed the reasonableness of the Proposed Transactions by considering other advantages and disadvantages of the Proposed Transactions to the Non-Associated Shareholders.

Overall conclusions

In our opinion:

- the TPG Demerger is fair and reasonable to Non-Associated Shareholders
- the Share Cancellation is fair and reasonable to Non-Associated Shareholders.

The factors considered in forming these opinions are set out individually below.

The TPG Demerger is fair and Reasonable to Non-Associated Shareholders

Summary

We consider that, on balance, the advantages of the TPG Demerger outweigh the disadvantages and that therefore the TPG Demerger is fair and reasonable to Non-Associated Shareholders.

In forming this view we considered the following:

Advantages

The advantages of the TPG Demerger include:

- ***May remove any discount currently attached to the investment in TPG in the hands of WHSP:*** for a number of reasons, explored further in our detailed report, the share price of WHSP has consistently traded at a discount in excess of 30.0% to the aggregated market value of its underlying investments in recent years, which is significantly in excess of the discount to underlying value at which its peers trade. It is not possible to assign this discount to individual investments of WHSP, although we consider that it is reasonable to assume that each of the investments is bearing an element of this discount. This implies that the market is attributing a discount to Brickworks' investment in WHSP and by extension, TPG. Through holding the investment in TPG in a more direct manner it is possible that the discount attributable to Brickworks' investment in TPG will unwind resulting in a positive re-rating to the Brickworks share price

- ***Provides Brickworks with additional flexibility regarding liquidity:*** Brickworks will hold the interest in TPG directly and will therefore have an option to sell some, or all of the stake if desired. This could provide additional liquidity to fund operational growth initiatives, capital management activities and other value accretive activities.

Disadvantages

The disadvantages of the TPG Demerger include:

- ***Brickworks shareholders may forgo realising a strategic premium on WHSP's stake in TPG:*** WHSP's 26.9% interest in TPG will be distributed to existing WHSP shareholders resulting in Brickworks holding 11.5% of the issued share capital of TPG. This reduction to the size of the shareholding block may dilute the level of influence attached to Brickworks' investment in TPG and may reduce the opportunity to participate in the sale of the strategic stake which could realise a premium to the share price. However, the TPG Demerger may also increase the likelihood of a takeover offer for TPG through the reduction of a large shareholding block

- ***Recent appreciation in the TPG share price suggests that there may be heightened downside risks to the TPG share price:*** Since the announcement of its FY13 results on 12 September 2013, TPG shares have increased by 21.0%, and by 67.0% since 1 March 2013. Whilst this appreciation has been driven by improvement in the underlying growth projections for TPG, there is a risk that the TPG share price may decline which would potentially be amplified through Brickworks holding a direct interest in TPG. This may also adversely impact Brickworks to the extent there was a desire to divest this interest in the short-term. Of the 14 sell side research analysts which cover TPG, 3 have buy ratings, 2 have outperform ratings, 4 have hold ratings, 2 have underperform ratings and 3 have sell ratings which suggests that there does not appear to be a consensus view from sell side research analysts that TPG shares are overvalued despite the significant recent price appreciation.

Tax implications

The distribution in respect of the TPG Demerger will be made in part as a return of capital and in part as a demerger dividend to the maximum extent permissible and is expected to attract tax effective demerger roll-over relief, under the Demerger Rules contained in Division 125 of the ITAA 1997 and Section 44 of the ITAA 1936.

Should Brickworks distribute the proceeds received under the Proposed Transactions to its shareholders, the distribution may be considered to be of a capital nature for taxation purposes. The taxation implications of any such distribution will vary for each shareholder, based on their individual taxation situation. Further details on the tax implications of the Proposed Transactions for Brickworks are set out in the Shareholder Booklet.

Opinion

In our opinion, the TPG Demerger is fair and reasonable to Non-Associated Shareholders. An individual shareholder's decision in relation to the TPG Demerger may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

The Share Cancellation is fair and reasonable to Non-Associated Shareholders

The Share Cancellation is fair

Set out in the table below is a comparison of our assessed fair market value of the Brickworks Shareholding to the fair market value of the Consideration. For the purpose of this comparison we have:

- estimated the fair market value of the Brickworks Shareholding subsequent to TPG Demerger as the Share Cancellation is conditional on the approval of the TPG Demerger
- estimated the fair market value of the Consideration based on Indicative Price since this is most representative of the Consideration that would be received by Non-Associated Shareholders as at the date of our report. However, the Indicative Price and the value of the Brickworks Shareholding is likely to vary prior to the Calculation Date based on changes to the Offer Price Mechanism as discussed above
- deducted from the Consideration the tax that is expected to be payable by Brickworks as a consequence of the Proposed Transactions as the fair market value of this liability is included in our assessed fair market value of the Brickworks Shareholding.

The results of this analysis are set out below:

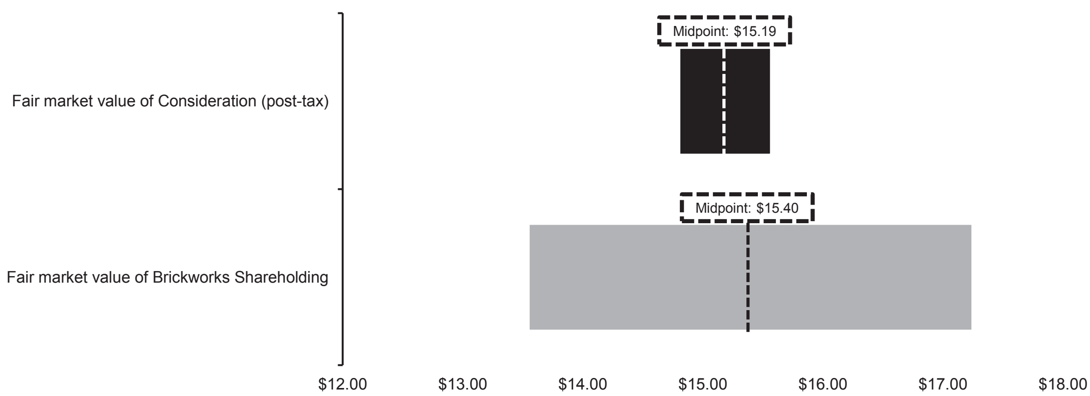
Table 1: Evaluation of fairness

	Total ($millions)		$ per WHSP Share	
	Low	High	Low	High
Fair market value of Brickworks Shareholding	1,384.8	1,764.4	13.54	17.25
Fair market value of the Consideration	1,513.2	1,592.7	14.80	15.58

Source: Deloitte Corporate Finance analysis
Notes :
1. Based on the cancellation of 102,257,830 shares
2. All amounts stated in this report are in Australian dollars unless otherwise stated and may be subject to rounding.

As set out in the table above and the chart below, the fair market value of the Consideration is within our assessed fair market value of the Brickworks Shareholding and we therefore consider that the Share Cancellation. Furthermore, the mid-point of our assessed fair market value range of the Brickworks Shareholding ($15.40) is above the mid-point of our assessed fair market value range of the Consideration ($15.19)as set out below:

Figure 3: Fairness range



Source: Deloitte Corporate Finance analysis

Our assessed fair market value range for the Brickworks Shareholding is reasonably wide as set out above. In estimating the fair market value of the notional CGT liability in respect of WHSP's investments we have applied a discount of 25.0% to 50.0% to the notional CGT liability as set out in Section 6.7 which contributes in large part to this range.

As estimating the fair market value of this liability is a subjective judgement that is based on a range of hypothetical outcomes we did not consider it appropriate to narrow this range any further as it would imply a level of precision that does not exist for this estimate. As set out below, our assessed fair market value of the Brickworks Shareholding is very sensitive to this assumption:

Table 2: WHSP CGT discount sensitivity

	Discount applied to notional CGT liability				
	0.0%	25.0%	Assessed fair market value (Midpoint) 37.5%	50.0%	100.0%
Fair market value of Brickworks Shareholding (per share)	13.35	14.67	15.40	15.99	18.63

Source: Deloitte Corporate Finance analysis

Fair market value of the Brickworks Shareholding

Estimating the fair market value of WHSP, and the Brickworks Shareholding, for the purposes of evaluating the Proposed Transactions poses a range of challenges and issues which must be addressed as part of our valuation and are in some cases unique to WHSP as a consequence of the Cross-Shareholding and the specific attributes of WHSP.

Given the Convening Shareholders position as substantial shareholders, they are not entitled to access to the management or board of Brickworks, or information prepared by Brickworks' management or board. Our report has therefore been prepared based solely on information that is publicly available. Whilst this is unusual, we do not consider that this places undue limitations on the scope of our work or the analysis required to provide the opinion requested. We note even if we were engaged by the directors of Brickworks, the access to information available in respect of WHSP's underlying investments (with the exception of Brickworks) would likely be limited to that available in the public domain.

In forming an opinion as to the fair market value of the Brickworks Shareholding in the context of the Proposed Transactions we have had regard to the following:

- the Cross-Shareholding structure and the circularity therefore inherent in the analysis, in that the value of Brickworks is dependent on WHSP and vice versa
- that WHSP has historically traded at a significant discount to the observable market value of its net assets as discussed in Section 4.5 which indicates that the WHSP share price may not be reflective of the fair market value of its underlying investments
- WHSP has a number of long dated investment holdings and WHSP therefore has significant capital gains tax (**CGT**) liability associated with its investments
- the fair market value of WHSP's underlying investments which range across a number of industry sectors is complicated by the differing levels of control, liquidity and information publicly available
- the nature of the Brickworks Shareholding and the level of control/influence afforded to Brickworks as a consequence of this investment.

In addition, we note that the TPG Demerger is a condition of the Share Cancellation and therefore for the purposes of our analysis we have evaluated the fair market value of the Brickworks Shareholding subsequent to the TPG Demerger. Consequently, in forming an opinion as to the value of the Brickworks Shareholding, we have first formed an opinion on the value of a share in WHSP prior to the TPG Demerger and have then made required adjustments to remove the impact of the TPG Demerger.

Approach and key issues considered

In order to address the above challenges and limitations identified we consider the most appropriate approach to estimate the fair market value of the Brickworks Shareholding is to undertake a sum of the parts (**SOTP**) analysis of each investment of WHSP based on publicly available information, and aggregate the fair market values attributable to the underlying investments and other net assets of WHSP.

In applying the SOTP methodology to estimate the value of the Brickworks Shareholding, our approach included consideration of the following:

- **New Hope:** in valuing WHSP's investment in New Hope we have primarily had regard to recent share trading as we consider this provides a reasonable proxy for the fair market value of New Hope on a minority interest basis. We have cross checked the value estimated using this approach to the implied reserve and resource multiples for comparable companies and transactions. We consider it appropriate to apply a premium to the minority interest value derived for a share in New Hope to reflect the size of the investment and the level of control afforded to WHSP as a consequence of this stake. We have adopted a control premium in the range of 20.0% to 30.0% based on the factors specific to WHSP's interest and available market evidence as set out in Section 6.3
- **Brickworks:** for WHSP's investment in Brickworks we have undertaken a SOTP analysis aggregating the estimated fair market value derived for its interests in the Building Products, Property and Investment segments on a control basis. In order to reflect that WHSP's interest does not afford complete control, we consider it appropriate to apply a discount of 5.0% to 10.0% to the control value. In order to reflect the Cross-Shareholding we have adopted an iterative approach whereby we have estimated the fair market value of Brickworks' investment in WHSP having regard to our assessed value of a WHSP share. We have cross-checked our valuation using recent share trading in Brickworks. Further details of our approach and key assumptions adopted are set out in Section 6.4
- **other listed investments:** WHSP's other investment interests range between passive portfolio investments to more sizable, potentially strategic stakes. To estimate the fair market value of these investments we have primarily had regard to recent share trading as we consider this provides a reasonable proxy for the fair market value of these investments on a minority interest basis. We have also considered the size of the interests held by WHSP (and any large shareholding blocks held in these entities) and assessed whether these investments would attract either a premium or discount to the share price in the event that these interests were sold in the open market. Further details of our approach and key assumptions adopted are set out in Section 6.5
- **unlisted investments**: we have considered public information available in relation to these investments including the price paid by WHSP, earnings information for each entity and any fundamental analysis available. Whilst our analysis undertaken in respect of the Unlisted Investments was more limited than in respect of the Other Listed Investments, the materiality of the volatility in the potential value of the Unlisted Investments in the context of the fair market value of the Brickworks Shareholding as a whole is not significant. Further details of our approach and key assumptions adopted are set out in Section 6.6
- **CGT:** as most of WHSP's most significant investments were acquired some time ago, these investments are likely to be subject to a significant amount of CGT if the value of these assets was to be realised within WHSP. We have estimated the fair market value of any such CGT liability having regard to the notional quantum of the potential CGT liability (based on public disclosures released by WHSP and Brickworks), potential scenarios in which the crystallisation of these liabilities could occur and other factors likely to be considered by a potential buyer of the Brickworks Shareholding. On balance, after considering a range of factors set out in Section 6.7, we have adopted a discount to the notional value of the CGT liability of 25.0% to 50.0%
- **significant influence discount:** as we have estimated the fair market value of the above assets from WHSP's perspective assuming full control, in order to reflect the size and other attributes of the Brickworks Shareholding we have applied a discount of 5.0% to 10.0% as set out in Section 6.12.

Based on our analysis, we have estimated the fair market value of a share in WHSP using the SOTP approach to be in the range of $16.13 to $19.80 prior to the TPG Demerger as set out in the table below:

Table 3: WHSP valuation prior to the TPG Demerger

	Section	Unit	Low	High
New Hope	6.3	$ million	2,184.1	2,303.9
Brickworks	6.4	$ million	792.1	1,076.6
TPG	6.5	$ million	907.0	907.0
Other Listed Investments	6.5	$ million	804.1	809.6
Unlisted Investments	6.6	$ million	240.0	310.0
Total value of investments		**$ million**	**4,927.3**	**5,407.1**
Less: CGT liability	6.7	$ million	(838.8)	(619.9)
Add: Net cash	6.9	$ million	201.6	201.6
Equity value of WHSP (control basis)		**$ million**	**4,290.1**	**4,988.8**
Significant influence discount	6.12	%	10.0%	5.0%
Equity value of WHSP (post-discount)		$ million	**3,861.1**	**4,739.4**
Number of shares on issue	6.11	*million*	*239.4*	*239.4*
Deloitte assessed value of a share in WHSP (Prior to TPG Demerger)		$	**16.13**	**19.80**

Source: Deloitte Corporate Finance analysis

Our assessed fair market value of WHSP represents the value of WHSP in its current form and therefore does not include the impact of the TPG Demerger.

Since the TPG Demerger is a condition of the Share Cancellation and therefore must occur in order for the Share Cancellation to occur we have evaluated the fair market value of the Brickworks Shareholding subsequent to the TPG Demerger and have made the following adjustments to reflect the impact of the TPG Demerger:

- reduced the equity value of WHSP by the full value of its investment in TPG which equates to $0.9 billion net of the associated CGT liability as estimated in Section 6.7
- added the interest in TPG to be received by WHSP through its interest in Brickworks (net of the estimated CGT liability).

Based on these adjustments, our assessed value of the Brickworks Shareholding is $13.54 to $17.26 per share as set out below:

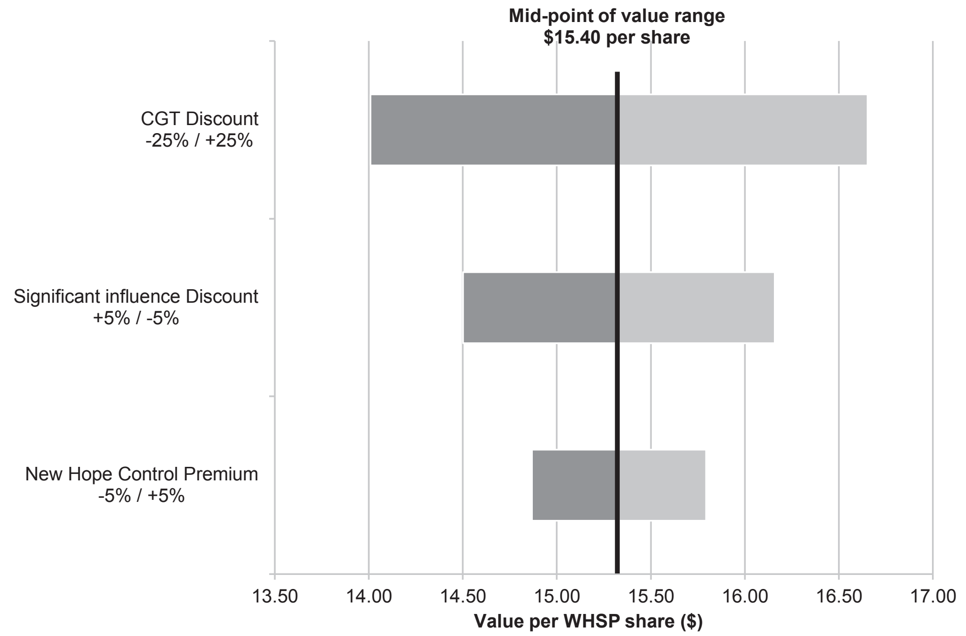
Table 4: WHSP valuation post the TPG Demerger

	Unit	Low	High
Assessed equity value of WHSP (100%)	$ million	**4,290.1**	**4,988.8**
Less: assessed fair market value of interest in TPG	$ million	(907.0)	(907.0)
Add:			
Assessed fair market value of TPG CGT liability	$ million	58.3	116.6
Effective indirect interest in TPG retained by WHSP	$ million	160.8	149.7
Equity value post TPG Demerger (100%)	$ million	**3,602.1**	**4,348.1**
Significant influence discount	%	10.0%	5.0%
Equity value post TPG Demerger and holding company discount (100%)	$ million	**3,241.9**	**4,130.7**
Brickworks interest	%	42.7%	42.7%
Equity value post TPG Demerger and holding company discount (Brickworks Shareholding)	$ million	**1,384.8**	**1,764.4**
Price per share of the Brickworks Shareholding (Post TPG Demerger)	$	**13.54**	**17.25**

Source: Deloitte Corporate Finance analysis

The following chart illustrates key sensitivities of the midpoint of the above valuation range to the CGT discount, the significant influence discount and the New Hope control premium to an increase or decrease in these discounts.

Figure 4: Sensitivity analysis of fair market value of the Brickworks Shareholding (Post TPG Demerger)



Source: Deloitte Corporate Finance analysis

As illustrated above, the value is most sensitive to movements in the size of the significant influence discount.

Consideration –Offer Price Mechanism

The Consideration will be payable to Brickworks on the Cancellation Date and will be the greater of the Floor Price and the amount determined pursuant to the Offer Price Mechanism. Application of the Offer Price Mechanism and market pricing parameters prevailing as at 25 September 2013 implies an Indicative Price per WHSP share of $18.00 subsequent to the TPG Demerger.

Practically, the Offer Price Mechanism estimates the amount of the 'undervaluation' implicit in the share trading price of WHSP as measured by a SOTP valuation of WHSP and Brickworks (excluding the impact of the Cross-Shareholding) less the combined market capitalisation of WHSP and Brickworks (excluding the impact of the Cross-Shareholding) (**Undervaluation**).

The Offer Price Mechanism allocates the Undervaluation (net of tax payable as a consequence of the Share Cancellation) equally between the External Shareholders. Implicit in this allocation is an assumption that the share price of WHSP will be re-rated to be equivalent to the SOTP of WHSP and attributes this undervaluation wholly to the Cross-Shareholding.

The Offer Price will change in line with movements in the underlying investments of WHSP and Brickworks during the period to the Calculation Date. Similarly, our assessed fair market value of the Brickworks Shareholding would also change in line with movements in the underlying investments of WHSP in broadly similar proportions.

A sensitivity of the price calculated under the Offer Price Mechanism to movements in the values of the underlying investments of WHSP is set out below:

Table 5: Indicative Price - sensitivity

	Change in SOTP value -30.0%	-15.0%	Indicative Price	Change in SOTP value +15.0%	+30.0%
Prior to the TPG Demerger	$19.87	$20.87	**$22.00**	$22.86	$23.86
Subsequent to the TPG Demerger	$14.37	$16.15	**$18.00**	$19.72	$21.51

Source: MHC

Further details of the Offer Price Mechanism are set out in the Shareholder Meeting Booklet.

Consideration – key terms and fair market value

The Consideration based on the Indicative Price would be approximately $1,840.6 million and result in Brickworks receiving $1,590.6 million in Promissory Notes. The security for the Promissory Notes will be subject to good faith negotiations between the directors of Brickworks and WHSP (excluding any Directors with a conflict of interest).

Whilst the terms of the Promissory Notes and Coupon Rates have not been commercially negotiated with any financial institution and are subject to negotiation and approval between the boards of Brickworks and WHSP, we have assessed the Consideration assuming these terms are in place.

According to the Shareholder Meeting Booklet, the following options are considered as being available to Brickworks and WHSP for the repayment of the face value of the Promissory Notes (one year after their date of issue):

- Brickworks could declare a fully franked dividend out of its balance of franking credits and could distribute in specie to all Brickworks shareholders a proportion of the Promissory Notes in satisfaction of that dividend. To the extent that WHSP received a distribution of the Promissory Notes issued by itself through this dividend, that portion of the Promissory Notes could then be extinguished
- Brickworks could undertake a selective share buy-back or a selective reduction of capital to eliminate the WHSP shareholding in Brickworks. To the extent of any resulting mutual debts between WHSP and Brickworks, the portion of the Promissory Notes owing could then be reduced
- WHSP could undertake a scrip takeover for Brickworks, which if successful would result in WHSP owing 100% of Brickworks. As a wholly owned subsidiary, the intercompany debt between WHSP and Brickworks with respect to the Promissory Notes could then be eliminated
- WHSP could borrow necessary funds on a longer term (of say 5 years) from a bank or other financial institution, and could use that borrowing to repay the Promissory Notes. Brickworks could, in turn, use that cash repayment and its 'bank' of franking credits to declare a fully franked dividend to Brickworks shareholders payable in cash (of which, WHSP would receive 44.3%, which it could use to repay in part the external borrowing).

In order to estimate the fair market value of the Promissory Notes we have considered the reasonableness of the Coupon Rates to assess whether the proposed terms are representative of current market pricing. Due to the short duration of the instrument (i.e. 1 year), the fair market value of the Promissory Notes is not very sensitive to this assumption.

In any event, we do not consider the Coupon Rates to be unreasonable based on the risk profile of WHSP and security in respect of the Promissory Notes and our benchmarking of broadly similar exposures as set out in Appendix D.

We have also considered the options available by WHSP to repay the capital portion of the Promissory Notes.

As set out above, WHSP is not likely to be able to satisfy the repayment of this obligation through conventional means such as operating cash flows or through obtaining other financing since:

- WHSP is not likely to have sufficient cash available to satisfy the obligation. Whilst New Hope had a surplus cash position of $1.3 billion as at 31 July 2013, based on public announcements, New Hope intends to utilise this for expansion and other operational purposes and therefore it is not likely to be available for distribution to shareholders including WHSP

- WHSP currently has a net cash position, however the average gearing level for comparable investment companies is approximately 5.0% as set out in Appendix D which does not suggest that WHSP has the ability to employ significant leverage
- given the size of the potential liability for WHSP, the most likely scenario would be that this would be satisfied by an in-specie distribution of New Hope shares or other investments or a cancellation of shares held in Brickworks.

In estimating the fair market value of the Consideration we have discounted the face value of the Promissory Notes by 0% (at the high end) and 5.0% (at the low end), having regard to:

- the uncertain level of security provided with respect to the Promissory Notes and the hypothetical timeframe and costs required by Brickworks in enforcing any security on this instrument. There is a possibility of a delay in repayment to the extent Brickworks is forced to draw upon its security (if applicable) or take other courses of actions as an unsecured creditor to recover this amount
- the repayment of the Promissory Notes is unlikely to be satisfied by conventional means and the method of repayment is dependent on the decisions made by the board of WHSP and Brickworks
- the likely low liquidity of the Promissory Notes. There may be a limited secondary market for the Promissory Notes due to the repayments option available to WHSP. Compensating for this risk is that the Promissory Notes will pay periodic interest over the holding period
- the term of the instrument (i.e. one year).

The appropriate discount to apply is a subjective exercise having regard to the factors set out above.

The cash component will not be payable until the Cancellation Date. We have not discounted this aspect of the Consideration in order to ensure consistency with our assessed fair market value of the Brickworks Shareholding which has been based on the current date.

Our assessed fair market value of the Consideration is set out below:

Table 6: Fair market value of the Consideration

	Unit	Low	High
Cash	$ million	250.0	250.0
Promissory Notes (face value)	$ million	1,590.6	1,590.6
Less: discount	$ million	5.0%	0%
Promissory Notes (fair market value)	$ million	**1,511.1**	**1,590.6**
Total Consideration (fair market value)	$ million	**1,761.1**	**1,840.6**
Tax payable	$ million	(247.9)	(247.9)
Fair market value of Consideration	$ million	**1,513.2**	**1,592.7**
Number of shares to be cancelled	million	102.3	102.3
Fair market value of Consideration (per cancelled share)	$	14.80	15.58

Source: Deloitte Corporate Finance analysis

The Share Cancellation transaction is reasonable

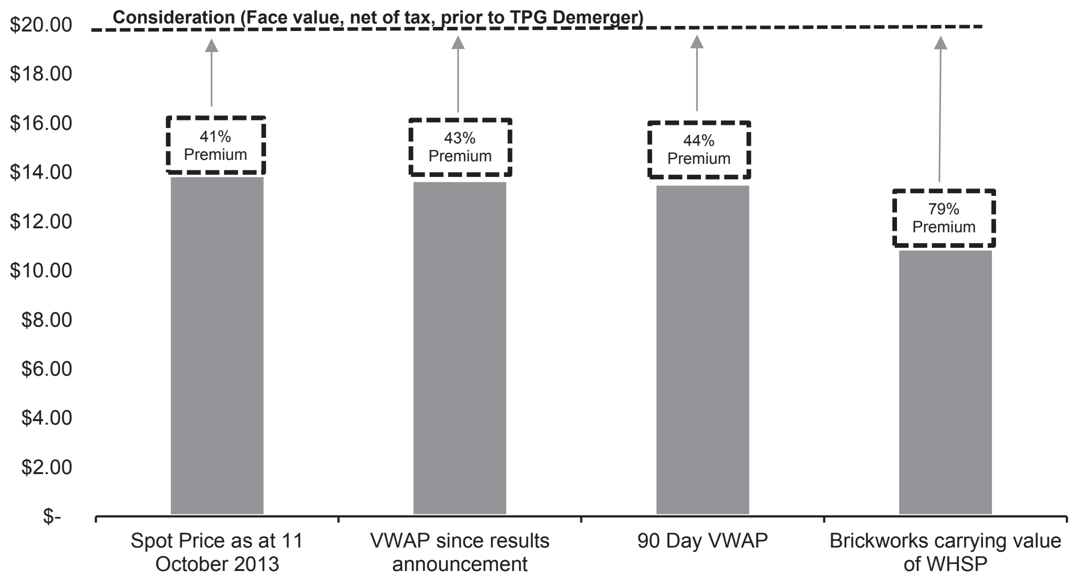
In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Share Cancellation is reasonable. We have also considered the following factors in assessing the reasonableness of the Share Cancellation (noting that this is conditional on the TPG Demerger proceeding).

Advantages

We have identified the following advantages of the Share Cancellation:

- ***The Consideration represents a significant premium to recent share trading of WHSP shares:*** since it is envisaged that the TPG Demerger will be completed prior to the Share Cancellation, in order to compare the Consideration to historical trading prices of WHSP shares, the Consideration has been notionally adjusted to add back the impact of the TPG Demerger which results in an adjusted Indicative Price of $22.00 per share as set out in the Shareholder Meeting Booklet. The face value of the Consideration (net of the tax expected to be incurred as a consequence of the Share Cancellation) of $19.58 per WHSP share represents significant premiums to recent share trading in WHSP shares (as well as the carrying value of the investment in the accounts of Brickworks) as set out below:

Figure 5: Analysis of implied premia of the Consideration



Source: Deloitte Corporate Finance analysis

The significant premiums observed are representative of full control premiums, particularly for investment holding companies, despite the Brickworks Shareholding not representing a full controlling interest.

- ***May increase the contestability of Brickworks:*** whilst the Share Cancellation will not directly impact the free float of Brickworks, there may be an improvement in the prospects for Brickworks Shareholders to realise a control premium for their shares in the future due to:
  - in evaluating options to satisfy payment of the Promissory Notes, WHSP may consider strategic options in respect of its shareholding in Brickworks (including the full unwinding of the Cross-Shareholding) which could lead to corporate activity involving Brickworks, including the potential to remove or reduce WHSP's interest. This could improve the attractiveness of Brickworks as a takeover target, thereby increasing the likelihood of shareholders realising a control premium for their shares
  - the cancellation of the existing stake in WHSP held by Brickworks will remove the largest shareholding block from the share register of WHSP which may result in increased contestability for WHSP shares which may have a positive impact on the share price of Brickworks to the extent that this may result in follow-on takeover activity for WHSP's significant investments such as Brickworks.

- ***May result in positive re-rating in Brickworks shares:*** the Share Cancellation may result in a positive re-rating for Brickworks shares due to a range of factors including:
  - following the completion of the Proposed Transactions, Brickworks' Building Products and Property segments will comprise a greater weighting of the overall operations of the company, therefore enabling the potential for enhanced market appreciation of these parts of the business which may positively impact the Brickworks share price
  - in accordance with the terms of the Share Cancellation and Offer Price Mechanism, Brickworks is realising the investment in WHSP (and indirectly TPG) at a premium to the share trading price of these investments, thereby providing the market with information pertaining to the intrinsic value of these underlying investments
  - the net cash retained from the proceeds of the Share Cancellation (after payment of tax due as a consequence of the Share Cancellation) will be available to Brickworks to reduce debt levels and invest in operational and capital management initiatives which may increase returns to Brickworks shareholders.

  However, these factors may be offset by potential for greater volatility in operating and share price returns (due to the loss of the diversification benefits and stable distribution profile provided by the Brickworks Shareholding) as well as the potential uncertainty in respect of the terms and repayment profile associated with the Promissory Notes (although this is likely to be a short term effect due to the one year maturity date).
- ***Increased franking credit balance:*** there is expected to be a significant increase in the franking credit position of Brickworks as the proceeds from the Share Cancellation are anticipated to include a significant component of franked dividends from WHSP, should WHSP utilise franked distributions to effect the settlement of the Promissory Notes. Accordingly, Brickworks' franking account balance will increase which will be available for distribution to Brickworks shareholders in the form of franked distributions in addition to the existing franking credit balance of Brickworks.

Disadvantages

We have identified the following disadvantages of the Share Cancellation:

- ***There may be other options that may be more optimal for the Brickworks Shareholding to be realised***: whilst the Consideration is within our assessed fair market value of the Brickworks Shareholding and in excess of recent share trading of WHSP, it is possible that, through a complete unwinding of the Cross-Shareholding, there may be more optimal ways (i.e. tax efficient) to restructure the Cross-Shareholding. However, the Non-Associated Shareholders are unlikely to be able to access this potential additional value without the co-operation of WHSP and agreement being reached between the boards of Brickworks and WHSP. The Cross-Shareholding effectively limits Brickworks' ability to participate in a control transaction in respect of its interest in WHSP without that co-operation.
- ***Potential loss of diversification benefits:*** if the Share Cancellation (and therefore the TPG Demerger) proceeds, shareholders will lose the exposure to the diversification benefits currently provided through an interest in WHSP and, through that, exposure to other industries such as the coal sector via New Hope. Brickworks' industry exposure (as measured by profit before tax contribution) prior to and post implementation of the Share Cancellation is set out below:

Figure 6: Industry exposure pre-Share Cancellation

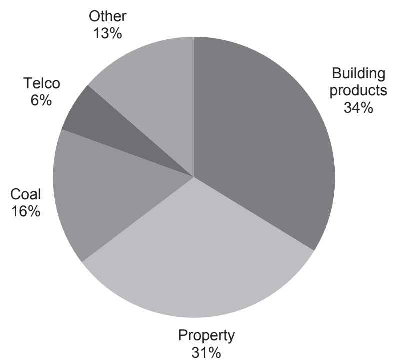
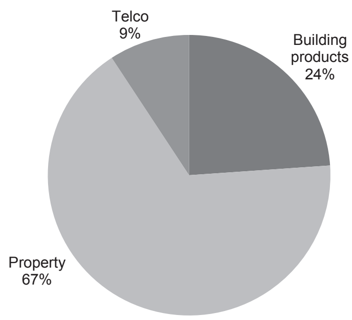


Figure 7: Industry exposure post-Share Cancellation (excluding Promissory Notes)



Source: Deloitte Corporate Finance analysis, ASX announcements

However, this risk is mitigated by the fact that Brickworks shares will no longer be exposed to the discount which currently impacts Brickworks via its interest in WHSP.

- ***Inability to participate in upside of WHSP or its investments:*** going forward, Brickworks will not receive dividends and other distributions made by WHSP as it will no longer hold shares in WHSP. Further, it will not be able to participate in potential distributions made by WHSP's investments (e.g. the potential distribution of surplus cash by New Hope). For example, in light of the current pricing and uncertain operating environment for domestic coal companies, Brickworks could be seen to be selling its (indirect) interest in New Hope at a cyclical low.
- ***Reinvestment risks:*** when the Promissory Notes are settled, it could expose Brickworks to reinvestment risks if it does not distribute the cash to shareholders, given that active investing has not historically been part of the core operations of Brickworks.

Tax implications

Further details on the tax implications of the Share Cancellation for Brickworks are set out in the Shareholder Meeting Booklet.

The Shareholder Meeting Booklet provides general information and, accordingly, we recommend that each Shareholder seek their own independent taxation advice in relation to the specific tax impacts of any proposed distributions on their taxation position.

Opinion

In our opinion, the Share Cancellation is fair and reasonable to Non-Associated Shareholders. An individual shareholder's decision in relation to the Share Cancellation may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

R Foley-Lewis

Rachel Foley-Lewis
Director

Nicole Vignaroli
Director

Contents

1 Proposed Transaction

1.1 Introduction

Brickworks is a conglomerate with a diverse range of interests including:

- a 42.7% interest in WHSP which has a range of investments, principally in New Hope (59.7%), TPG (26.9%) and Brickworks (44.3%).
- manufacturing and distribution of clay and concrete products utilised in residential construction (**Building Products**). Building Products comprises approximately 25.5 [2]% of operating earnings of Brickworks
- property development through direct interests in a number of residential and industrial land banks and indirectly via a joint venture with Macquarie Goodman (**Property**). The Property segment comprises approximately 29.5% of operating earnings of Brickworks[3].

The most material contribution to Brickworks' earnings and asset base (and by extension, market capitalisation) is its investment in WHSP. WHSP also has a 44.3% interest in Brickworks (the **Cross-Shareholding**).

As a result of the Cross-Shareholding, each of Brickworks and WHSP hold indirect interests in themselves of approximately 19.0%. This arrangement has been in place since 1969 when Brickworks and WHSP entered into a share swap agreement primarily to protect both companies from unwanted takeover offers. Australian Corporations law and governance standards have evolved considerably since the Cross-Shareholding was established and there are no similar instances of this type of structure remaining on the Australian Securities Exchange (**ASX**).

Brickworks and WHSP also have several common Directors including Mr Robert Millner as Chairman. As a result of this and the Cross-Shareholding, the Millner family is effectively able to exert a significant amount of influence over both companies.

There are a range of perceived advantages and disadvantages of the Cross-Shareholding structure from Brickworks' perspective including:

- **Advantages**: defence against opportunistic takeover offers, diversification benefits and provides an alternate income stream which protects against volatility in Brickworks' core businesses
- **Disadvantages**: entrenches board and management, undue influence and valuation discounts.

Over time, various shareholders have lobbied to partially or fully unwind the Cross-Shareholding in order to unlock perceived valuation gaps between the listed share prices of Brickworks and/or WHSP and the intrinsic value of the underlying investments and businesses of each entity as a consequence of the Cross-Shareholding.

A summary of the proposals which have been publicly presented to Brickworks and WHSP are set out below:

Table 7: Summary of previous proposals publicly presented to the board of Brickworks

Date	Investor	Proposal
2000	Guinness Peat Group plc (**GPG**)	• Takeover proposal to be effected through a breakup of the Cross-Shareholding, distribution of Brickworks' interest in WHSP and payment of $20 cash per share to Brickworks shareholders
2002	GPG	• Restructuring proposal including merging Austral Bricks with building products company Bristile with follow-on takeover of Brickworks by WHSP
2012	Hunter Green Institutional Broking Pty Limited (**Hunter Green**)	• Proposal to unwind the Cross-Shareholding through Brickworks disposing of its shares in WHSP.
2012	MHC/Perpetual	• In specie distribution of WHSP's interest in New Hope and TPG to shareholders, utilising rollover relief under the demerger rules of the Income Tax Assessment Act (**Demerger Rules**)
2012	Hunter Green	• Merger of equals between WHSP and Brickworks

Source: ASX announcements, Deloitte Corporate Finance analysis

[2] Based on average EBIT contribution for FY11 to FY13 excluding non-recurring items
[3] Based on average EBIT contribution for FY11 to FY13 excluding non-recurring items

All of the proposals set out above have been rejected by the board of Brickworks, citing a variety of reasons including that the proposals did not warrant being progressed on the basis of the perceived risk and return expectations to Brickworks. Specific reasons identified by the Board of Brickworks have included:

- there is no guarantee that any structural change would further improve the performance of either Brickworks' or WHSP and the benefits quantified were highly subjective and uncertain. In particular, the board of Brickworks considered that the share price of Brickworks was reasonably valued when assessed against most broker valuations
- most of the proposals would trigger material taxation consequences for Brickworks which would require funding
- adverse impact on the investment attributes of Brickworks which may lower investor interest in the company, in particular reduced diversification benefits, increased earnings/distribution volatility and reduced scale in some restructures
- the proposals focus on short-term shareholder imperatives which are not aligned with long-term value creation for all Brickworks shareholders.

Future proposals will need to be considered in light of the above issues and concerns.

1.2 Cooperation Agreement

On 26 November 2012, MHC and Perpetual entered into an agreement with the purpose of working together and co-operating with each other to identify and pursue 'strategic options which seek to unlock or increase the value of the shares' (**Strategic Options**) of Brickworks and WHSP (**Cooperation Agreement**). The key terms of the Cooperation Agreement include:

- Perpetual grants MHC a call option over 1,319,341 WHSP shares which represent approximately 0.6% of the issued capital of that company and 796,973 Brickworks shares which represent approximately 0.5% of the issued capital of that company (**Option Shares**) held by Perpetual. The option is exercisable if the share returns equal or exceed a pre-determined hurdle return at an exercise price of $12.69 for WHSP shares or $11.18 for Brickworks shares. The option expires 21 business days after 31 December 2014
- from the date of the agreement, subject to its fiduciary duties as a responsible entity, Perpetual agrees to vote all shares in Brickworks and WHSP which it may control from time to time on behalf of certain funds and to use reasonable endeavours to vote all other shares which it may control, in accordance with the voting recommendations agreed with MHC in order to give effect to the Strategic Options
- Perpetual may not, before 31 December 2013, dispose of more than 20.0% of the shares it controls in Brickworks and WHSP as at the date of the Cooperation Agreement on behalf of certain funds without the consent of MHC. MHC may not dispose of shares in WHSP or Brickworks before 31 December 2013 without the consent of Perpetual
- Perpetual will be entitled to all dividend rights or other distributions in respect of the Option Shares (until the option is exercised).

Full terms of the Cooperation Agreement were released to the ASX[4] on 26 November 2012.

Shortly after entering into the Cooperation Agreement, MHC and Perpetual proposed a transaction in respect of the in specie distribution of WHSP's interest in New Hope and TPG which was rejected for the reasons cited above.

Despite the rejection, MHC and Perpetual still consider that Brickworks shares continue to trade significantly below the intrinsic value of its assets and that it is possible for Brickworks shareholders to benefit from the company engaging in transactions in order to release some or all of that underlying value as a return to shareholders.

In the absence of support from, or engagement with, the boards of Brickworks and WHSP, MHC and Perpetual considered a range of alternate proposals aimed exclusively at unlocking value in the shares of Brickworks and WHSP. Whilst a number of proposals were considered, the prevailing objective of the process (in addition to creating value for Brickworks and WHSP shareholders) has been to formulate a proposal that was capable of being executed in light of the limitations in engaging with the Brickworks board and WHSP boards to address the issues and concerns raised by those boards in response to previous proposals.

[4] For the full terms of the Cooperation Agreement between the Convening Shareholders, see http://www.asx.com.au/asxpdf/20121126/pdf/42bgz5fc7gvgr1.pdf.

1.3 **Proposed Terms**

The Convening Shareholders are the respective nominees of MHC and Perpetual registered as the shareholders in each of Brickworks and WHSP.

Section 249F of the Corporations Act provides that shareholders of a company, with at least 5.0% of the votes that may be cast at a general meeting of that company, may call and arrange to hold (at their own expense) a general meeting of the company. Any such meeting is to be called in the same way, in as far as is possible, as general meetings of that company are normally called.

As the Convening Shareholders together hold over 5.0% of the votes that may be cast at a general meeting of Brickworks, they are entitled to convene a meeting under Section 249F of the Corporations Act.

Accordingly, the Convening Shareholders intend to convene a meeting of Brickworks shareholders and requisition a meeting of WHSP shareholders to present a proposal to demerge WHSP's interest in TPG and unwind the current holding in WHSP held by Brickworks. The proposal to be presented to Brickworks and WHSP shareholders is as follows:

- the distribution of WHSP's interest in TPG to the shareholders of WHSP (including Brickworks) via a demerger dividend
- the cancellation of the Brickworks Shareholding by way of a selective capital reduction, for a price per share determined in accordance with a formula (explained below), to be paid in part in cash of $250 million and the remainder by the Promissory Notes which will be payable within one year of the date of the Share Cancellation and will be either secured (if terms as to security can be agreed between Brickworks and WHSP) or unsecured (if no terms as to security can be agreed).

The Consideration will be payable by WHSP to Brickworks at the Cancellation Date and will be determined based on the greater of the following:

- The Floor Price (subject to the conditions below) of $15.75 (following the TPG Demerger) which equates to a price of approximately $19.75 per share prior to the TPG Demerger
- the price determined in accordance with Resolution 2 of the Notice of Meeting which equates to an offer price of $18.00 (following the TPG Demerger) (or a price of approximately $22.00 per share prior to the TPG Demerger) based on the application of this formula as at the date 12 months after the Share Cancellation is approved by WHSP shareholders (the **Offer Price Mechanism**). The Offer Price Mechanism estimates the value of the Brickworks Shareholding based on the following:
  - o the price of WHSP shares (based on the five day volume weighted average price (**VWAP**) as at the day which is ten business days prior to the Cancellation Date (**Calculation Date**)) multiplied by the Brickworks Shareholding as of 5.00 pm on the Calculation Date

    Plus
  - o the 'undervaluation' of the Brickworks Shareholding calculated by comparing:
    - (A) the combined market capitalisation of Brickworks and WHSP (measured by the five day VWAP as at the Calculation Date) excluding the Cross-Shareholding shares
    - (B) the intrinsic value of Brickworks and WHSP (excluding the Cross-Shareholding investments) calculated as follows:
      - *WHSP SOTP Value:* as set out in Schedule 2 of the Explanatory Statement, the intrinsic value has been estimated based on a sum of the total parts (**SOTP**) analysis of the underlying investments of WHSP, based on the five day VWAP as at the Calculation Date for all listed associate investments, the most recent purchase price or carrying value for the unlisted investments of WHSP or alternate valuation methodologies if applicable. Other assets (mainly surplus cash) are estimated based on the most recent carrying value.
      - *Brickworks SOTP Value*: as also set out in Schedule 2 of the Explanatory Statement, the intrinsic value of Brickworks has been estimated based on a SOTP analysis of each of Brickworks businesses
      - The WHSP SOTP value and the Brickworks SOTP value are adjusted for distributions prior to the Calculation Date.

The ‘undervaluation’ is measured as (B) less (A) and then reduced by the estimated tax payable on the Share Cancellation and the resulting amount is apportioned equally between Brickworks and WHSP. The undervaluation adjusted by the estimated tax payable on the Share Cancellation.

Full details of the Offer Price Mechanism are set out in Schedule 2 of the Explanatory Memorandum.

The balance payable by WHSP to Brickworks with respect to the Share Cancellation, represented by the Promissory Notes, will be reduced by distributions which are made by WHSP to Brickworks before the Calculation Date (including dividends, distributions of capital, and consideration paid for share buybacks and/or cancellations of shares, but excluding the amount attributable to the TPG Demerger which is already factored into the formula). Accordingly, if WHSP were to make such distributions, they would reduce the amount payable with respect to the Share Cancellation.

It is anticipated that the Promissory Notes will pay interest calculated at a margin over the BBSY equivalent to 350 bps for the fully secured portion of the Promissory Notes, 950 bps for the portion of the Promissory Notes that have a second charge over the residual assets of WHSP and 1,250 bps for the unsecured portion of the Promissory Notes. Based on the BBSY as at 11 October 2013 of 2.7%, the Coupon Rates would equate to 6.2%, 12.2% and 15.2% respectively.

Other key terms of the Promissory Notes are set out below:

- the Promissory Notes will be repayable by WHSP on the Maturity Date but may be repaid earlier by WHSP at its election
- WHSP will use its best endeavours to ensure that the consideration is paid as a fully franked dividend to the maximum extent permissible, to the same extent in respect of each cancelled share.

The terms of the security for the Promissory Notes are subject to commercial negotiation between the Boards of WHSP and Brickworks.

The Proposed Transactions are subject to various conditions including:

- Brickworks shareholder approvals
- WHSP shareholder approvals
- receipt of favourable tax rulings from the ATO in respect of the TPG Demerger and in respect of the Share Cancellation
- commercial negotiation between the boards of Brickworks and WHSP in respect of the terms of the security applicable to the Promissory Notes relevant to the Share Cancellation
- in regards the Share Cancellation, the following additional conditions:
  - completion of the TPG Demerger
  - if, between 25 September 2013 and the Cancellation Date (inclusive), the S&P/ASX All Ordinaries Index decreases to a level that is at least 35.0% below the level of that Index as at the close of trading on 25 September 2013, and remains at or below that level for three consecutive business days, WHSP may, at any time prior to the Cancellation Date, terminate the Share Cancellation, by written notice to Brickworks, without cost or liability to WHSP
  - if, between 25 September 2013 and the Cancellation Date, WHSP acquires all of the issued Brickworks Shares, WHSP may, at any time prior to 12.00 noon on the Cancellation Date, terminate the Share Cancellation, by written notice to Brickworks, without cost or liability to WHSP.

2 Scope of the report

2.1 **Purpose of the report**

Listing Rule 10 requires, when the disposal of a substantial asset to a substantial holder is proposed, the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the Non-associated Shareholders.

For these purposes, Listing Rule 10 provides that a shareholder will be a substantial holder in a listed company if the shareholder and its associates have a relevant interest in at least 10.0% of the total votes attached to all voting securities of the listed company and an asset is substantial if its value is 5.0% or more of the equity interests of the listed company as set out in the latest accounts of the listed company provided to the ASX.

Both the TPG Demerger and the Share Cancellation will require approval of Brickworks shareholders in accordance with ASX Listing Rule 10 since WHSP and its associates have a relevant interest in Brickworks of approximately 47.95% and that:

- Brickworks' portion of the TPG Demerger proceeds equate to a value of approximately $400 million based on the closing price of TPG as at 11 October 2013 which represents 23.3% of the equity of Brickworks based on the latest accounts provided to the ASX
- Brickworks' 42.7% interest in WHSP equates to a value of approximately $1,423 million based on the closing price of WHSP as at 11 October 2013 which represents 82.7% of the equity of Brickworks based on the latest accounts provided to the ASX.

No relevant exception to Listing Rule 10.1 applies to the TPG Demerger or the Share Cancellation under Listing Rule 10.3.

The votes of WHSP and its associates are to be disregarded in the resolutions to approve the TPG Demerger and the Share Cancellation.

Similar approvals will also be required from WHSP shareholders however for the purpose of our report we have not considered the interest of WHSP shareholders.

Deloitte Corporate Finance has been appointed to prepare an independent expert's report for Brickworks' shareholders, advising whether each of the Proposed Transactions are fair and reasonable to the Non-Associated Shareholders.

2.2 **Basis of evaluation**

2.2.1 Guidance

In evaluating whether the TPG Demerger and the Share Cancellation are fair and reasonable we have considered the Corporations Act, RG Guide 111 and market practice.

RG 111 requires an expert who is requested to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.

In applying the fair and reasonable test in respect of the Proposed Transactions, we have had regard to:

- RG 111.57: "A proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity."
- RG 111.56: "Where an expert assesses whether a related party transaction is 'fair and reasonable' this should be applied as a composite test – that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

2.2.2 TPG Demerger

RG 111 specifically addresses the basis under which an expert should form an opinion in relation to demergers and demutualisations. In particular, RG 111.32 and 111.33 state that the issue of 'value' may be of secondary importance in the absence of the following effects resulting from the implementation of the demerger:

- a change in the underlying economic interests of security holders
- a change of control
- selective treatment of different security holders.

In these instances, the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages.

In substance the TPG Demerger results in Brickworks shareholders exchanging an indirect interest in TPG (via WHSP) for the same effective interest (11.5%) held directly by Brickworks, with no change in Brickworks' underlying economic interest in TPG. As a result, in assessing whether the TPG Demerger is fair and reasonable we have therefore considered whether the advantages of the TPG Demerger outweigh the disadvantages.

2.2.3 Share Cancellation

Share Cancellation

In substance, Non-Associated Shareholders are divesting their 42.7% interest in WHSP in return for the Consideration.

In order to assess whether the Share Cancellation is fair and reasonable we have:

- assessed whether the Share Cancellation is fair by assessing whether the fair market value of the Consideration to be received by Brickworks (being $250 million in cash and interest bearing Promissory Notes) is equal to or greater than the fair market value of the Brickworks Shareholding. In order to estimate the Consideration to be received for the Brickworks Shareholding we have utilised the Indicative Price since the Indicative Price has been estimated based on the application of the Offer Price Mechanism as at 25 September 2013, which is consistent with our estimate of the fair market value of the Brickworks Shareholding at a current date. However, the Indicative Price is likely to vary up until the Calculation Date based on changes to the Offer Price Mechanism as discussed above.
- assessed the reasonableness of the Proposed Transactions by considering other advantages and disadvantages of the Proposed Transactions to the Non-Associated Shareholders.

2.2.4 Individual circumstances

We have evaluated each of the Proposed Transactions for shareholders as a whole and have not considered the effect of the Proposed Transactions on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transactions from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transactions are fair and reasonable to shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstance

2.3 Limitations and reliance on information

The opinion of Deloitte Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix G.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards board Limited (**APESB**).

Our procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards board (**AuASB**) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

3 Profile of Brickworks

3.1 Company overview

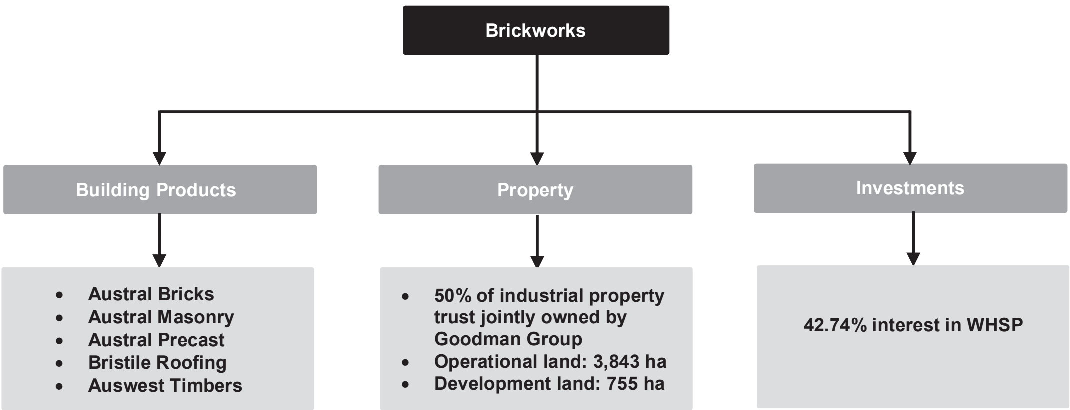
Brickworks is an ASX-listed company which is engaged in the manufacture of building products, property development and investment in Australia. The company commenced operations in 1934 when brick manufacturers in the New South Wales Brick Masters' Association registered Brickworks Limited as a public company, closed unprofitable yards and rationalised production.

Since listing on the ASX in 1961, Brickworks has expanded through various acquisitions including The Austral Tile Company, Bristile Limited, Bowral Bricks, Auswest Timbers, Sasso Precast Concrete, Girotto Precast Pty Limited and Gocrete Pty Limited.

The company is headquartered in Horsley Park, New South Wales, Australia and operates through its Building Products, Property, and Investments segments.

Figure 8 below sets out a simplified group structure for Brickworks.

Figure 8: Brickworks group structure



Source: Brickworks website, Brickworks ASX announcements

The principal operations of each of the business segments in the Brickworks group are discussed below.

3.1.1 Building Products

The Building Products segment manufactures vitrified clay, concrete and timber products used largely in the building industry. Major product lines include bricks, blocks, pavers, roof tiles, floor tiles, precast walling and flooring panels and timber products. Products are marketed under various brands including Austral Bricks, Austral Masonry, Austral Precast, Bristile Roofing, Auswest Timber, Bowral Bricks, Daniel Robertson, Nubrik, and GB Masonry. It also exports its clay products to other countries, primarily New Zealand.

The business is highly exposed to residential construction activity (approximately 80.0% of revenues) and in particular detached dwelling construction (approximately 50.0% to 60.0% of revenues). Since the acquisition of Bristile Limited in 2003, Brickworks has invested approximately $130 million in capital expenditure in the business, transitioning into pre-cast concrete, concrete masonry and timber, while also expanding the business into Western Australia and Victoria.

An overview of the Building Products segment is detailed in the table below.

Table 8: Overview of the Building Products segment

Division	FY13 Revenues ($million)	Description	Earnings drivers	Major competitors
Austral Bricks	296.0	Manufactures and supplies bricks, pavers, and facade products in Australia.	80% residential construction, 20% non-residential construction	CSR Limited (**CSR**), Boral Limited (**Boral**), BGC (Australia) Pty Limited (**BGC**) and Selkirk Bricks & Pavers
Austral Masonry	62.4	Manufactures and markets masonry bricks, blocks and pavers in Australia. It also offers retaining walls and garden edging products.	75% residential construction, 25% non-residential construction	Adelaide Brighton Limited, Boral and Best Bricks & Pavers
Austral Precast	63.4	Provides precast concrete walling and flooring services to the commercial, industrial, and residential sectors. It offers product services, manufacturing, and installation for the architectural and structural precast concrete industry as well as pre-design consultation, budgeting, and shop drawings services.	60% residential construction, 40% non-residential construction	CSR
Bristile Roofing	104.9	Supplies concrete and terracotta roof tile products, producing up to 250,000 units per day from three plants and offering a comprehensive range of more than 40 colours and seven profiles.	95% residential construction, 5% non-residential construction	CSR, Boral, BGC
Auswest Timbers	42.8	Manufactures a diverse selection of timber products for furniture and joinery, flooring, decking, staircase components, veneer and fence screening; to green structural products for mine, wharf, rail track construction as well as for floor joists, roofing timbers and roof tile battens.	Residential construction activity, timber grade	Gunns Limited, Boral

Source: Brickworks website, Brickworks ASX announcements, Deloitte Corporate Finance analysis

3.1.2 Property

The Property segment of Brickworks comprises residential, industrial and development activities and a 50.0% interest in an industrial property trust. The division is essentially an extension of the Building Products business, with surplus land assets (either former operating sites or surplus land bank) disposed of when rezoning approval is gained. The main operational and development land assets of the property division are detailed in the tables below.

Table 9: Brickworks land holdings

	Gross land area (ha)	Development Area	Book value ($m)	Most recent valuation ($m)	Value per ha of development area ($m)
Operational land					
New South Wales	465	n/a	52	166	n/a
Victoria	567	n/a	22	24	n/a
Queensland	747	n/a	20	28	n/a
Western Australia	1,792	n/a	34	117	n/a
South Australia and Tasmania	272	n/a	7	13	n/a
Sub-total / average value per ha	**3,843**	**n/a**	**135**	**348**	**n/a**
Development land					
New South Wales	154	97	13	18	0.19
Victoria	332	196	27	27	0.14
Queensland	82	53	3	20	0.38
Western Australia	187	90	5	5	0.06
Sub-total / average value per ha	**755**	**436**	**48**	**70**	**0.16**

Source: Brickworks analyst presentation for FY13
Note: ha = hectare.

The operational land is largely utilised for manufacturing operations. We understand that portions of the operational land that are considered to be surplus have been included in the value of the development land (including 31 ha at Rochedale, Queensland and 130 ha at Craigieburn, Victoria) as they are not currently required for operational purposes, based on public disclosures made by Brickworks.

In 2006, Brickworks formed a 50/50 joint venture in the form of an industrial property trust with the Goodman Group as an effective disposal process for industrial land lots that could be developed to generate an annuity style of revenue (**Industrial Property Trust**). Brickworks typically benefits in three stages, i.e. the initial sale of the property into the property trust, revaluation of existing properties within the trust and an annuity style rental income stream. The Industrial Property Trust holds leased properties as set out in Table 10 below as well as land for development.

Table 10: Industrial Property Trust (100% interest)

Tenant/Asset	Location	Value (Sm)	GLA (m^2)	Gross rental p.a. ($m)	WALE (years)	Capitalisation Rate
Coles CDC	Eastern Creek	141.6	43,070	11.8	9.2	7.50%
Toll	Eastern Creek	35.5	16,761	3.1	4.0	8.20%
Capicure	Eastern Creek	24.0	16,809	2.3	2.7	8.25%
Southridge	Eastern Creek	34.6	24,357	2.9	2.3	8.25%
Linfox	Erskine Park	76.3	51,323	5.9	8.2	7.75%
Ubeeco	Erskine Park	16.0	10,865	1.3	6.0	8.00%
Kimberly Clark	Erskine Park	61.6	45,853	4.8	9.8	7.75%
Woolworths	Erskine Park	73.0	52,888	5.8	9.8	7.80%
Wacol	Wacol	11.0	10,384	1.2	5.7	8.25%
DHL Transport	Oakdale	18.4	10,390	1.5	7.8	8.30%
DHL J&J	Oakdale	36.8	26,161	2.9	8.1	7.80%
Reedy Creek	Eastern Creek	32.8	22,959	2.7	4.4	8.00%
Jeminex	Erskine Park	45.5	31,278	3.6	7.3	7.80%
Total (Jul'13)		**607.2**	**363,098**	**49.8**	**6.6**	
Total (Jul'12)		518.4	308,861	42.3	7.6	

Source: Brickworks analyst presentation for FY13

Brickworks' interest in the Industrial Property Trust is set out below:

Table 11: Brickworks' interest in the Industrial Property Trust

$ millions	FY11	FY12	FY13	% change FY12/FY13
Leased properties	445.8	518.4	607.2	17.1%
Land to be developed	165.6	137.0	261.5	90.9%
Total	**611.4**	**655.4**	**868.7**	**32.5%**
Less borrowings	243.5	286.4	351.0	22.6%
Net trust assets (100%)	367.9	369.0	517.7	40.3%
Brickworks interest (50%)	**184.0**	**184.5**	**258.9**	**40.3%**
Return to Brickworks[1]	**11.7%**	**12.3%**	**11.2%**	**(1.1%)**

Source: FY12 and FY13 Brickworks analyst presentations
Note: 1. Brickworks' return determined on a book value basis using Brickworks' net attributable profit after tax on those properties.

3.1.2.1 Waste Management

In 2001, Brickworks entered into an agreement with Collex Waste Management Pty Limited (**Collex**) to manage waste disposal at surplus land on one of its sites at Horsley Park in New South Wales. This business has performed consistently over the years and generates less than 2.0% of earnings before interest, tax, depreciation and amortisation (**EBITDA**) for Brickworks.

3.1.3 Investment in WHSP

Brickworks has a 42.72% interest in WHSP. Refer to Section 4 for a detailed description of WHSP. As at 31 July 2013, the market capitalisation value of Brickworks' investment in WHSP was approximately $1.38 billion (based on a share price of $13.50).

3.2 Capital structure

The following table sets out the top ten shareholders of Brickworks based on available public information.

Table 12: Brickworks' top ten shareholders

Holder	No. of shares held	% shares outstanding
WHSP	65,645,140	44.3%
RBC Investor Services Australia Nominees Pty Limited	11,557,939	7.8%
J P Morgan Nominees Australia Limited	5,895,970	4.0%
National Nominees Limited	5,398,404	3.6%
HSBC Custody Nominees (Australia) Limited	3,386,260	2.3%
Milton Corporation Limited	3,234,567	2.2%
Citicorp Nominees Pty Limited	3,220,612	2.2%
BNP Paribas Noms Pty Limited	3,130,961	2.1%
Citicorp Nominees Pty Limited (Colonial First State)	2,948,180	2.0%
J S Millner Holdings Pty Limited	2,737,137	1.8%
Top 10 shareholders	**107,155,170**	**72.4%**
Other	40,883,826	27.6%
Total number of shares outstanding	**148,038,996**	**100%**

Source: Capital IQ, ASX announcements

WHSP is the largest shareholder in Brickworks with a 44.34% interest. The top ten shareholders account for 72.4% of the shares on issue.

As part of the Cooperation Agreement, MHC has a call option over approximately 0.8 million shares in Brickworks (currently held by Perpetual) shares which equates to approximately 0.5% of the total issued capital.

Brickworks and WHSP have several Directors in common including Mr Robert Millner the Chairman of both companies. As a result of these common Directors and the Cross-Shareholding, the Millner family is effectively able to exert a significant amount of control over both companies and block independent board appointments.

There were no options or rights over shares or interests in Brickworks on issue as the date of this report.

3.3 Liquidity analysis

A summary of Brickworks' quarterly VWAP and trading volumes on the ASX for each quarter from 30 August 2011 to 30 August 2013 as well as the period from 1 September 2013 to 11 October 2013 is set out in Table 13 below:

Table 13: Brickworks VWAP and volume summary

Quarter end date	High ($)	Low ($)	Last trade ($)	VWAP	Volume (million)	Traded volume as a % of Issued Shares[1]	Traded volume as a % of Free Float[2]	Average daily trading volume
30 November 2011	11.30	9.01	11.00	9.83	6.8	4.6%	10.0%	0.07%
29 February 2012	11.07	10.45	10.58	10.79	2.4	1.7%	3.6%	0.03%
31 May 2012	10.78	9.97	10.35	10.42	3.1	2.1%	4.5%	0.03%
31 August 2012	10.44	9.70	10.06	10.13	4.7	3.2%	7.0%	0.05%
30 November 2012	11.39	9.92	11.31	10.88	4.2	2.9%	6.3%	0.04%
28 February 2013	12.81	11.13	12.79	12.14	3.0	2.0%	4.4%	0.03%
31 May 2013	13.40	11.98	12.10	12.60	3.4	2.3%	5.0%	0.03%
31 August 2013	13.15	11.74	12.25	12.19	4.6	3.1%	6.9%	0.05%
11 October 2013	14.12	12.25	13.80	13.17	1.9	1.3%	2.7%	0.04%

Source: S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

Notes:

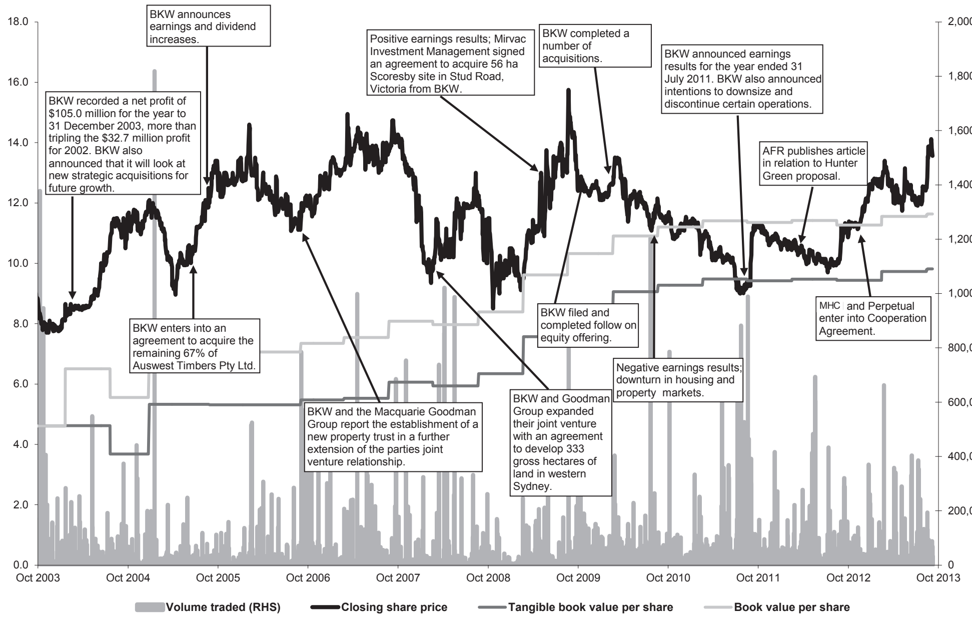
1. Volume traded for this quarter as percentage of shares outstanding at quarter end date
2. Volume traded for this quarter as percentage free float at quarter end date; 39.8% of shares outstanding assumed to be free float.

In the period from 1 March 2013 to 11 October 2013, approximately 9.9 million shares were traded. This equates to an average weekly trading volume of approximately 0.6% of the free float of Brickworks and 0.3% of the total issued shares, as compared to 0.4% for the ASX as a whole. Further we note that over the three month period to 31 August 2013, 3.1% of total shares were traded (6.9% of the free float of Brickworks) which indicates a reasonable degree of liquidity in Brickworks shares despite the Cross-Shareholding.

3.4 **Share price performance**

Brickworks' historical share price performance over the past ten years, together with a comparison to book value and tangible value per share is presented in below:

Figure 9: Brickworks historical share price performance



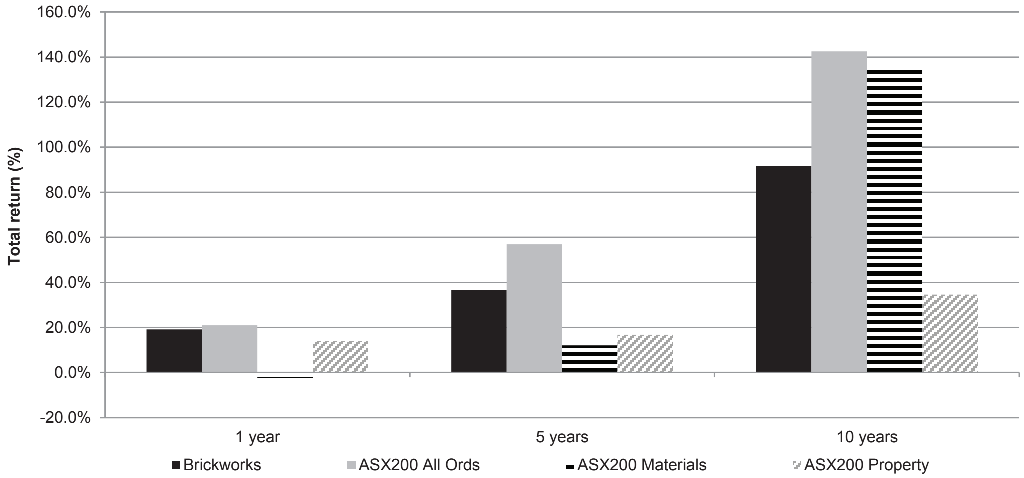
Source: S&P CapitalIQ, Deloitte Corporate Finance analysis

As can be noted from the table above:

- the share price is responsive to company announcements and other publicly available information in respect of Brickworks and its underlying investments
- until the beginning of January 2011, Brickworks traded above its book value per share and Brickworks has traded above its tangible book value per share over the entire period considered above, apart from a short period in mid to late 2011 when share markets declined more broadly. Since late 2012, Brickworks has again traded at a premium to book value and tangible book value which indicates that the market is again starting to see more value in the company after a relatively volatile two years of negative earnings results, downsizing and discontinuation of operations and over which, Brickworks traded below its book value per share
- the Brickworks share price has been appreciating since late 2012. This movement coincides with the announcement of the Cooperation Agreement between MHC and Perpetual in November 2012. Whilst there have been a range of other factors impacting the Brickworks share price over this period (including positive earnings announcements and enhanced market sentiment as global market conditions improve), the current share price may incorporate an expectation of corporate activity for Brickworks and WHSP as contemplated by the Cooperation Agreement. Since the announcement of the Cooperation Agreement, the share price of Brickworks has increased 19.9% relative to a decrease of 2.5% by the S&P / ASX200 Materials Index (**ASX200 Materials Index**).

We have also considered the returns of Brickworks over time relative to relevant indices. The diagram below compares the total returns achieved by Brickworks over a one year, five year and ten year time period against relevant indices for Brickworks, namely the ASX200 All Ordinaries Index (**ASX200 All Ords**), the S&P / ASX Materials Index and the S&P / ASX Property Index (**ASX200 Property Index**) as set out below.

Figure 10: Brickworks Total return analysis



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

As illustrated above, with the exception of the one year period, Brickworks has generally underperformed relative to the ASX200 All Ords index, and has also underperformed relative to the ASX200 Materials index for the ten year period. On the other hand, it has out-performed relative to the ASX200 Materials index and the ASX200 Property index in both the one year and five year periods considered. This may be attributed to the following factors:

- Brickworks has outperformed all indices over the last 12 months, however, this may be attributable to the expectation of corporate activity relating to WHSP and / or Brickworks as a consequence of the Cooperation Agreement discussed above
- over the five year period, whilst Brickworks' Building Products and Property segments may have underperformed, overall Brickworks' performance was positive as a result of its investment in WHSP
- the property market has until recently been volatile which has impacted the above return profile since the onset of the global financial crisis.

3.5 **Financial performance**

The statement of financial performance of Brickworks for the financial year ended 31 July 2012 (**FY12**) and 31 July 2013 (**FY13**) are summarised in the table below.

Table 14: Brickworks Financial performance

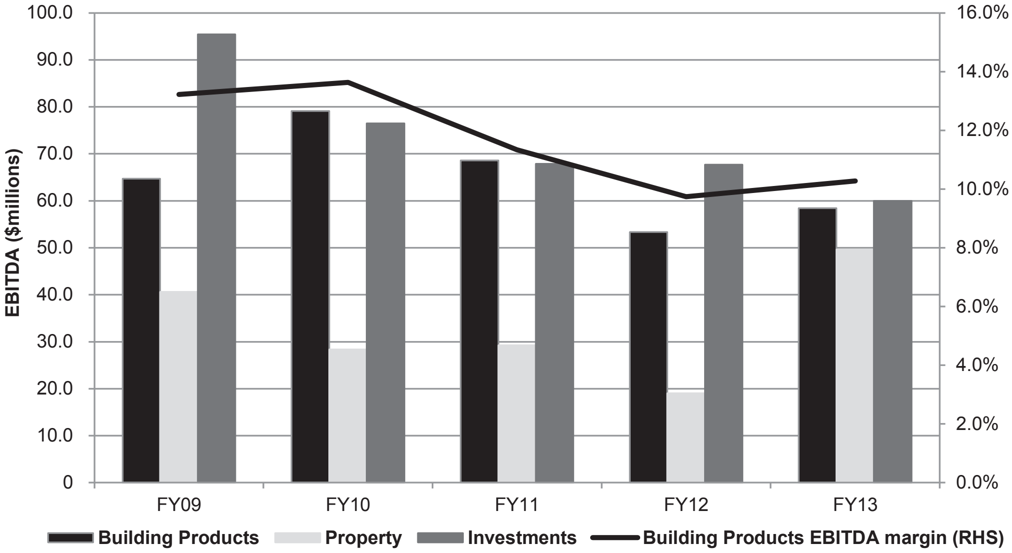
($'millions unless otherwise stated)	FY12 Actual	FY13 Actual
Revenue		
Building Products	547.6	568.7
Property	8.2	37.3
Investments	1.1	0.5
Total Revenue	**556.9**	**606.5**
EBITDA (normalised[1,2])		
Building Products	53.3	58.5
Property	19.0	49.6
Investments	67.7	60.0
Total EBITDA	**140.0**	**168.1**
Less depreciation and amortisation	(24.8)	(25.7)
EBIT	**115.2**	**142.4**
Overhead expenses		
Finance costs	(25.2)	(18.8)
Other overhead expenses	(6.8)	(7.4)
Profit before income tax	**83.2**	**116.2**
Income tax benefit / (expense)	16.2	2.5
Profit after income tax	**99.4**	**118.7**
Other metrics		
Normalised earnings per share (cents)	53.4	67.7
Dividends per share (cents)	40.5	40.5
Net tangible assets per share	$9.44	$9.82
Return on shareholder's equity	2.6%	5.0%
Interest cover ratio (times)	5.2	6.6
Net cash flow from operating activities	64.5	46.0

Source: Brickworks annual reports, CapitalIQ, Deloitte Corporate Finance analysis
Notes:

1. As normalised by Brickworks management in its annual reports.
2. EBITDA includes Brickworks' share of the net profits of associates and joint ventures accounted for using the equity method which is not reflected in revenues for the Property and Investments segments.

The following chart illustrates the revenue and EBITDA performance of the three business segments over the last five financial years:

Figure 11: EBITDA performance of the three business segments over the last five financial years



Source: Brickworks annual reports, Deloitte Corporate Finance analysis

The Building Products segment is by far the largest contributor of revenues. Further, over the period considered, FY12 was the worst performing year, with improvements in FY13 in all but the Investments segment.

We note the following with regards to Brickworks' recent financial performance:

Building Products

As set out in Figure 11, the performance of the Building Products segment is cyclical in nature with a high of $79.1 million in EBITDA in FY10 and a low of $53.3 million in FY12. Other observations on the results include:

- revenue generated by the Building Products segment during FY13 was 3.8% higher at $568.7 million compared to $547.6 million in FY12
- EBIT increased by 14.9% from FY12 to $32.8 million in FY13 driven primarily by a strong improvement in the Austral Bricks division. Pricing increases and cost reduction initiatives in this segment enabled margins to be enhanced, despite declining volumes and continued input cost pressures
- price increases across the group averaged 6.1% for the year. Productivity improvements, including labour reductions and plant rationalisation contributed to approximately $13.5 million in savings. Of these savings, approximately $9.9 million was achieved in the Austral Bricks division. Decreases in volumes had an impact on EBIT of approximately $7.6 million. This represents the gross margin impact of lost volumes. Cost increases of $34.4 million were absorbed during the year, of which $9.5 million represented input price increases in gas and electricity, including the impost of the carbon tax
- the Austral Bricks division's FY13 sales revenue was $296.0 million, representing an increase of 6.2% compared to FY12,despite flat volumes. FY13 earnings were 43.4% higher than FY12 as a result of a 6.5% increase in prices and cost reduction initiatives, including labour reductions and despite input cost increases
- Bristile Roofing sales revenue was relatively stable at $104.9 million, with increased selling prices offsetting a decline in volume. FY13 earnings were 34.5% higher than FY12, despite a decrease in volumes. Improvements in earnings in New South Wales, Queensland and Western Australia more than offset a decrease in earnings in Victoria

- the Austral Masonry division's FY13 sales revenue was 18.3% higher than FY12 and earnings were 17.0% higher driven primarily by the performance in New South Wales and also by the acquisition of Boral's masonry operation at Prospect in February 2013
- the Austral Precast division's FY13 revenue was 6.8% lower than FY12 revenue at $63.4 million. This is attributable to a reduction in non-building activity which contributed to a decline in sales volume.
- the Auswest Timbers division's FY13 revenue was 7.7% higher than FY12 at $42.8 million, despite a fire at Deanmill in WA which caused significant disruption.

Property

Results from the Property segment are largely influenced by the timing and extent of development profits which are inherently lumpy. Other observations on the above results:

- the Property segment's FY13 EBIT of $49.6 million represented an increase of 161.0% compared to FY12 as set out in Table 15 below. This was driven by a substantial increase in property sales which contributed EBIT of $28.2 million for the year compared to $0.7 million in the prior year. The major contributor was the sale of the second stage of the Oakdale estate (Oakdale South) into the property trust for a profit of $23.4 million in the first half.

Table 15: Property segment EBIT

$ millions	FY12	FY13	% change
Industrial Property Trust	19.6	24.3	24.0%
Land Sales	0.7	28.2	3,928.6%
Waste	2.5	0.4	(84.0%)
Property Admininstration[1]	(3.8)	(3.3)	13.2%
Total	**19.0**	**49.6**	**161.0%**

Source: Brickworks annual reports, Deloitte Corporate Finance analysis
Note: 1. Property administration includes costs of surplus land.

- the Industrial Property Trust generated an overall EBIT of $24.3 million, a 24.0% increase compared to FY12 EBIT. Net property income distributed from the trust in FY13 was $10 million. The revaluation profit from the trust totalled $5.9 million up from $5.3 million due to flat capitalisation rates and moderate income growth. Fair value adjustments following the completion of developments at the Reedy Unit Estate at the M7 business hub and the Jeminex Unit Estate at Erskine Industrial Estate contributed EBIT of approximately $6.1 million. The sale of two assets by the Industrial Property Trust, including 2.0 hectares of vacant land at Wacol and 1.5 hectares of land at the M7 hub contributed earnings of $2.3 million during the year
- waste management contributed a profit of $0.4 million for the year, down from $2.5 million in the prior year due to the commencement of a royalty free period for the Horsley Park Landfill, which is expected to continue until early in the 2014 calendar year
- property administration expenses totalled $3.3 million for the year ended 31 July 2013, down from $3.8 million in the prior year. These expenses include holding costs such as rates and taxes on properties awaiting development.

Investments

Brickworks' investment in WHSP (which is equity accounted) generated profit of $59.5 million for the FY13 year compared to $66.6 million in FY12. Dividends of $46.0 million were received by Brickworks.

Other

- total borrowing costs were $18.8 million, including interest costs which were slightly lower at $20.3 million for the year and the gain in mark to market valuation of interest rate swaps of $1.5 million. Interest cover increased to 6.6 times at 31 July 2013, up from 5.2 times at 31 July 2012
- normalised income tax expense decreased to $2.5 million compared to $16.9 million for the prior year, due to a lower amount of deferred taxes being expensed in FY13 as compared with FY13

- during FY13, impairment losses totalling $8.6 million were recognised in relation to various assets. Significant impairment losses were recognised on the Port Kembla (New South Wales) and Dandenong (Victoria) concrete masonry assets following the closure of these sites as part of manufacturing consolidation in the masonry industry. The Caversham (WA) roof tile assets were also impaired with the decision to significantly reduce manufacturing capacity at this site
- significant items decreased net profit after tax by $14.9 million in FY13. Net restructuring costs of $7.1 million included the write-down of assets at the Caversham terracotta roof tile plant in Western Australia and masonry plants at Port Kembla in New South Wales and Dandenong in Victoria. Restructuring costs also include the consolidation of precast operations at one site in each of New South Wales and Queensland. Significant items relating to WHSP resulted in a net cost of $5.2 million. These significant items are summarised in the table below:

Table 16: Significant items – FY13

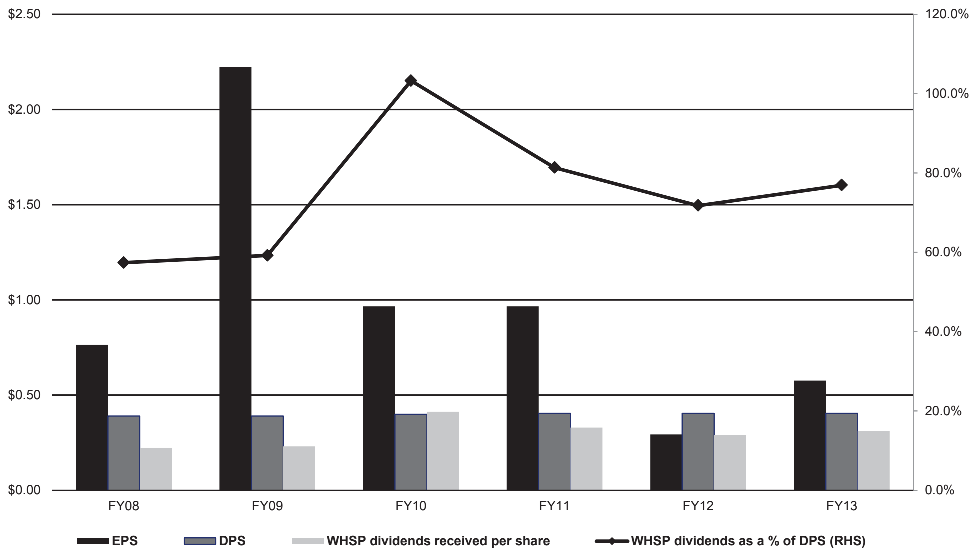
	Gross	Tax	Net
Restructuring costs	(11.5)	4.4	(7.1)
Acquisition costs	(2.5)	0.7	(1.9)
Significant items relating to WHSP	(18.5)	13.3	(5.2)
Other significant items	(1.1)	0.3	(0.7)
Total	**(33.6)**	**18.7**	**(14.9)**

Source: Brickworks annual reports, Deloitte Corporate Finance analysis

Dividends

Dividends of 40.5 cents per shares, totalling $59.9 million were paid during the year, in line with FY12. Figure 12 illustrates earnings per share (**EPS**) and dividends per share (**DPS**) for Brickworks, WHSP dividends received per share and the relative portion of WHSP dividends received per share to DPS paid by Brickworks over the period FY08 to FY13.

Figure 12: EPS, DPS, WHSP DPS and relative portion of WHSP dividends



Source: Brickworks annual reports, Deloitte Corporate Finance analysis

As illustrated above, over the period considered, dividends received from WHSP have represented a significant portion (greater than 50.0%) of dividends per share paid by Brickworks, indicating that a significant portion of the Brickworks' distributions are funded through WHSP distributions. The increase in earnings per share observed in FY09 was largely driven by the sale of the Saraji Coal Project by New Hope which resulted in a one off gain of $1.03 billion.

3.6 **Financial position**

The audited balance sheets of Brickworks as at 31 July 2012 and 31 July 2013 are summarised in the table below.

Table 17: Financial position

($'millions unless otherwise stated)	31 July 2012 Actual	31 July 2013 Actual
Assets		
Cash and equivalents	14.6	19.1
Receivables	79.4	86.6
Inventories	171.4	192.8
Land held for resale	24.4	24.9
Tax receivable	1.4	0.0
Prepayments	7.4	8.6
Derivative financial instruments	0.0	0.0
Investments accounted for using the equity method	1,242.7	1,339.8
Property, plant and equipment	450.2	429.9
Intangibles	269.5	269.0
Total Assets	**2,261.0**	**2,370.8**
Liabilities		
Payables	73.0	73.8
Interest bearing liabilities	298.6	338.1
Derivative financial instruments	6.0	4.4
Income tax provision	0.0	0.1
Provisions	55.1	63.3
Deferred tax liabilities	165.7	171.2
Total liabilities	**598.4**	**650.9**
Net assets	**1,662.6**	**1,719.9**
Other items		
Gearing (debt to equity)[1]	18.0%	19.7%
Gearing (net debt to capital employed)	14.7%	15.7%
WHSP – book value	896.0	924.6
Assets employed – Building products	568.6	534.7

Source: Brickworks annual reports, CapitalIQ
Note:
1. Based on the share market capitalisation as at the relevant reporting date.

We note the following with regards to the balance sheets as at 31 July 2012 and 31 July 2013:

- between FY12 and FY13, working capital, excluding assets held for resale increased by $25.5 million to $186.2 million primarily due to an increase in inventory
- finished goods inventory increased by $17.1 million to $139 million during the year, due in part to stock replenishment in Austral Bricks Victoria following transition of all products to the Wollert site and the impact of acquired masonry stock. In addition there was a requirement to turnover finished goods stock that was purchased at below replacement value in the acquired WA timber operations. Excluding the impact of these items, finished goods stock levels were broadly in line with the prior year
- the total value of plant and equipment employed in the Building Products business was reduced by $10.3 million during the year reflecting management's efforts to reduce assets employed and boost return on assets. The only acquisition during the year was the purchase of Boral's masonry operation in Prospect in New South Wales

- as set out in Table 11, Brickworks' share of the trust's net assets value was $258.9 million which represents an increase of $74.4 million from July 2012. The change was primarily driven by the sale of Oakdale South into the Industrial Property Trust which increased net assets by $125.2 million with $62.6 million being Brickworks' share
- the book value of Brickworks' investment in WHSP was $1.1 billion as at 31 July 2013
- as at 31 July 2013, gearing (debt to equity) was 19.7%, up from 18.0% as at 31 July 2012. Total interest bearing debt was $338.1 million (an increase of $39.5 million compared to FY12) and net debt was $319.0 million,
- intangibles comprise goodwill of approximately $252.7 million, timber access rights of $6.8 million, brand names of $9.0 million and other intangibles of $0.5 million
- the deferred tax liability comprised $185.0 million in respect of equity accounted associates (i.e. WHSP and the Industrial Property Trust) and the remainder pertains to property, plant and equipment, provisions, intangibles and other sundry items, as well as $13 million in tax losses
- Brickworks held a franking credits balance of approximately $144 million as at 31 July 2013. All dividends paid by Brickworks have been fully franked at the tax rate of 30.0%.

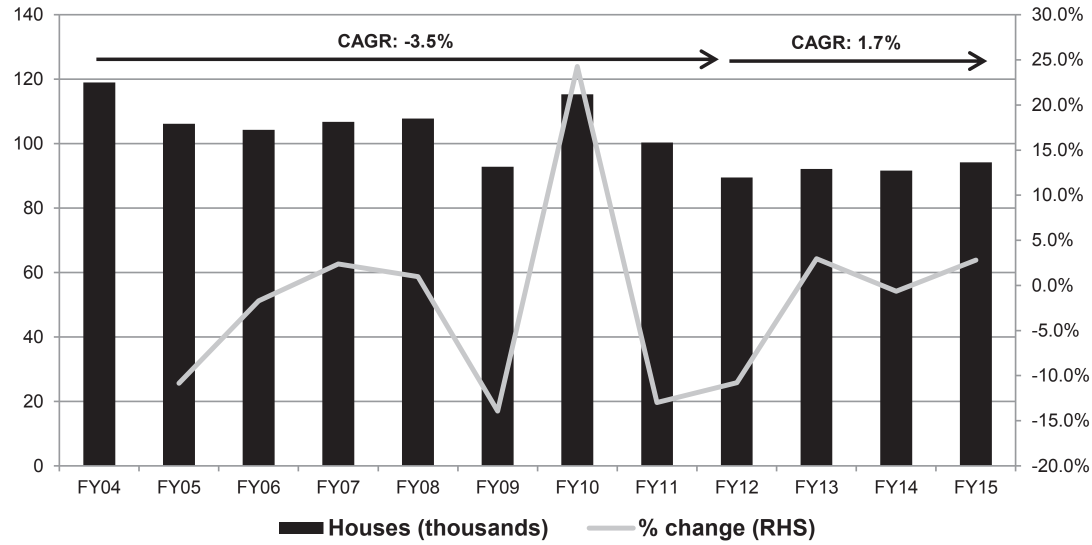
3.7 **Current prospects and outlook**

3.7.1 Building Products

The performance of the Business Products division is largely influenced by residential construction activity.

Australia is yet to see a broad based recovery in detached housing construction, however most forward indicators are now positive. Housing affordability has improved in recent times. The HIA-CBA Housing Affordability Index (**Index**) increased by 5.5% in the December 2012 quarter, compared to 4.6% in the same period in 2011. The trend of improving housing affordability has continued into 2013 rising by 1.2% in the first three months of the year driven by an easing of mortgage lending rates alongside subdued house price developments. The Index increased by 1.2% in the March 2013 quarter to a level of 69.7% and again by 4.4% in the June 2013 quarter to a level of 72.8%.[5] In addition, consumer confidence is at the highest level since December 2010[6], following the decisive federal election result. The Housing Industry Association (**HIA**)'s Economics Group forecasts a slight dip (approximately 0.6%) in detached housing starts in the 2014 financial year before increasing by approximately 2.8% in the 2015 financial year as set out below.

Figure 13: HIA detached housing forecasts by financial year



Source: HIA Economics Group housing forecasts – August 2013

FY13 growth is expected to be driven by strong housing activity in New South Wales, Western Australia and the Australian Capital Territory, offset to a large extent by weak activity Victoria, SA and Tasmania. Housing activity in all other states is expected to be consistent with FY12.

Despite the sense of optimism around a recovery in detached house building, management has publicly reported its focus on cost reduction and business improvement strategies to improve margins under the assumption of continued challenging conditions. A range of alternative fuels projects will be implemented to offset the significant increase in gas prices once existing contracts expire. Operational excellence programs have also been implemented across the Brickworks group with manufacturing savings expected to commence from FY14 onwards.

Price increases have been implemented by Austral Bricks, effective 1 July 2013. Other divisions will also continue to implement price increases as and when necessary to return margins to acceptable levels.

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[5] Media releases in relation to the HIA-CBA quarterly housing affordability index for the December 2012, March 2013 and June 2013 quarters

[6] The Westpac Melbourne Institute Index of Consumer Sentiment increased by 4.7% in September from 105.7 in August to 110.6 in September, highest point for the Index since December 2010.

Assuming relatively constant housing activity, management expects the Building Products segment to deliver an improved result in the financial year ending 31 July 2014 according to Brickworks management, driven by internal business improvement initiatives and pricing increases. Any improvement in detached housing commencements will provide additional impetus to the Building Products group's earnings.

Further, we note the following factors that are likely to have a positive influence on future performance:

- strong near term order book (as asserted by Brickworks management)
- revenue growth and margin benefits as a consequence of a cyclical recovery in building activity (which has already commenced to some extent in New South Wales and WA). The potential upside may be mitigated somewhat by the capacity reductions which have occurred in recent years (e.g. the Port Kembla facility which was closed in March with volume being transferred to the Prospect facility).

Potential impediments to growth that Brickworks may encounter in its Building Products segment include:

- further growth and margin benefits may be limited in light of the extensive cost management initiatives already undertaken to date
- increasing energy costs over time (particularly gas prices on the eastern seaboard) which may not be fully able to be passed on to customers
- potential for a decline in Brickworks' market share and/or further substitution away from Brickworks' core product base
- whilst Brickworks (and other manufacturers) have entered into tolling agreements to maximise efficiency by using spare capacity, there is a risk that this could dilute margins over time.

3.7.2 Property

The Industrial Property Trust is currently experiencing significant growth, with the completion of four new assets totalling 78,515m^2 forecast to occur during FY14. Of these assets, the Toll Holdings Limited (**Toll**) expansion at Eastern Creek and the DHL International GmbH (**DHL**) Canon development at Oakdale were completed in August 2013. The expansion of the existing Coles Distribution Centre by 12,420m2 and a fourth facility for DHL, consisting of 31,745m^2 on the Oakdale estate, will be finished in the last quarter of the 2014 financial year. Finalisation of these developments will increase rental returns from the Industrial Property Trust, with the full benefit expected to be realised in the 2015 financial year when all assets are complete.

The development of the Oakdale Estate continues to be a major focus, with final infrastructure works having commenced at Oakdale Central. These works are expected to be completed by June 2014 and this land, together with land at Oakdale South, will facilitate significant further expansion of the property trust in the medium to longer term.

In relation to operational and development land, the rezoning of the land at Rochedale to industrial in November 2012 provides an opportunity to develop surplus sections of this site. Development approvals for the servicing, sub-division and first warehousing facilities are being prepared and will be lodged in late 2013. The will allow development to commence in the 2014 calendar year.

The 12.2 hectare Riverview site in Queensland, another surplus asset, is now available for development and sub-division. This property will be offered to the market for sale during the latter part of the 2013 calendar year.

Work continues on the rezoning of Craigieburn in Victoria and Cardup in Western Australia to residential. A draft Framework Plan on the Cragieburn site and surrounding areas is expected to be released by the Growth Areas Authority (**GAA**) before the end of 2013. An application to rezone Cardup will be lodged in late 2013.

3.7.3 Investments

The equity accounted contribution of WHSP decreased 10.7% to $59.5 million over the year to 31 July 2013.

The investment in WHSP is expected to deliver strong stable earnings to Brickworks over the long term as a result of the diversified nature of WHSP's investments. Refer to Section 4 for more details around the current prospects and outlook for WHSP.

4 Profile of WHSP

4.1 Company overview

WHSP is an ASX listed diversified investment company with interests in listed and unlisted companies largely based in Australia. WHSP commenced operations in 1903 when Washington H. Soul and Company, a pharmacy in Sydney, merged with Pattinson & Co., a pharmacy in Balmain, New South Wales. WHSP was listed on the then Sydney Stock Exchange in January 1903.

In 1968, WHSP began to diversify its traditional business of operating retail pharmacies with the acquisition of Deposit and Investment Co. Limited, which was later sold in 1985. Since then, WHSP has expanded through various acquisitions including inter alia Surrey Properties Pty Limited (now known as New Hope), NBN Enterprises Pty Limited, Brickworks and Copperchem Limited (**Copperchem**).

WHSP's most significant acquisitions in recent years have included its interests in New Hope (1969) , TPG (2008) and Souls Private Equity Limited (**Souls PE**) (2012), while its most significant divestment has been Arrow Energy Limited (through New Hope) (2010).

4.2 Investments overview

WHSP focuses on value investing and has over 33 listed investments as well as unlisted investments across a range of sectors including resources, pharmaceuticals, distribution, building products, telecommunications as well as other listed investment companies (LIC).

WHSP has board representation and/or interests in excess of 20.0% in relation to a number of its investments which enables a more active investment approach compared to the passive approach typically adopted by most Australian LICs. Those entities over which WHSP has significant influence but not control or joint control, generally accompanying a shareholding of between 20.0% and 50.0%, are accounted for as Associates (**Associates**). Through this structure, WHSP is generally able to have a more direct influence on the operations and strategy of its larger investments.

The overall market value of WHSP's listed investments based on WHSP's pro rata interest in their market capitalisation was approximately $4.30 billion as at 31 July 2013 as set out below.

Table 18: Summary of WHSP's investments

Category	No. of Investments	31 July Market Value ($'million)[1]
Listed investments – controlled	1	1,863.8
Listed investments – Associates	7	1,916.9
Listed investments – other	25	521.2
Total – listed investments	**33**	**4,302.1**
Unlisted investments[2]	5	267.0
Total	**38**	**4,569.1**

Source: ASX announcements
Notes:
1. Based on WHSP's proportionate interest in the market capitalisation of each listed company on 31 July 2013
2. Value of unlisted investments based on purchase price or book value as recorded and escalated by the return on the relevant sector index since date of recognition until 31 July 2013.

WHSP's principal investments include New Hope (59.7% interest), Brickworks (42.7% interest) and TPG (26.9% interest) which represented approximately 77.0% of WHSP's total market value as at 31 July 2013.

Given that, other than Brickworks, which has been separately discussed in Section 3, New Hope and TPG represent the majority of the WHSP's investments, we discuss the nature of these investments, in Sections 4.2.1 and 4.2.2 respectively.

4.2.1 New Hope

Company overview

New Hope is a diversified energy company with interests in coal mining, coal exploration and ports as well as direct and indirect interests in oil, agriculture and energy technologies.

New Hope operates the New Acland and West Moreton mines in Queensland and has exploration programs in progress at Colton, New Lenton, Elimatta, Ownaview, Yamala and Bee Creek in Queensland. It also has a 50.0% interest in the Ashford project in northern New South Wales. In addition, New Hope operates Queensland Bulk Handling, a coal export terminal located at the Port of Brisbane with a capacity of 10.0 million tonnes per annum (**Mtpa**). In 2006, New Hope established a farming, grazing and land management business nearby at New Acland. The company oversees 10,000 hectares of land, grazes 2,000 head of cattle and manages 2,400 hectares of crops, which are primarily sold in the Darling Downs region.

New Hope also has interests in Westside Corporation, a coal seam gas producer (19.6% interest), Bridgeport Energy Limited an oil exploration company with exploration assets in Queensland and Victoria (100% indirect interest via wholly owned subsidiary) and in Quantex Energy Inc., a company engaged in the production of synthetic crude oil and high value carbon products (25.0% interest). The book value of these investments at 31 July 2013 was nil.

The coal reserves and resources attributable to New Hope as at 31 July 2013 for each of its projects are set out in the table below:

Table 19: New Hope coal reserves and resources

	Reserves (mt)		Resources (mt)		
Deposit	Proved	Probable	Measured	Indicated	Inferred
Producing assets:					
New Acland	292.0	149.0	440.0	390.0	2.0
West Moreton	-	-	44.0	72.0	11.0
Total Producing assets	**292.0**	**149.0**	**484.0**	**462.0**	**13.0**
Exploration projects:					
Ownaview	-	-	-	119.0	38.0
New Lenton	18.9	27.9	74.7	120.6	471.6
Bee Creek	-	-	0	-	104.0
Elimatta	100.0	40.0	108.0	101.0	50.0
Yamala	-	-	6.5	11.5	93.5
Maryborough (Colton)	-	11.0	-	16.0	60.0
Ashford	-	-	-	6.6	4.2
Total exploration assets	**118.9**	**78.9**	**189.2**	**374.7**	**821.3**
Total – all projects	**410.9**	**227.9**	**673.2**	**836.7**	**834.3**

Source: New Hope ASX announcement

Notes:

1. mt – million tonnes
2. Resources are inclusive of reserves.

The key operating mines of New Hope are:

- **New Acland:** New Acland is an open cut thermal coal mine in the Darling Downs region of Queensland. New Acland produced 4.7 million tonnes of product coal and has a maximum allowable production of 4.8 Mtpa under current government approvals. New Hope has sought to increase this to 7.5 Mtpa by way of a Stage 3 development of the existing New Acland mine. The proposal is currently under review by the Queensland government. Under the plan total capital costs in relation to the Stage 3 development are estimated to be $700 million with a construction timeline of 2015 to 2017
- **West Moreton:** New Hope holds the Jeebropilly, New Oakleigh and Chuwar assets, collectively known as West Moreton in the Ipswich region of Queensland. Jeebropilly is an open cut thermal coal mine. New Oakleigh was mined to completion in January 2013 and is currently undergoing

rehabilitation. New Hope is currently undertaking the rehabilitation of an area of historical mining disturbance in the Ipswich suburb of Chuwar. The site was operational in the early 1980's and rehabilitation of this area is expected to be completed in 2015. In the year ended 31 July 2013, New Hope produced 1.1 Mt of coal from its operations in West Moreton. Whilst further production and expansion options exist for Jeebropilly, with mine planning studies for the medium term completed, the timing and economics of any such expansion remain uncertain in the current environment as the mine currently operates at a loss.

Other significant projects include:

- the Colton project is a proposed open cut hard coking coal mine in the Burrum coalfields near Maryborough in Queensland. It is expected to produce 0.5 Mtpa of coal and has a projected life of at least 10 years. A mining lease application for Colton was filed in 2010 and recent exploration activity has focused on resource definition, geotechnical studies, coal quality and washability studies, and coke oven testing. Capital cost estimates have not been publicly released by New Hope however sell side research analysts following the company have estimated the capital costs in relation to Colton to be approximately $100 million
- Elimatta is a proposed open cut thermal coal mine near Wandoan, Queensland and is expected to produce 5 Mtpa. According to the environmental impact statement released by New Hope, the estimated project cost is likely to be in excess of $600 million. New Hope estimates that mining leases will be granted in May 2014 and first operations are anticipated to commence in June 2015 with full completion estimated to occur in first half of 2016
- New Lenton is a proposed open cut and underground coal mine project, located within the northern part of the Bowen Basin. A current mining lease allows for mining up to 2 Mtpa. New Hope is exploring the option of an expansion of New Lenton up to 5 Mtpa. New Lenton is currently at the mine planning stage. In 2011, New Hope sold 10.0% of New Lenton to Formosa Plastics Group subsidiary company Mai-Lao Power Corporation for $58.04 million
- Yamala is a proposed thermal and pulverised coal injection (**PCI**) coal project located in the Central Bowen Basin in Queensland. Yamala is a joint venture with CHR Emerald Pty Limited, a subsidiary of Sojitz Coal Resource Pty Limited (Sojitz). New Hope holds 70.0% of the project, with Sojitz holding the remaining 30.0%. Yamala is currently under early feasibility studies
- Bee Creek is a proposed thermal and PCI coal project in the early exploration stage. Bee Creek is located approximately 20 kilometers west of the township of Nebo, in the northern Bowen Basin in Queensland. The exploration programme at Bee Creek has recently focused on looking at the extent of coal, depth, quality and thickness.

Other exploration projects include Ashford, Churchyard Creek and Ownaview, which are early stage exploration projects.

Capital structure

New Hope's top five shareholders are set out in the following table.

Table 20: New Hope top five shareholders

	Shares held (%)
WHSP	59.7
Mitsubishi Materials Corporation	11.2
Domer Mining Co Pty Limited	2.6
Farjoy Pty Limited	1.9
BKI Investment Company Limited	1.8

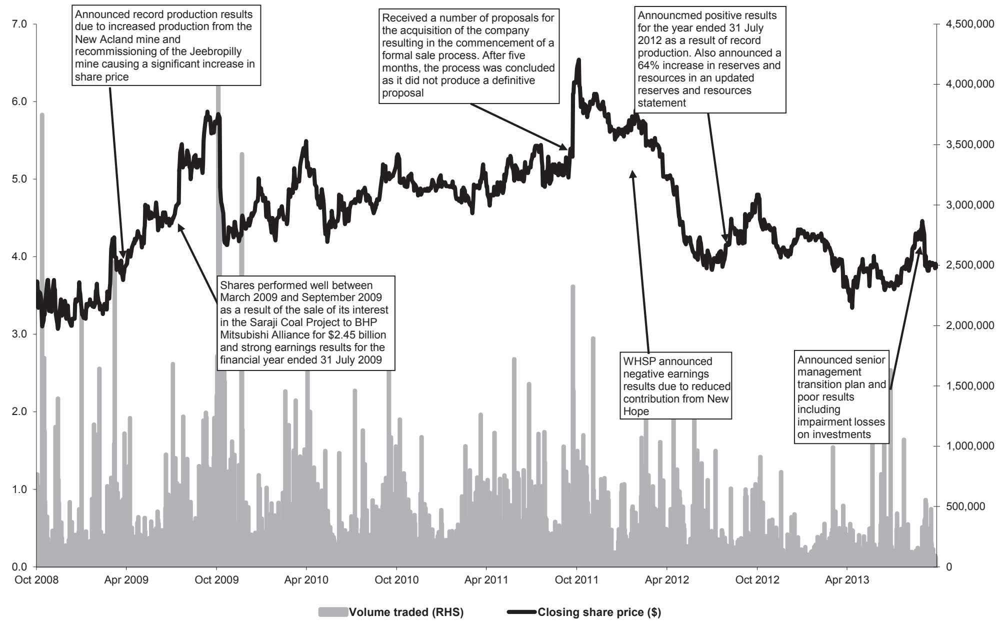
Source: Capital IQ

New Hope has a total of six Directors, one of whom is an executive director of both New Hope and WHSP, one is an executive director for WHSP and a non-executive director for New Hope, one is a non-executive director of both New Hope and WHSP and three are independent directors.

Share trading

The following figure sets out New Hope’s share trading over the past five years.

Figure 14: New Hope historical share trading analysis



Source: Capital IQ, Deloitte Corporate Finance analysis

As set out above, the share price of New Hope has been volatile in recent years and has been largely influenced by macroeconomic trends in respect of coal demand and price as well as the impact of the sales process undertaken in 2011 and 2012.

More recently, over July 2013 to September 2013 the share price of New Hope increased approximately 20.0% likely due to cost reduction measures announced as well as rumoured acquisition activity. However, since the recent peak of $4.40 per share in early September 2013 the share price has declined approximately 10.0% since the announcement of FY13 results which included lower production and significant asset impairments.

4.2.2 TPG

TPG provides telecommunications services to residential users, small and medium enterprises, government, and large corporate enterprises primarily in Australia.

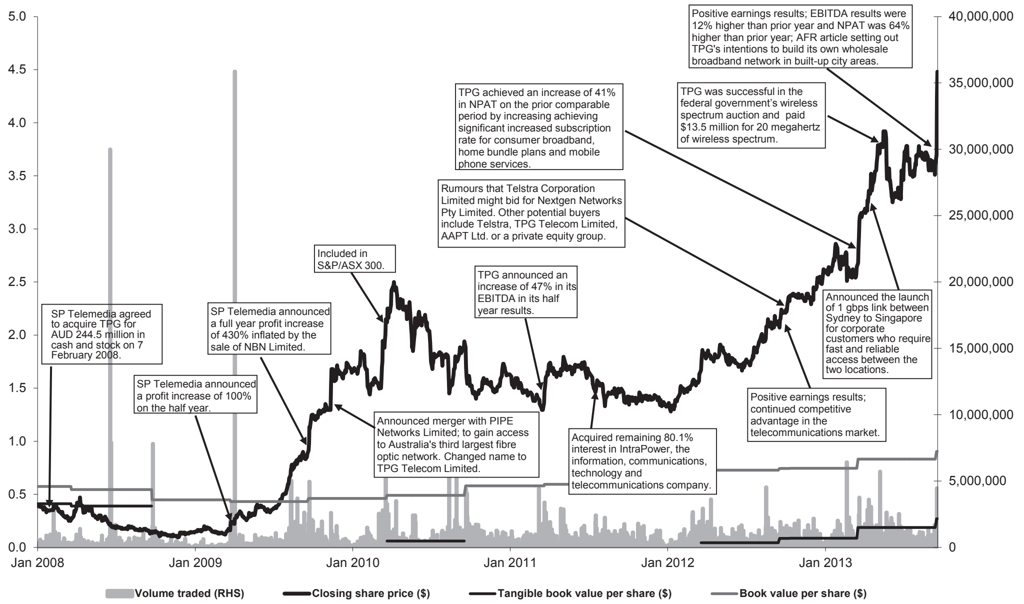
The company offers ADSL2+, fibre optic and Ethernet broadband access, telephony services, internet protocol television, SIM only mobile plans, mobile broadband, and various business networking solutions. It also provides dial-up, SHDSL, VoIP, phone card, domain name and website hosting, post office protocol version 3 and Internet message access protocol, email accounts, Internet protocol addressing, IPTV, and mail list server services.

TPG was founded by David Teoh in 1986 and merged with WHSP subsidiary SP Telemedia (which operated under the SOUL name) in 2008 for consideration of $150 million in cash and 270 million SP Telemedia shares which were valued at about $94.5 million at the time.

WHSP has a 26.9% interest in TPG, David Teoh and his associates have a combined 36.7% interest and the remaining shares are widely held.

TPG’s historical share price performance since September 2008, together with a comparison to book value and tangible value per share is presented in Figure 15 below:

Figure 15: TPG historical share price performance



Source: Capital IQ, Deloitte Corporate Finance analysis

As set out above, TPG’s share price has increased sharply since December 2011. This has been due to a range of factors including:

- an increase of over 20.0% since the release of FY13 results in September 2013 due to better than expected results as well as an unanticipated announcement that TPG would provide fibre optic cabling to more than 0.5 million apartments in five capital cities
- strong results for the 6 months to 31 December 2012 announced in March 2013 as well as a subsequent announcement that TPG had acquired 20 MHz of spectrum in the Digital Dividend[7] auction
- general increase in stocks of telecommunication companies over this period.

4.2.3 Other listed investments

The following table lists WHSP’s other listed equity investments accounted for as Associates.

Table 21: Summary of WHSP’s listed equity investments – Associates

Name	Market value ($ million)[1]	% Interest held by WHSP	Value of WHSP’s interest ($million)
BKI Investment Company Limited	713.8	12.97	92.6
Australian Pharmaceutical Industries Limited (**API**)	218.3	24.62	53.8
Apex Healthcare Berhad (**Apex**)	157.9	30.27	47.8
Ruralco Holdings Limited (**Ruralco**)	175.2	23.82	41.7
Clover Corporation Limited (**Clover**)	90.8	28.55	25.9
Total			**261.8**

Source: ASX announcements, Deloitte Corporate Finance analysis
Notes: 1. Market capitalisation as at 31 July 2013.

Some of WHSP’s directors are also directors in each of the listed equity accounted investments.

[7] The Digital Dividend became available as a result of Australia switching from analogue to digital television services, with the switchover expected to be completed by December 2013.

4.2.4 Unlisted investments

The following is a list of WHSP's unlisted equity investments (all of which are 100% owned):

Table 22: Summary of WHSP's unlisted investments

Name	Brief description of activities
Copperchem	Copperchem Limited produces copper chemicals, including copper sulphate and a crystalline chemical product used in mineral processing, agriculture and timber treatment applications.
Exco Resources Limited	Exco Resources Limited is focused on the exploration, development and production of gold, copper, uranium, zinc, lead and magnetite iron ores in Australia.
Souls PE	Souls Private Equity Limited is the private equity arm of WHSP focussed on the listed and unlisted middle market space.
Pitt Capital Partners	Pitt Capital Partners is a boutique financial advisory firm located in Australia.
Australian Logistics Property Fund	Wholly-owned vehicle established by WHSP and Pitt Capital Partners with the intention of developing and owning distribution centres for lease to major tenants across Australia. WHSP had invested $47 million in this vehicle as at 31 July 2013

Source: ASX announcements

4.3 Capital Structure

The following table sets out the top ten shareholders of WHSP based on publicly available information.

Table 23: WHSP's top ten shareholders

Holder	Number of shares held	% shares outstanding
Brickworks	102,257,830	42.7%
Perpetual Limited	28,553,113	11.9%
Millner, Robert Dobson	20,292,230	8.5%
Dixson Trust Pty Limited	9,675,230	4.0%
Milton Corporation Limited	9,094,840	3.8%
JS Millner Holdings Pty Limited	7,830,232	3.3%
T G Millner Holdings Pty. Limited.	3,151,051	1.3%
Hexham Holdings Pty. Limited.	2,783,127	1.2%
Colonial First State Asset Management (Australia) Limited	2,353,774	1.0%
Argo Investments Limited	2,182,606	0.9%
Top 10 shareholders of ordinary shares	**188,174,033**	**78.6%**
Other	51,221,287	21.4%
Total shares outstanding	**239,395,320**	**100%**

Source: Capital IQ, ASX announcements

As at 31 July 2013, WHSP's capital structure consisted of approximately 239.4 million ordinary shares on issue. Brickworks is the largest shareholder in WHSP with a 42.7% interest. As a result of the Cross-Shareholding, each of Brickworks and WHSP hold indirect interests in themselves of 19.0%. The top ten shareholders account for 78.6% of the shares outstanding.

As part of the Cooperation Agreement, MHC has a call option over 1.3 million WHSP shares (currently owned by Perpetual) which equates to approximately 0.6% of the total issued capital.

There were no options or rights over shares or interests in WHSP on issue as at the date of this report.

4.4 **Liquidity analysis**

A summary of WHSP's quarterly VWAP and trading volumes on the ASX for each quarter from 31 August 2011 to 31 August 2013 as well as the period from 1 September 2013 to 11 October 2013 is set out in Table 24 below:

Table 24: WHSP VWAP and volume summary

Quarter end date	High ($)	Low ($)	Last trade ($)	VWAP	Volume (million)	Traded volume as a % of Issued Shares[1]	Traded volume as a % of Free Float[2]	Average daily trading volume
30 November 2011	14.60	11.98	13.70	13.18	2.73	13.5%	31.7%	0.04%
29 February 2012	13.87	13.24	13.71	13.62	1.89	3.1%	7.4%	0.03%
31 May 2012	14.05	13.17	13.69	13.65	2.18	3.6%	8.4%	0.03%
31 August 2012	13.79	12.75	13.67	13.15	2.58	4.2%	10.0%	0.04%
30 November 2012	13.90	12.55	13.10	13.25	2.23	3.7%	8.7%	0.03%
28 February 2013	14.07	12.96	13.75	13.59	3.55	6.0%	14.0%	0.06%
31 May 2013	14.90	13.80	14.35	14.32	3.07	5.0%	11.9%	0.05%
31 August 2013	14.42	13.00	14.13	13.61	5.17	6.8%	16.0%	0.06%
11 October 2013	14.04	13.73	13.91	13.86	0.69	2.5%	5.9%	0.08%

Source: S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

Notes:

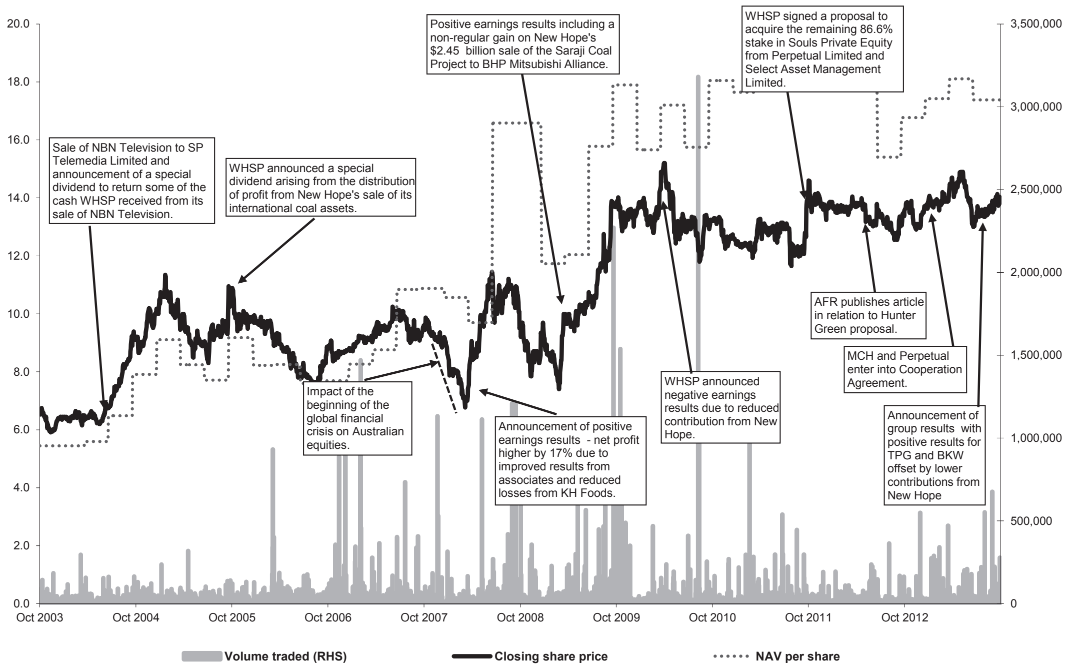
1. Volume traded for this quarter as percentage of shares outstanding at quarter end date
2. Volume traded for this quarter as percentage free float at quarter end date; 42.4% of shares outstanding assumed to be free float.

In the six month period to 31 August 2013, approximately 8.2 million shares were traded. This equates to an average weekly trading volume of approximately 0.3% of the free float of WHSP and 0.1% of the total issued shares, as compared to 0.3% for the ASX as a whole, which indicates a reasonable degree of liquidity in WHSP shares.

4.5 Share price performance

WHSP's share price performance since September 2003, together with a comparison to net asset value per share is presented below.

Figure 16: WHSP Share price and volume activity – ASX



Source: Capital IQ, Deloitte Corporate Finance analysis

Notes:

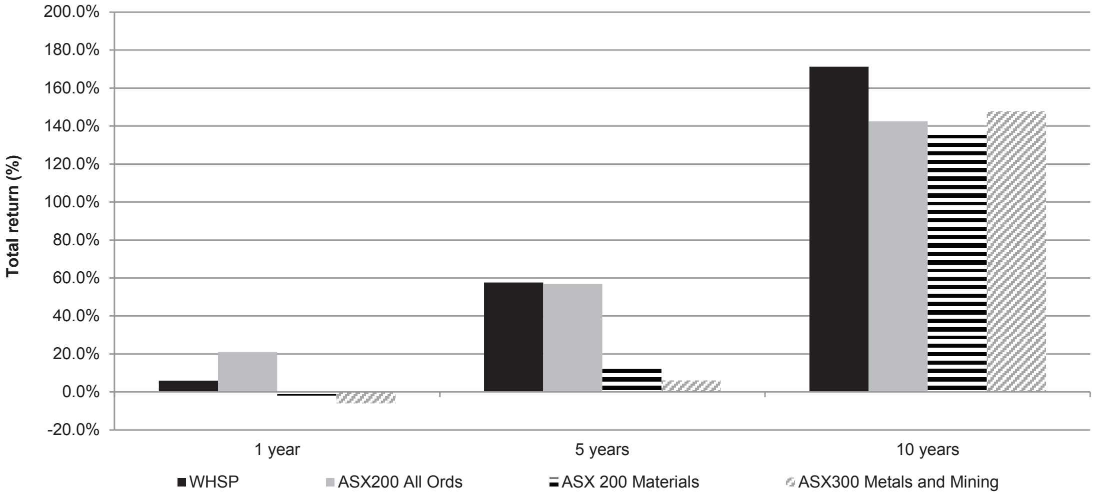
1. RHS = Right Hand Side
2. NAV = net asset value based on the marked to market value of WHSP's listed underlying investments plus the book value of other assets and liabilities (including deferred tax liabilities).

As set out above:

- WHSP's share price has demonstrated consistent capital appreciation (as well as generating an annual dividend yield of between 3.0% and 4.0%)
- during 2008 and 2009 the impact of the global financial crisis resulted in some sharp declines in the share price (consistent with the market more broadly). However, in late 2009 and 2010, WHSP's share price improved primarily as a result of strong performance from New Hope on improving coal prices over the same period
- the divestment of New Hope's stake in the Saraji coal project to the BHP Mitsubishi Alliance for $2.45 billion resulted in a positive re-rating of WHSP shares between March 2009 and September 2009. New Hope distributed some of the proceeds through a special dividend of $0.73 per share in October 2009
- between October 2009 and October 2013, WHSP's shares have traded in a range of $11.16 (low) to $15.38 (high) per share and is currently $13.91 per share as at 11 October 2013

- as set out below, other than for the last 12 months, WHSP has generally outperformed the broader market (as measured by the ASX All Ordinaries index) as well as other relevant indices:

Figure 17: WHSP total return analysis



Source: Capital IQ, Deloitte Corporate Finance analysis

The underperformance in the last 12 months is likely driven by the impact of New Hope's share price performance (down 16.0% in the last 12 months) due to the weaker coal market which has resulted in earnings reductions and production downgrades. New Hope also recognised an impairment loss of $51.4 million in the year ended 31 July 2013 in relation to its investments in Dart Energy Limited, Westside Corporation Limited and the Quantex Group of companies. New Hope contributes approximately 42.0% to WHSP's total market capitalisation value.

Over the past 10 years, Australia experienced a mining boom which, even during the global financial crisis, fuelled strong financial performance by New Hope resulting in its share price increasing by more than 500% over the period from September 2003 to September 2013.

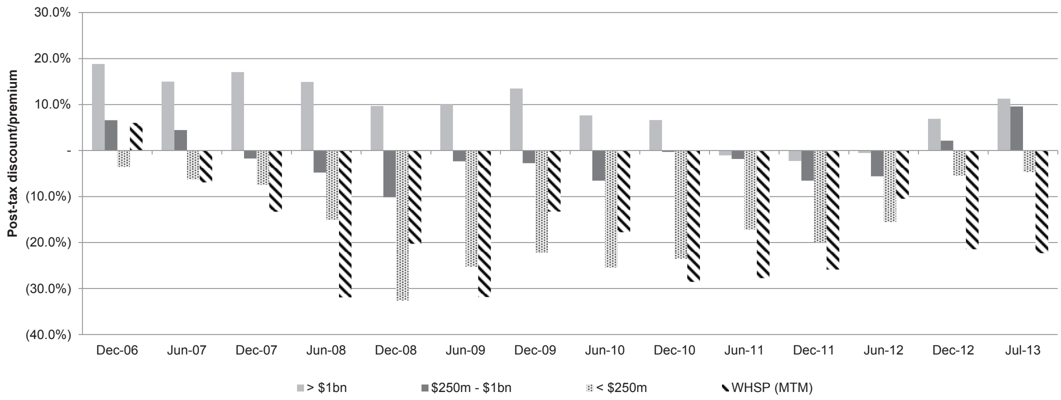
More recently:

- New Hope's announcement of its weaker FY13 results in September 2013 which caused a decline in its share price does not seem to have had an impact on WHSP's share price which has increased since the announcement. This is likely as a result of TPG's greater than 20.0% increase in share price since its FY13 results announcement in September 2013
- Brickworks has also experienced improvement in its share price over the past few weeks which is likely due primarily to the announcement in November that MHC and Perpetual had entered into the Cooperation Agreement.

As evident in Figure 18, WHSP's share price has traded at a discount to the value of the underlying investments since September 2007. Whilst it is not possible to precisely identify the reasons/drivers for this trend, based on our analysis of WHSP's share price and value of its underlying investments over time (which is corroborated by comments made by institutional investors and sell side research analysts) this is likely as a result of:

- **Significant influence discount** – as WHSP is an investment holding company, its shares would be expected to trade at a discount to the underlying value of its net assets which reflects the lack of liquidity and/or control associated with holding a minority interest in a company controlling the underlying investments. We have analysed in the following table the investment holding company discounts observed for Australian listed investment companies and WHSP since December 2006:

Figure 18: Investment holding company discount analysis (post tax basis)



Source: Deloitte Corporate Finance analysis

Notes:

1. MTM = marked to market. This includes the market value of WHSP's listed investments plus book value of its unlisted investments and other surplus assets less book value of deferred tax liability
2. Underlying market value based closing price for each quarter
3. Based on an analysis of 25 LICs as follows: >$1 billion: 3, $250m to $1 billion: 9, and <$250m: 13.

As set out above:

- WHSP has traded at a significant discount to the value of its underlying investments since 2007. The discount was 22.0% at 31 July 2013 and 23.0% for the 3 years to 31 July 2013.
- over the same period:
  - other large LICs (i.e. those with greater than $1 billion in net assets) have generally traded at a premium (or lower discount relative to WHSP) to the marked to market value of their net assets. LICs with a market capitalisation of greater than $1 billion traded at an average quarterly premium of 11.0% at 31 July 2013 and an average quarterly premium of 4.0% for the 3 years to 31 July 2013
  - mid-sized LICs traded at an average premium of 10.0% at 31 July 2013 and an average quarterly discount of 1.0% for the 3 years to 31 July 2013
  - small LICs traded at an average discount of 5.0% at 31 July 2013 and an average quarterly discount of 16.0% for the 3 years to 31 July 2013
- greater discounts to net asset value have been prevalent since the global financial crisis.

Based on the above, WHSP's discount to its marked to market net asset value has been greater (more unfavourable) than the peer LICs (except for 2009 and January to June 2012). The factors that have caused this discount cannot be definitively identified or quantified. However, based on our analysis of WHSP's investments, sell-side research analysis commentary relating to WHSP and Brickworks, possible reasons for this discount are likely to include:

- **existence of a controlling shareholder** - listed companies with a significant shareholder are likely to trade at a discounted trading price when compared to a company with a widespread shareholder base to reflect the lack of liquidity and potential conflict of interest between the major shareholder and minority shareholders. Two of the other LICs analysed have a significant proportion of their shares held by one shareholding block
- **cross-shareholding structure** - the Cross-Shareholding between WHSP and Brickworks was established in 1969 to mitigate the risk of a takeover for either company and to date this strategy has been successful. There are, however, views that the Cross-Shareholding has a negative impact on the market value of both WHSP and Brickworks. This view has been supported by Citibank in its analyst report on Brickworks in April 2013. Based on a study conducted by the European Commission in 2007, it was found that there is a perception by market participants that cross-shareholding structures have a negative impact on share prices could be in the region of 10.0% to 30.0%
- **capital gains tax liability** – in contrast to typical investment companies that have relatively short investment periods and exit the investments in their portfolio frequently (thus realising any tax liabilities associated with those investments), the potential unrealised CGT relating to the investments of WHSP is more significant (by value) due to the long-dated nature of the majority of its investments which has resulted in a significant gap between the tax

cost base of those investments and their current market value. Further, the majority of the investments held by the Australian LIC peers are non-controlled investments and therefore the embedded capital gains tax liability to some extent is captured in the net asset value through deferred tax liabilities. The combination of these effects are likely to result in a greater discount to reported net assets in WHSP compared to its listed peers as a result of unrealised capital gains tax, all other things being equal

- **conglomerate discount** - WHSP may be regarded as a conglomerate. There are international examples where conglomerates trade at a discount to the aggregate value of their underlying investments. Further, there are instances where conglomerates have been broken-up and additional value has been created through the sale of the constituent parts. It is possible that a conglomerate discount may be priced into WHSP's share price. Based on empirical studies conducted, conglomerate discounts are generally in the range of 10.0% and 30.0%.

4.6 **Financial Performance**

The audited consolidated income statement of WHSP for FY12 and FY13 is summarised in the table below:

Table 25: Financial performance of WHSP

	FY12 ($million)	FY13 ($million)
Revenue	912.4	791.3
Normalised EBITDA[1]	296.7	228.3
Normalised net profit after tax[1]	226.9	208.4
Other metrics		
Net profit margin[2]	25.0%	26.0%
Earnings per share[2]	0.95	0.87
Dividends per share	0.44	0.46
Dividend Yield[3]	3.3%	3.4%

Source: ASX announcements, Deloitte Corporate Finance analysis

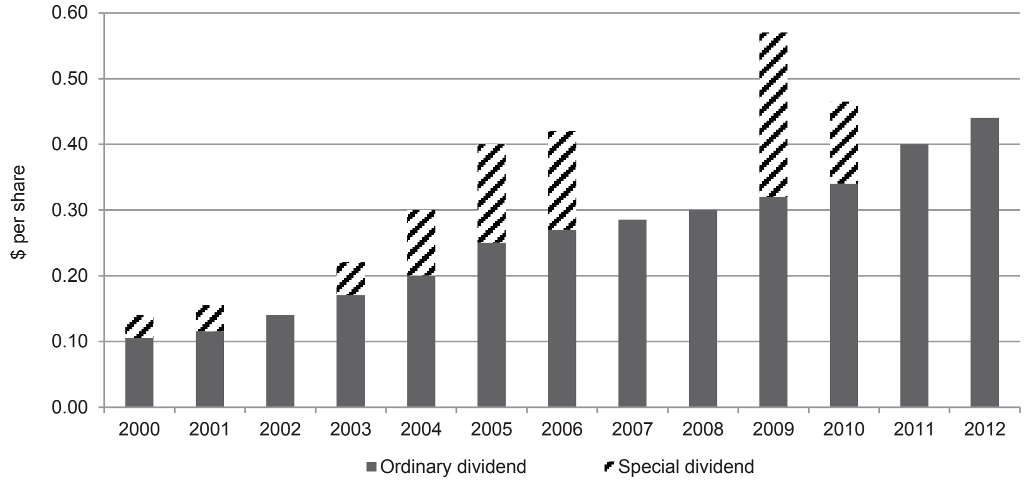
Notes:

1. Normalisation adjustments for FY12 primarily relate to adjustment for goodwill impairment, tax consolidation benefits and share of significant expenses from associate entities as per WHSP. Normalisation adjustments for FY13 primarily relate to impairment of New Hope's investment in Quantex Energy and impairment of certain long term equity investments
2. Based on normalised net profit after tax
3. Dividend yield is computed based on volume weighted average price per share for the year under consideration.

We note the following in relation to the financial performance of WHSP:

- the financial performance of WHSP is principally influenced by the operations of New Hope (as discussed above) which represented approximately 75.0% of revenues and 60.0% of NPAT for FY13. The remainder of WHSP's financial performance is largely influenced by investment returns from its investments and its cash position
- the decrease in revenue in FY13 was driven primarily by:
  - decrease in revenue for New Hope as a result of weaker thermal coal prices during the year and higher than normal rainfall across southern Queensland which reduced production
  - reduction in interest income on term deposits due to lower deposit amounts and lower interest rates
- net profit margin remained relatively stable between FY12 and FY13, however, absolute net profit after tax decreased in FY13 due to lower revenue for New Hope as discussed above
- dividends paid by WHSP have increased steadily since 2000 and have included special dividends declared in the years 2000 to 2006, 2009 and 2010.

Figure 19: Dividends and special dividends declared from FY00 to FY12



Source: ASX announcements, Deloitte Corporate Finance analysis

4.7 Financial Position

The audited balance sheet of WHSP as at 31 July 2012 and as at 31 July 2013 is summarised in the table below:

Table 26: Financial position of WHSP

	FY12 ($ million)	FY13 ($ million)
Cash and cash equivalents	1,518.0	1,251.2
Investments	105.6	30.2
Property, plant & equipment and intangibles	719.2	867.2
Net working capital[1]	(19.2)	(4.7)
Current tax liabilities	(18.5)	(18.9)
Deferred tax liabilities	(82.9)	(67.7)
Other assets / (liabilities)[2]	30.7	(40.8)
Net assets attributable to New Hope	**2,252.9**	**2,016.5**
Equity and other investments		
Equity accounted associates and joint ventures	750.0	813.6
Other equity investments	442.5	522.7
Other net assets (including controlled investments except New Hope)		
Cash and cash equivalents	281.3	276.6
Net working capital[1]	38.0	35.0
Property, plant & equipment and intangibles	104.5	223.5
Interest bearing liabilities	(52.9)	(59.1)
Current tax assets / (liabilities)	(4.0)	4.4
Net deferred tax liabilities	(56.1)	(104.9)
Other assets / (liabilities)	17.8	21.6
Total Net assets	3,773.9	3,750.0
Key metrics		
NTA per share (book value)	15.7	15.8
NTA per share (MTM)[3]	16.2	18.3
Gearing (book value)	1.4%	1.6%

Source: ASX announcements, Deloitte Corporate Finance analysis

Notes:

1. Net working capital consists of inventories, receivables and accounts payable
2. Other assets / (liabilities) mainly consist of derivative financial instruments
3. Value of unlisted investments based on Deloitte Corporate Finance assessed low case.

We note the following in relation to WHSP's balance sheet:

- WHSP's investment in New Hope is consolidated. Key observations on the financial position of New Hope (as per New Hope's financial report):
  - cash and cash equivalents decreased due to investment in property, plant & equipment, acquisition of Bridgeport Energy Limited ($50.0 million) and payment of dividends to shareholders

- investments decreased in FY13 as a result of impairment of investments in Dart Energy Limited, Westside Corporation Limited, Quantex Energy Inc. and Quantex Research Corporation. New Hope's interest in Bridgeport Energy Limited was derecognised as it acquired a controlling interest in the company
- decrease in other assets and liabilities was primarily due to notional mark-to-market losses on its forward foreign exchange contracts.

- equity accounted associates and joint ventures mainly include Brickworks, BKI Investment Company Limited, TPG, Clover Corporation Limited and Ruralco Holdings Limited. WHSP's share of results from its equity accounted associates was $76.5 million in FY13 (compared to $44.0 million in FY12)
- increase in other equity investments in FY13 was due to an increase in the fair value of the existing underlying investments net of tax
- other net assets include WHSP's other controlled investments (excluding New Hope), namely Copperchem, Exco, Pitt Capital Partners Limited and Australian Logistics Property Fund
- property plant & equipment and intangibles (net of New Hope) increased in FY13 due to the acquisition of Exco and capital expenditure incurred by Copperchem
- interest bearing liabilities primarily relate to deposits accepted by WHSP from directors and director related entities under normal commercial arrangements
- net deferred tax liabilities increased in FY13 primarily due to increase in the value of WHSP's listed equity investments leading to a higher capital gains tax liability in relation to these investments to be recognised (currently $126.0 million)
- net cash and term deposits on balance sheet of $276.6 million. Financial information for FY13 relating to WHSP's parent entity is not yet publicly available. We have therefore estimated the net cash attributable to WHSP from an analysis of the total cash and debt based from the consolidated balance sheet of WHSP less the amount attributable to New Hope based on the FY13 New Hope financial statements
- WHSP has a franking credit balance of $0.5 billion as at 31 July 2013.

4.8 **Outlook**

The outlook for WHSP will largely be driven by the performance of, and investor sentiment relating to, its key underlying investments (New Hope, Brickworks and TPG) and any adverse or positive movements in these factors are likely to have similar effects on the long term share price and returns of WHSP.

New Hope

Long-term prospects for metallurgical coal demand and coal pricing are generally positive. However, the impact of currency movements is one of the biggest risks impacting Australian coal companies.

The relatively low cost and high security of supply of Australian thermal coal is expected to continue to make it an attractive fuel source. At a global level, however, there are three underlying trends which will remain positive for the price of thermal coal. Firstly, higher natural gas prices improve the competitiveness of coal for power generators as recent months have seen an appreciation in the major natural gas index (Henry Hub Index). Additionally, Chinese demand for thermal coal is increasing following a slump earlier in 2013. Finally, on the supply side, Australian production appears to be tightening which will underpin the future price of thermal coal.

New Hope currently produces thermal coal from its New Acland and West Moreton mines. Its development stage projects include Colton, a hard coking coal mine, Elimatta, an open cut thermal coal mine and New Lenton, a coking/thermal/PCI coal.

New Hope has sought to increase its production at New Acland from 4.8 Mtpa to 7.5 Mtpa. A mining lease application for Colton was filed in 2010 and recent exploration activity has focused on resource definition, geotechnical studies, coal quality and washability studies, and coke oven testing. With respect to Elimatta, New Hope estimates that mining leases will be granted in May 2014 and first operations are likely to commence in June 2015 with full operations estimated to occur in April / May 2016.

The outlook for thermal coal prices is relatively weak as a result of a weaker outlook for demand driven primarily by an increase in thermal coal exports from the United States. The outlook for hard coking coal, however, is stronger and therefore the success of the Colton project, which will produce hard coking coal, will be an important driver of the company's future profitability

In addition, New Hope's significant cash position places it in a strong financial position to assist the company in funding future acquisitions, the development of future projects or in capital management activities.

Other investments

WHSP's future returns will also be influenced by:

- any cyclical or other changes in dwelling construction activity and/or residential and industrial property prices that may impact Brickworks' Building Products and Property segments as discussed in Section 3
- TPG's ability to continue to execute its growth strategy (including building the infrastructure to offer fibre connections to over 0.5 million apartments in metropolitan areas). In light of TPG's recent share price rally, it is likely that a significant portion of this growth has been factored into the share price and therefore any delays or challenges in achieving the expected growth could adversely impact returns from this investment.
- any changes in sentiment or investor preferences for LIC's generally or any of WHSP's underlying sector investments.

5 Valuation Overview

5.1 **Context to the valuation**

In order to assess whether the Share Cancellation is fair and reasonable we have assessed whether the Share Cancellation is fair by assessing whether the fair market value of the Consideration is equal to or greater than the fair market value of the Brickworks Shareholding (42.7%). Accordingly, in the following section we have estimated the fair market value of WHSP, and by extension the Brickworks Shareholding.

Estimating the fair market value of WHSP, and the Brickworks Shareholding, for the purposes of evaluating the Proposed Transactions poses a range of challenges and issues which must be addressed as part of our valuation and are in some cases unique to WHSP as a consequence of the Cross-Shareholding and the specific attributes of WHSP.

The Convening Shareholders are not entitled to access to the management or board of Brickworks, or information prepared by Brickworks' management or the board. Our report has therefore been prepared based solely on information that is publicly available. Whilst this is typical for the preparation of an independent expert's report, we do not consider that this places undue limitations on the scope of our work or the analysis required for us to provide the opinion requested. We note even if we were engaged by the directors of Brickworks the access to information available in respect of WHSP's underlying investments (with the exception of Brickworks) would likely be limited to that available in the public domain.

In forming an opinion as to the fair market value of the Brickworks Shareholding in the context of the Proposed Transactions we have had regard to the following:

- the Cross-Shareholding structure and the circularity therefore inherent in the analysis in that the value of Brickworks is dependent on WHSP and vice versa
- that WHSP has historically traded at a significant discount to the observable market value of its net assets as discussed in Section 4.5 which indicates that the WHSP share price may not be reflective of the fair market value of its underlying investments
- WHSP has a number of long dated holdings and WHSP therefore has significant CGT associated with its investments
- the fair market value of WHSP's underlying investments which range across a number of industry sectors, and is complicated by the differing levels of control, liquidity and information publicly available
- the nature of the Brickworks Shareholding and the level of control/influence afforded to Brickworks as a consequence of this investment.

In addition, we note that the TPG Demerger is a condition of the Share Cancellation and therefore for the purposes of our analysis we have evaluated the fair market value of the Brickworks Shareholding subsequent to the TPG Demerger. Consequently, in forming an opinion as to the value of the Brickworks Shareholding, we have first formed an opinion on the value of a share in WHSP prior to the TPG Demerger (which can be compared to current trading in WHSP shares) and have then made required adjustments to remove the impact of the TPG Demerger.

5.2 **Approach and key issues considered**

In order to address the issues and limitations identified we consider the most appropriate approach to estimate the fair market value of the Brickworks Shareholding is to undertake a SOTP analysis of each investment of WHSP based on publicly available information, and aggregate the fair market values attributable to the underlying investments and other net assets of WHSP.

For the purpose of our opinion fair market value is defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment.

In selecting the SOTP approach we considered a number of commonly used methodologies, in particular we considered and dismissed the appropriateness of the following valuation methodologies:

- whilst portfolio investors often consider dividend discount models in order to estimate the value of their investment holdings in LICs, the application of this methodology to value WHSP is not appropriate due to the nature of its underlying investment portfolio. In particular, the investment in New Hope represents the majority of the net assets of WHSP and due to the cyclical nature of mining companies generally, which result in volatile earnings and distribution yields, coupled with the nature of New Hope's assets which include a number of early stage development projects as well as a significant surplus cash balance, these investments are difficult to value using a dividend discount model

- due to the diverse nature of WHSP's investment portfolio and the lack of comparable companies with similar portfolio compositions, earnings multiples for WHSP are not meaningful, and therefore the capitalisation of future maintainable earnings is not an appropriate approach to value WHSP
- we do not consider the share price to be an appropriate benchmark for determining the fair market value of the Brickworks Shareholding due to the apparent disconnect between the share trading price of WHSP and the market value of its underlying assets. Whilst the specific reasons for this difference cannot be separately identified and quantified, based on our analysis, and commentary from sell side analysts, factors which contribute to the share price not being reflective of its intrinsic value include the application of a holding company and conglomerate discount, the impact of the Cross-Shareholding and the embedded CGT liabilities associated with the potential disposal of its investments.

In applying the SOTP methodology to estimate the value of the Brickworks Shareholding, our approach included consideration of the following:

- **New Hope:** in valuing WHSP's investment in New Hope we have primarily had regard to recent share trading as we consider this provides a reasonable proxy for the fair market value of New Hope on a minority interest basis. We have cross checked the value estimated using this approach to the implied reserve and resource multiples for comparable companies and transactions. We consider it appropriate to apply a premium to the minority interest value derived for a share in New Hope to reflect the size of the investment and the level of control afforded to WHSP as a consequence of this stake. We have adopted a control premium in the range of 20.0% to 30.0% based on the factors specific to WHSP's interest and available market evidence as set out in Section 6.3
- **Brickworks:** for WHSP's investment in Brickworks we have undertaken a SOTP analysis aggregating the estimated fair market value derived for its interests in the Building Products, Property and Investment segments on a control basis. In order to reflect that WHSP's interest does not afford complete control, we consider it appropriate to apply a discount of 5.0% to 10.0% to the control value. In order to reflect the Cross-Shareholding we have adopted an iterative approach whereby we have estimated the fair market value of Brickworks' investment in WHSP having regard to our assessed value of a WHSP share. We have cross-checked our valuation using recent share trading in Brickworks. Further details of our approach and key assumptions adopted are set out in Section 6.4
- **other listed investments:** WHSP's other investment interests range between passive portfolio investments to more sizable, potentially strategic stakes. To estimate the fair market value of these investments we have primarily had regard to recent share trading as we consider this provides a reasonable proxy for the fair market value of these investments on a minority interest basis. We have also considered the size of the interests held by WHSP (and any large shareholding blocks held in these entities) and assessed whether these investments would attract either a premium or discount to the share price in the event that these interests were sold in the open market. Further details of our approach and key assumptions adopted are set out in Section 6.5
- **unlisted investments**: we have considered public information available in relation to these investments including the price paid by WHSP, earnings information for each entity and any fundamental analysis available. Whilst our analysis undertaken in respect of the Unlisted Investments was more limited than in respect of the Other Listed Investments, the materiality of the volatility in the potential value of the Unlisted Investments in the context of the fair market value of the Brickworks Shareholding as a whole is not significant. Further details of our approach and key assumptions adopted are set out in Section 6.6
- **CGT:** as most of WHSP's most significant investments were acquired some time ago, these investments are likely to be subject to a significant amount of CGT if the value of these assets was to be realised within WHSP. We have estimated the fair market value of any such CGT liability having regard to the notional quantum of the potential CGT liability (based on public disclosures released by WHSP and Brickworks), potential scenarios in which the crystallisation of these liabilities could occur and other factors likely to be considered by a potential buyer of the Brickworks Shareholding. On balance, after considering a range of factors set out in Section 6.7, we have adopted a discount to the notional value of the CGT liability of 25.0% to 50.0%
- **significant influence discount:** as we have estimated the fair market value of the above assets from WHSP's perspective assuming full control, in order to reflect the size and other attributes of the Brickworks Shareholding we have applied a discount of 5.0% to 10.0% as set out in Section 6.12.

An overview of the valuation methodologies considered for the purposes of our valuation analysis is set out in Appendix B.

6 Valuation of the Brickworks Shareholding

6.1 Summary

Based on our analysis, we have estimated the fair market value of a share in WHSP using the SOTP approach to be in the range of $16.13 to $19.80 prior to the TPG Demerger as set out in the table below:

Table 27: WHSP valuation prior to the TPG Demerger

	Section	Unit	Low	High
New Hope	6.3	$ million	2,184.1	2,303.9
Brickworks		$ million	792.1	1,076.6
TPG	6.5	$ million	907.0	907.0
Other Listed Investments	6.5	$ million	804.1	809.6
Unlisted Investments	6.6	$ million	240.0	310.0
Total value of investments		**$ million**	**4,927.3**	**5,407.1**
Less: CGT liability	6.7	$ million	(838.8)	(619.9)
Add: Net cash	6.9	$ million	201.6	201.6
Equity value of WHSP (control basis)		**$ million**	**4,290.1**	**4,988.8**
Significant influence discount	6.12	%	10.0%	5.0%
Equity value of WHSP (post-discount)		$ million	**3,861.1**	**4,739.4**
Number of shares on issue	6.11	*million*	*239.4*	*239.4*
Assessed value of a share in WHSP (Prior to TPG Demerger)		$	**16.13**	**19.80**

Source: Deloitte Corporate Finance analysis

Our assessed fair market value of WHSP represents the value of WHSP in its current form and therefore does not include the impact of the TPG Demerger.

Since the TPG Demerger is a condition of the Share Cancellation and therefore must occur in order for the Share Cancellation to occur, we have evaluated the fair market value of the Brickworks Shareholding subsequent to the TPG Demerger and have made the following adjustments to reflect the impact of the TPG Demerger:

- reduced the equity value of WHSP by the full value of its investment in TPG which equates to $0.9 billion net of the associated CGT liability as estimated in Section 6.7
- added the interest in TPG to be received by WHSP through its interest in Brickworks (net of the estimated CGT liability).

Based on these adjustments, our assessed value of the Brickworks Shareholding is $13.54 to $17.25 per share as set out below:

Table 28: WHSP valuation post the TPG Demerger

	Unit	Low	High
Assessed equity value of WHSP (100%)	$ million	**4,290.1**	**4,988.8**
Less: assessed fair market value of interest in TPG	$ million	(907.0)	(907.0)
Add:			
Assessed fair market value of TPG CGT liability	$ million	58.3	116.6
Effective indirect interest in TPG retained by WHSP (after tax)	$ million	160.8	149.7
Equity value post TPG Demerger (100%)	$ million	**3,602.1**	**4,348.1**
Significant influence discount	%	10.0%	5.0%
Equity value post TPG Demerger and holding company discount (100%)	$ million	**3,241.9**	**4,130.7**
Brickworks interest	%	42.7%	42.7%
Equity value post TPG Demerger and holding company discount (Brickworks Shareholding)	$ million	**1,384.8**	**1,764.4**
Price per share of the Brickworks Shareholding (Post TPG Demerger)	$	**13.54**	**17.25**

Source: Deloitte Corporate Finance analysis

6.2 Valuation of listed investments - summary

WHSP holds interests in a number of companies listed on the ASX. The three largest in terms of market value are New Hope, Brickworks and TPG, accounting for approximately 82.0% of WHSP's listed investment portfolio (based on market capitalisation). The remaining investments are not as significant in terms of contribution to the value of WHSP as set out below:

Table 29: Valuation of Listed Investments

	Assessed fair market value (WHSP's interest)	
	Low	High
New Hope	2,184.1	2,303.9
Brickworks	792.1	1,076.6
TPG	907.0	907.0
Other Listed Investments	804.1	809.6
Total Listed Investments	**4,687.3**	**5,097.1**

Source: Deloitte Corporate Finance analysis

The market can be expected to provide an objective assessment of the fair market value of securities of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities.

We have undertaken an analysis of the recent share trading in the Listed Investments in order to ascertain whether there is sufficient liquidity to use the ASX share price to estimate the fair market value of a share as set out below.

Table 30: Liquidity analysis

Investment	Average daily volume (90 days) as % of: Free float		# of non-trading days (past 90 days)	Bid-ask spread (90 days)	# of sell side research analysts covering	% of WHSP indicative market value
	Total Shares	Free float				
New Hope	0.02%	0.08%	-	1.0%	9	46.9%
Brickworks	0.01%	0.04%	-	0.7%	5	22.1%
TPG	0.12%	0.49%	-	0.4%	14	19.2%
BKI	0.03%	0.11%	2	0.8%	1	2.1%
API	0.16%	0.22%	-	1.5%	6	1.3%
Clover	0.08%	0.13%	1	2.3%	-	2.8%
ASX All Ords	0.30%	n/a	n/a	0.3%	n/a	n/a

Source: Deloitte Corporate Finance analysis

Based on the metrics considered above, it could be argued that there is some illiquidity in Clover and BKI as there is none/limited analysts coverage and some trading days in which no shares traded. However, as these investments represent less than 5.0% of the total listed investments of WHSP we do not consider the potential variability in the value of these investments as a consequence of the relatively lower liquidity to be significant in the context of our analysis.

Of the top six listed investments (which comprise approximately 87.0% of WHSP's listed investment portfolio based on market capitalisation), all but one (Apex) are covered by sell side research analysts which provides additional dissemination of information to the market. In addition, based on our analysis of the key drivers of past share price movements of these investments there appears to be reasonable efficiency with respect to price movements post material announcements.

Based on this analysis and the publicly available information available to us, we are satisfied that the recent share trading of these listed Investments provides a reasonable basis for assessing the fair market value of these investments for the purpose of estimating the fair market value of the Brickworks Shareholding.

For the other listed securities in which WHSP holds less than 20.0% of the issued shares (and therefore which are not 'associates' of WHSP from an accounting perspective), WHSP does not individually disclose its holdings. For these investments we have not considered the liquidity of individual securities and instead have estimated the fair market value of these investments in aggregate based on the 31 July 2013 disclosed market value and movements in broader indices since this date.

6.3 **New Hope**

6.3.1 Summary

We have estimated the fair market value of WHSP's interest in New Hope to be in the range of $2,184.1 million to $2,303.9 million using the market approach. This value is inclusive of a premium for control of 20.0% to 30.0% to reflect WHSP's ability to influence the strategy and operations of New Hope and the potential that WHSP would be able to sell its interest in a control transaction.

Resource companies are typically valued using the discounted cash flow approach as this can most adequately address the changing production, pricing, capital expenditure and cash flow profiles associated with resource investments. However, it is not possible to undertake a valuation using this approach with sufficient certainty based solely on publicly available information.

We summarise our valuation of WHSP's interest in New Hope in the following table.

Table 31: New Hope - Summary

	Unit	Low value	High value
Minority interest value per share ($)	$	3.92	3.92
Number of shares (million)	$ million	830.7	830.7
Value of 100% of New Hope - minority ($'million)	$ million	**3,258.2**	**3,258.2**
Premium for control	%	20.0%	30.0%
Value of 100% of New Hope - control ($'million) [1]	$ million	**3,659.6**	**3,860.3**
	%		
WHSP's interest	%	59.7%	59.7%
Value of WHSP's interest – control	$ million	**2,184.1**	**2,303.9**
Per share value of WHSP's interest - control	**$**	**4.41**	**4.65**

Source: Deloitte Corporate Finance analysis
Note:
1. A premium for control has been applied to New Hope's minority equity value excluding cash of $1,251.2 million.

We have cross-checked the valuation derived using the market approach with an analysis of comparable resources multiples. We have also considered recent price targets published by sell side research analysts covering New Hope.

6.3.2 Market approach

New Hope's share price ranged from $3.34 to $4.46 per share during the six months to 11 October 2013. The VWAP over the period from the release of its FY13 results (16 September 2013) to 11 October 2013 was $3.92 and its spot price on 11 October 2013 was $3.89 as set out below.

Table 32: Summary of recent share trading – New Hope

Spot price as at 11 October 2013	3.89
VWAP since results announcement	3.92
VWAP[1] – 30 day	3.92
VWAP[1] – 60 day	4.04
VWAP[1] – 90 day	3.95

Source: Deloitte Corporate Finance analysis
Note:
1. As at 11 October 2013.

We consider that the most recent trading in shares is most reflective of the current operating prospects and outlook for New Hope. Based on this analysis, we have adopted the VWAP since the most recent results announcement of $3.92 per New Hope share for our valuation.

Share prices from market trading do not reflect the market value for control of a company as they reflect the value of a minority or portfolio holding. Australian studies indicate the premiums required to obtain control of companies range between 20.0% and 40.0% of the minority values. Given that WHSP holds a controlling interest in New Hope and has nominated two out of six board members we consider it appropriate to apply a premium for control to our assessed minority interest value.

In forming our view of the appropriate premium for control, we have considered the following key factors:

- WHSP holds a 59.7% interest in New Hope's shares. This provides WHSP with control over New Hope, however, not ultimate control as this interest may be insufficient to enable a special resolution
- WHSP nominates 2 of 6 directors on the board of New Hope which indicates that it does not control the board of directors of New Hope
- premiums for control observed for a range of transactions between 2000 and 2013 (and sub periods) as set out in the following table:

Table 33: Deloitte premium for control study results

Premiums since announcement of transaction	1 day	1 week	1 month
Average Control Premium - All transactions	27.5%	29.9%	33.7%
Average Control Premium - All transactions (previous 2 years)	43.2%	43.8%	38.4%
Average Control Premium - Energy and resources targets	30.9%	35.1%	39.1%
Average Control Premium - Energy and resources targets (previous 2 years)	50.9%	50.4%	42.8%
Average Control Premium - Coal mining targets	29.3%	34.5%	39.7%
Average Control Premium - Coal mining targets (previous 2 years)	48.6%	50.5%	39.8%

Source: Deloitte Corporate Finance analysis

As set out above, premiums for control in the energy and resource and coal sectors have generally been in excess of the broader market, particularly in recent periods. We observe that there are a range of factors that have influenced this, including strategic transactions which generate significant synergy value as well as a number of transactions in the sector with target companies that require capital and therefore share trading prices reflected an element of distress (which could potentially have an upward impact on the observed control premia).

Further we have also considered the control premiums from implied acquisition enterprise values (i.e. which factors in target gearing) for the identified coal transactions and the control premiums were in the range of 26.0% to 36.0% with a median of 31.0%.

Based on our analysis above, we have selected a premium for control in the range of 20.0% and 30.0% which is at the low to mid end of observed control premiums to account for the factors discussed above.

Given New Hope's significant holding of surplus cash, we have applied the premium to New Hope's equity value excluding cash as we do not consider that a purchaser would attribute a premium for control for such a significant net cash holding.

6.3.3 Comparable resources multiples

We have cross-checked the value derived using recent share trading in New Hope to comparable trading and transaction reserve and resources multiples.

Reserve and resources multiples provide only a high level cross-check as the multiples observed for the selected comparable companies and transactions may vary significantly due to company/asset specific factors (such as reserves and resources composition, access to infrastructure, quality of coal and mine life) as well as transaction specific factors such as size and geography.

The following table sets out the enterprise value (**EV**) per tonne of in-situ coal (**EV/tonne coal**) implied by our selected value under the market approach.

Table 34: Reserve and resource multiples implied by value derived using the market approach

	Low value	High value
Value of 100% of New Hope - control ($'million)	3,659.6	3,860.3
Less: Surplus assets($'million) [1]	(1,352.0)	(1,352.0)
Enterprise value ($'million)	**2,307.6**	**2,508.3**
Total reserves (million)	638.8	638.8
EV/tonne of reserves ($) – control basis	**3.6**	**3.9**
Total resources (million)	1,509.9	1,509.9
EV/tonne of resources[2] ($)– control basis	**1.5**	**1.7**

Source: New Hope announcements, Deloitte Corporate Finance analysis

Notes:

1. Value of 100% of New Hope excludes the value of cash $1,251.2 million and surplus assets of $100.8 million which do not contribute to the reserves and resources
2. Resources exclude inferred resources but are inclusive of reserves.

As discussed above, New Hope is vertically integrated coal producer with operational, development and exploration assets located in Queensland and New South Wales. Accordingly, we have considered companies that are primarily focused on coal mining and have current producing assets, as well as some exploration/development projects and have placed less emphasis on those companies with only exploration/development stage projects.

We have compiled reserve and resource multiples implied by current share trading of comparable companies, on a control basis (assuming a notional 30.0% control premium to the underlying equity values of the comparable companies), as set out in the following table.

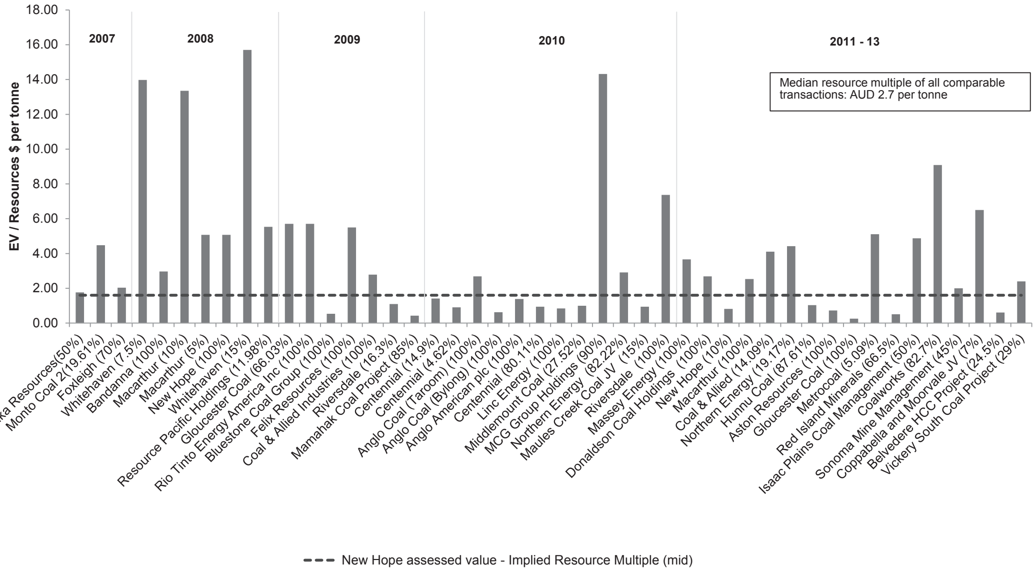
Table 35: Comparable reserve and resource trading multiples (adjusted for notional control premium)

Entity	Domicile	Enterprise value ($ million)	Total Reserves (Mt)	Total Resources (Mt)	EV reserve multiple	EV resource multiple
Whitehaven Coal Limited	Australia	2,905	709	2,213	4.1	1.3
Yancoal Australia	Australia	5,402	684	2,721	7.9	2.0
Alliance Resource Partners	USA	4,718	634	715	7.4	6.6
Alpha Natural Resources	USA	4,666	2,345	4,571	2.0	1.0
Arch Coal	USA	5,764	2,252	5,490	2.6	1.0
Bumi Resources Tbk PT	Indonesia	6,050	2,911	13,730	2.1	0.4
Adaro Energy Tbk Pt	Indonesia	5,778	1,125	6,364	5.1	0.9
Peabody Energy	USA / Australia	12,416	5,123	9,285	2.4	1.3
High					**7.9**	**6.6**
Low					**2.0**	**0.4**
Average					**4.2**	**1.8**
Median					**3.3**	**1.2**

Source: Deloitte Corporate Finance analysis

We have also compiled reserve and resource multiples implied by recent transactions of comparable companies, as set out below.

Figure 20: Comparable resource transaction multiples



Source: Deloitte Corporate Finance analysis

We note the following in relation to the comparable multiples:

- there are a wide range of observable multiples as set out above. Higher multiples are generally influenced by acquirers realising significant synergy or strategic value (such as supply security) as part of these transactions. Lower multiples are generally reflective of assets which have limited access to infrastructure, have a high proportion of deposits which are of poor quality, limited remaining mine lives, higher cash operating costs or a combination of these factors
- in respect of the trading multiples (which have been adjusted for a notional control premium), we consider the operations of Whitehaven Coal Limited and Yancoal Australia to be the most comparable to those of New Hope based on their location, product mix and stage of operations. The reserves multiples of Whitehaven Coal Limited and Yancoal Australia are 4.1 times and 7.9 times respectively and the resources multiples are 1.3 times and 2.0 times respectively. With the exception of Yancoal Australia's reserve multiple, the comparable multiples broadly support our assessed value of New Hope. Yancoal Australia's relatively higher reserve multiple is likely due to the fact that it has a relatively low reserve-to-resource ratio, and a large proportion of its resources are measured which may indicate that there is less risk to proving up their reserves
- Gujarat NRE Coking Coal Limited, Cockatoo Coal Limited and Coal of Africa Limited are also engaged in the production of coal and development of coal projects. However, these companies are not considered comparable due to share illiquidity and differences in size, product mix and stage of operations
- the median of all the resources and reserve multiples implied by recent transactions are 3.9 times and 2.7 times, respectively. The average and median resources multiples implied by control transactions are 4.0 and 2.75 times respectively.

After consideration of New Hope's size, projected capital expenditure and the nature and stage of operations, and that our assessed value represents a control value, we consider the trading and transaction reserve and resource multiples broadly support our primary valuation of New Hope.

6.3.4 Broker target prices

To provide additional support for the value derived using our primary valuation method, we have considered current share price targets of sell side research analysts released in September 2013 and October 2013 covering New Hope, as set out in the following table:

Table 36: Broker consensus forecasts

	Number				$ per share
Number of broker estimates					7
Average price ($)					4.10
Median price ($)					4.15
High / low ($)					4.45 / 3.75
	Buy	**Outperform**	**Hold**	**Underperform**	
Recommendation	2	1	2	2	

Source: CapitalIQ

We consider that our valuation range of $4.41 to $4.65 on a control basis is broadly supported by the broker target prices. In addition, we note that of the broker reports available to us (4 of 9 total coverage), the discounted cash flow valuations prepared by these analysis ranged between $3.75 per share to $5.40 per share with an average of $4.58 which is not inconsistent with our assessed range on a control basis.

6.4 **Brickworks**

6.4.1 Summary

We have estimated the fair market value of Brickworks to be in the range of $1,984.7 million and $2,555.6 million having primary regard to the value of Brickworks on a SOTP basis pursuant to which we derived and aggregated separate values for each component of Brickworks' business, namely Building Products, Property and Investments. In estimating the fair market value of WHSP's interest in Brickworks, we had regard to the level of influence afforded to WHSP as a consequence of its interest, in particular that this provides significant influence but not absolute control. We have cross-checked our SOTP valuation with recent trading in Brickworks shares.

6.4.2 SOTP approach

Based on publicly available information, we have used the following valuation methodologies in respect of Brickworks' business segments:

- **Building Products**: the capitalisation of maintainable earnings method
- **Property**: net asset value in respect of the Industrial Property Trust and disclosed fair market value for land assets (net of potential CGT liabilities)
- **Investments**: through an iterative approach, adopting our assessed valuation of WHSP as set out in Section 6.4.6.

We have estimated the fair market value of WHSP's interest in Brickworks on a SOTP basis of $12.07 to $16.40 as set out below:

Table 37: Summary – Brickworks SOTP analysis

$ millions (unless otherwise stated)	Section	Unit	Low value	High value
Building Products	6.4.3	$ million	495.0	550.0
Industrial Property Trust	6.4.4	$ million	258.9	258.9
Land development	6.4.5	$ million	70.0	150.0
Interest in WHSP (net of CGT)	6.4.6	$ million	1,479.8	1,915.7
Assessed enterprise value of Brickworks – control		$ million	**2,303.6**	**2,874.5**
Net debt	6.4.7	$ million	(318.9)	(318.9)
Assessed equity value of Brickworks – control		$ million	**1,984.7**	**2,555.6**
WHSP interest		%	44.3%	44.3%
Assessed equity value of Brickworks – WHSP Interest (control)		$ million	**880.1**	**1,133.2**
Significant interest discount	6.4.8	%	10.0%	5.0%
Assessed equity value of Brickworks – WHSP Interest (significant influence)		$ million	**792.1**	**1,076.6**
Assessed value per share (Significant influence)		$	**12.07**	**16.40**

Source: Deloitte Corporate Finance analysis

6.4.3 Building Products

Our estimate of the fair market value of the Buildings Products segment, using the capitalisation of maintainable earnings method is summarised below:

Table 38: Summary – capitalisation of maintainable earnings method

		Low value	High value
Maintainable earnings (net of costs)	($'m)	55.0	55.0
Earnings multiple	Times	9.0	10.0
Enterprise value	($'m)	**495.0**	**550.0**

Source: Deloitte Corporate Finance analysis

Our considerations on each of these are discussed separately below.

Future maintainable earnings

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. We have selected EBITDA as an appropriate measure of earnings for the Building Products segment because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on earnings before interest and tax (**EBIT**) or net profit after tax (**NPAT**). This allows a better comparison with earnings multiples of other companies.

We have estimated future maintainable EBITDA to be to $55 million. In determining future maintainable earnings we have considered the following:

- recent revenue and earnings performance of the Building Products segments
- earnings guidance provided by Brickworks as well as earnings projections for the Building Products segment issued by sell side research analysis
- the current outlook for the Building Products segment as set out in Section 3.7 above and the expectation that the business is expected to deliver improved earnings in FY14
- the earnings associated with the Waste Management segment. Whilst this business is arguably exposed to different risks and growth prospects to that of Building Products, due to the small size of this business (EBITDA of $0.3 million for FY13) and the lack of publicly available information in respect of this business we have included this business in our assessed value for Building Products (which implicitly assumes that the business would attract the same earnings multiple as the Building Products business)
- the corporate costs for Brickworks as a whole which are not captured otherwise in our SOTP approach (as we consider that the earnings multiple applied would not be dissimilar to the multiple adopted for Building Products)
- implied consensus earnings attributable to the Building Products segment. As consensus forecasts are only available on a consolidated basis, we have estimated the implied the consensus earnings attributable to the Building Products segment by reducing consensus earnings estimates for Brickworks as a whole by:
  - EBITDA attributable to WHSP based on consensus earnings per share forecasts for WHSP
  - earnings from the Property division based on FY13 actual results less 5.0% based on Brickworks' disclosure that earnings from the Property division are expected to be marginally lower in FY14.

The results of this analysis are set out below:

Table 39: Analysis around residual earnings in respect of the Building Products segment

	FY12 Actual	FY13 Actual	FY14 Forecast[2]
EBITDA - Brickworks Total	**133.2**	**160.7**	**163.5**
Growth	*n/a*	*20.6%*	*1.7%*
Attributable to:			
Property	20.3[1]	52.5[1]	49.9
WHSP	67.7	60.0	57.1
Building Products (implied)[3]	**45.2**	**48.2**	**56.6**
Growth	*n/a*	*6.5%*	*17.4%*

Source: Deloitte Corporate Finance analysis
Note:
1. Excludes reported profit attributable to Waste Management and corporate costs as set out in Table 15 in Section 3.5
2. FY14 EBITDA estimates for Brickworks and WHSP based on consensus analyst forecasts. Earnings attributable to WHSP estimated based on Brickworks' 42.7% share of WHSP's consensus NPAT of $133.7 million for FY14
3. Residual also includes Waste Management and all corporate costs for Brickworks.

In estimating the future maintainable EBITDA of $55 million, we have placed greater emphasis on the residual earnings attributable to the Building Products segment in FY14 and have also had regard to the historical FY13 earnings of the segment (including adjustments for the unallocated expenses, waste management EBITDA and property administration expenses).

Earnings multiple

We have selected an earnings multiple in the range of 9.0 times to 10.0 times EBITDA in estimating the fair market value of WHSP's interest.

In selecting this earnings multiple range, we have considered:

- earnings multiples derived from share market prices of comparable listed companies
- prices achieved in mergers and acquisitions of comparable companies.

These are discussed separately below.

Market trading multiples

The share market valuation of listed companies provides evidence of an appropriate earnings multiple for the Building Products segment. The share price of a listed company represents the market value of a minority interest in that company.

We have compiled share market trading multiples for companies comparable to the Building Products segment. These companies, together with their earnings multiples, are summarised in the following table.

Table 40: Earnings multiples – market trading

Company	Market Cap'n	Enterprise value[1] ($'m)	EBITDA multiple (FY13)	EBITDA multiple (FY14)	EBITDA multiple (FY15)	EBITDA margin (FY13)	EBITDA margin (FY14)	EBITDA growth (FY14)
Brickworks' Business Products segment	n/a	n/a	n/a	n/a	n/a	9.7%	n/a	14.2%[2]
Building Products								
Adelaide Brighton Limited	2,311	2,554	10.4x	9.5x	8.9x	21.5%	22.3%	9.7%
Boral Limited	3,691	5,223	11.8x	8.7x	7.3x	8.5%	11.0%	36.1%
Fletcher Building Limited.	5,680	7,111	11.1x	9.4x	8.3x	9.0%	9.4%	18.0%
CSR Limited	1,245	1,301	9.3x	7.1x	6.1x	8.4%	10.6%	31.2%
Average (Building Products)			**10.7x**	**8.7x**	**7.6x**	**11.8%**	**13.3%**	**23.7%**
Median (Building Products)			**10.8x**	**9.1x**	**7.8x**	**8.7%**	**10.8%**	**24.6%**
Other comparable companies								
DuluxGroup Limited	1,883	2,351	17.7x	12.5x	10.9x	12.4%	12.9%	42.4%
Capral Limited	83	74	26.2x	28.1x	6.5x	1.0%	0.8%	(6.7)%
GWA Group Limited	1,021	1,185	13.6x	11.9x	10.9x	15.4%	16.6%	14.6%
Overall average			**14.3x**	**12.4x**	**8.4x**	**10.9%**	**11.9%**	**20.7%**
Overall median			**11.8x**	**9.5x**	**8.3x**	**9.0%**	**11.0%**	**18.0%**

Source: Capital IQ, Deloitte Corporate Finance analysis
Notes:
1. n/a – not available
2. Reflects expected growth based on our analysis in Table 40
3. Enterprise values were calculated by summing the total of the net borrowings at each company's most recent reporting date and the market capitalisation at 11 October 2013. Earnings were taken from the last annual report.

General comments regarding the multiples, together with the historical growth, margins and operations of the above companies, are listed below:

- we have considered companies that operate in Australia, New Zealand and internationally, that produce and supply building materials. Many of the Australian and New Zealand companies are considerably larger and more diversified than the Building Products segment. In general, larger companies have higher earnings multiples than smaller companies
- we consider Adelaide Brighton Limited (**Adelaide Brighton**), Boral Limited (**Boral**), CSR Limited (**CSR**) and Fletcher Building Limited (**Fletcher Building**) to be most comparable to the Building Products segment as these companies primarily offer similar products and are exposed to similar drivers of revenues and earnings as the Building Products segment:
    - Adelaide Brighton produces and supplies cement, lime and concrete building material products across Australia for the construction, infrastructure and mineral processing industries. In FY13, Adelaide Brighton achieved an EBITDA margin of 21.5%, which was noticeably higher than the other Australian and New Zealand comparable companies as it has a lower exposure to concrete products (8.0% of revenue) and a higher exposure to cement and lime products (75.0% of revenue)

- Boral produces and supplies a range of building products such as cement, concrete, bricks, roof tiles, plasterboard and timber for residential, commercial, infrastructure and mineral processing industries. We consider Boral to be more geographically diverse than the Building Products group as it supplies products to customers in Australia, the United States and Asia. In FY13, Boral achieved a 10.0% increase in EBITDA from the previous year, which was mainly driven by the recovering housing market in the United States and increased activity in the Australian resources sector. Revenues from the concrete products segment represented 60.0% of revenue
- CSR produces and supplies a range of building products such as cement, concrete, aluminium, bricks, roof tiles, glass and plasterboard for the residential and commercial construction industries in Australia and New Zealand. In FY13, CSR's operating revenue and EBITDA declined by approximately 7.0% and 34.0%, respectively, from the previous year as a result of subdued market conditions in the construction sector. CSR has a comparably low forward multiple of 6.1 times EBITDA being highly exposed to aluminium markets and recovery in these areas is expected to be slow
- Fletcher Building produces materials such as concrete, cement and heavy construction materials as well as plastic pipeline and other infrastructure products. Its building products division manufactures a range of products for residential and commercial markets such as plasterboard, roofing products and insulation. In addition to cost savings from its recent restructuring efforts, Fletcher Building is well placed to achieve positive results from the recovery in the residential and commercial markets in New Zealand and the United States. Revenues from the concrete products segment represented 66.0% of revenue

- the above companies are larger and more geographically diverse than the Building Products segment, and we therefore expect, all else being equal, the multiples of these companies to be higher
- Capral Limited (**Capral**) also produces and supplies aluminium building materials to the residential and commercial construction industries, however, as a result of lower building activity in Australia and the declining market conditions for aluminium products, its earnings have declined significantly in the past two years. As a result, its EBITDA multiples appear to be outliers. Further, Capral is considerably smaller than the Building Products segment as well as the other comparable companies.

Merger and acquisition multiples

The price achieved in mergers or acquisitions of comparable companies provides evidence of an appropriate earnings multiple for the Building Products segment. The acquisition price of a company represents the market value of a controlling interest in that company.

We compiled merger and acquisition multiples for companies comparable to the Building Products segment. These companies, together with their earnings multiples, are summarised in the following table.

Table 41: Earnings multiples – mergers and acquisitions

Target company	Acquired by	Target country	% acquired	Effective date	Enterprise value ($'m)	Historical EBITDA multiple	Control premium[1]
Australian transactions							
Alesco Corporation Limited	DuluxGroup Limited	AUS	100%	19-Dec-12	256	7.3x	27.7%
Lafarge Plasterboard Pty Ltd	Knauf Gips KG	AUS	100%	05-Aug-11	164	8.6x	n/a
East Coast Masonry Pty Ltd.	Brickworks Limited	AUS	100%	18-Feb-11	3	n/a	n/a
Crane Group Ltd.	Fletcher Building Ltd.	AUS	85.0%	01-Apr-11	824	10.0x	42.9%
Hudson Building Supplies Pty Ltd.	Crane Group Limited	AUS	100%	01-Nov-10	34	7.3x	n/a
Brick & Block Company Pty Ltd.	Brickworks Limited	AUS	100%	12-Feb-10	14	n/a	n/a
Average						**8.3x**	**35.3%**
Median						**7.9x**	**35.3%**
International transactions							
Infastech (Singapore) Pte. Ltd.	Stanley Black & Decker, Inc.	SING	100%	27-Feb-13	885	9.1x	n/a
Metl-Span LLC	NCI Group, Inc.	US	100%	22-Jun-12	141	9.3x	n/a
Average						**9.2x**	**n/a**
Median						**9.2x**	**n/a**
Overall average						**8.6x**	**35.3%**
Overall median						**8.8x**	**35.3%**

Source: Capital IQ, Deloitte Corporate Finance analysis
Note: 1. Based on the 30 day VWAP prior to the announcement of the deal.

General comments regarding the multiples, together with the historical growth, margins and operations of the above companies, are listed below:

- Alesco Corporation Limited and Crane Group Limited (**Crane**) are diversified Australian building products, fixtures and equipment providers, that are larger and more diversified than the Building Products segment
- Lafarge Plasterboard Pty Limited (**Lafarge**), East Coast Masonry Pty Limited and Brick & Block Company Pty Limited have more of a focus on construction materials and basic brick, stone or other masonry products. Lafarge is most comparable to the Building Products segment in terms of product offering, diversification and size
- the acquisitions of Infastech (Singapore) Pte. Limited and Metl-Span LLC are international transactions and are less comparable due to these companies operating in different macroeconomic environment
- the majority of these transactions include significant cost synergies and product and market diversification benefits for which acquirers would be willing to pay a significant premium
- all of these were control transactions and as such it is likely that a control premium was paid in respect of these transactions. However, control premiums are only observable for the listed company transactions, namely in respect of Alesco and Crane which implied control premiums of 27.7% and 42.9% respectively.

Selected multiple

In selecting an appropriate multiple to apply to the Building Products segment's future maintainable EBITDA we have considered the following:

- Brickworks relatively favourable competitive position, low cost base subsequent to number of cost cutting and restructuring initiatives and near term upside expected in residential development activity in Brickworks core geographies should facilitate near term growth

- the average FY14 forecast EBITDA multiple of 8.7 times (on a minority basis) for the companies considered most comparable to Brickworks (namely Adelaide Brighton, Boral, CSR and Fletcher Building which operate in the Building Products Group)
- average comparable transaction multiple of 8.6 times EBITDA (average of 8.3 times EBITDA for Australian transactions and 9.2 times EBITDA for international transactions) with the multiples ranging between 7.3 times and 10.0 times EBITDA
- level of control inherent in the interest held by WHSP and the likelihood that this interest would be realised in a control transaction.

Taking into account these factors, we have selected a multiple of 9.0 times to 10.0 times EBITDA, on a control basis, to apply to the Building Products segment.

6.4.4 Industrial Property Trust

For the purposes of our analysis of the value of the Industrial Property Trust, we have included a value consistent with the latest market valuations adopted by management as at 31 July 2013 for accounting purposes. Brickworks' interest in the Industrial Property Trust as at 31 July 2013 was $258.9 million as set out in Table 11.

We are not aware of any material changes since 31 July 2013 that would impact the value of the Industrial Property Trust.

6.4.5 Land Bank

In order to generate value from its land bank, Brickworks employs a 'buy, wait, rezone and sell' strategy. Brickworks initially purchases rural land, holds the land (sometimes for up to 30 years) until the land is either converted into operational land (used for clay mining, the manufacture of building products or landfill) or "banked" for future development. Upon restructuring (redundant sites) or final use (i.e. land that is no longer operational), surplus land is rehabilitated (if required), rezoned for higher value use (such as residential or industrial) and subsequently sold.

We note that we have not identified any 'Operational' land which may be surplus to the operational requirements of Brickworks that has not already been taken into account in the development land parcel. Any value attributable to other 'Operational' parcels of land (i.e. those not considered to be surplus) is captured within our assessed value of the Building Products segment above).

For the purposes of assessing the value of Brickworks' development land bank, we had primary regard to the latest market valuations disclosed by Brickworks management as at 31 July 2013 for all development land assets as set out below.

Table 42: Property division – land holdings

	Gross land / Development area (ha)	Book value ($m)	Most recent valuation ($m)
Operational Land	3,843	135	348
Development Land	436	48	70
Total	**4,279**	**183**	**418**

Source: FY13 Brickworks analyst presentations, Deloitte Corporate Finance analysis

Based on our understanding of the public announcements made by Brickworks we consider that the 'Operational' land disclosed by Brickworks, unless otherwise stated, is required for the existing manufacturing and other operations of the Building Products segment. As the earnings we have utilised in our assessment of the fair market value of Building Products above do not include an imputed rental charge for the usage of this land, we consider that the assessed value of the segment is inclusive of all operational land.

As the disclosures by Brickworks are not explicit in respect of the value attributable to individual parcels of land or the assumptions adopted in deriving the values set out in the table above, we have also considered potential adjustments required to the disclosed market value having regard to:

- analysis we have undertaken in respect of land that Brickworks owns (based on titles registered to Brickworks and its subsidiaries) and the zoning of this land.
- a review and analysis of comparable residential and industrial properties

- the implied value per hectare based on the disclosures by the Brickworks.

Based on this analysis, we note the following:

- the average value of $160,000 per hectare (based on the most recent valuations released by Brickworks in its most recent results announcement and set out in above) is conservative based on our review of comparable residential and industrial property sales
- based on our review of comparable residential and industrial properties sales, an average value in the range of $350,000 per hectare to $400,000 million per hectare would be more appropriate. We note however, that it is difficult to be definitive in respect of the individual parcels of land held by Brickworks based solely on publicly available information and thus are of the opinion that it would be appropriate to adopt a discount to our estimated value of the land based on comparable residential and industrial land sales
- during FY13, Brickworks sold the second stage of the Oakdale development comprising 62 hectare of land for a profit of $23.4 million. This parcel of land was sold for $62.6 million which implied a value of $1 million per hectare
- we consider that it would be appropriate to apply a range of $160,000 per hectare (based on the most recent valuations released by Brickworks in its most recent results announcement and set out in above) and $350,000 to $400,000 per hectare (the low end of the average values based on our review of comparable residential and industrial property sales)

Based on the above, we have estimated a potential value of the land holdings of Brickworks (in excess of those required for operational purposes) to be in the range of $70 million to $150 million.

6.4.6 Investments

We have assessed the value of Brickworks' investment in WHSP to be $1.6 billion to $2.0 billion based on our assessed value of WHSP.

We have estimated a potential CGT liability of between $185.0 million to $220 million in respect of Brickworks' investment in WHSP based on the deferred tax liability recognised by Brickworks in respect of the investment in WHSP as at 31 July 2013 of $185.0, discounted for the reasons discussed in Section 6.7.

This results in a net value for Brickworks' investment in WHSP of between $1.5 billion to $1.9 billion based on our assessed value of WHSP.

6.4.7 Net debt and surplus assets

Brickworks' net debt at 31 July 2013 was as follows:

Table 43: Net debt

	($ millions)
Current interest bearing liabilities	38.5
Non-current interest bearing liabilities	299.6
Cash	(19.1)
Net debt	**318.9**

Source: Deloitte Corporate Finance analysis

We note that we are not aware of any reason why the balance at 31 July 2013 should not be used as a proxy for the current net debt balance.

Brickworks had carried forward tax losses of approximately $13.1 million as at 31 July 2013. We have not taken this into account for the purposes of our valuation due to the uncertainty of a potential buyer being able to utilise these losses.

Brickworks had a franking credits balance of approximately $144 million as at 31 July 2013. Brickworks shareholders may immediately benefit from the value of these franking credits to the extent that Brickworks were to declare a "franked" dividend. However, there are also some impediments to realising the full value of these credits including (but not limited to) Brickworks' ability to pay a dividend and the tax position of each shareholder. In particular, any benefit associated with a franking credit is strictly related to an individual investor's tax profile and therefore their tax position could significantly influence whether the receipt of franking credits would be more or less favourable to an individual shareholder.

Having regard to the above factors, we have not attributed any separate value to the surplus franking credits of Brickworks.

6.4.8 Significant interest discount

WHSP's 44.3% interest in Brickworks provides significant influence over Brickworks but not absolute control. Since we have valued the Building Products, Property and Investments segments on the level of control that Brickworks is able to exert over these businesses and investments we consider it appropriate to allow for a discount for lack of control in our assessed fair market value of WHSP's interest in Brickworks.

Generally, premiums observed in control transactions range from 20.0% to 40.0% as set out in Appendix C which implies a discount for lack of control of approximately 15.0% to 30.0%. Control premiums paid for transactions involving acquisitions of 100% of a company which are generally in the range of 20.0% to 40.0% as set out above, as well as control premiums observed in transactions involving building products companies which have ranged between 27.7% to 42.9% as set out in Table 41 above.

In forming our view of the appropriate discount for significant influence for WHSP's interest in Brickworks, we have considered the following key factors:

- the level of control afforded to WHSP as a consequence of the 44.3% interest in Brickworks
- Brickworks' board composition which is made up of five members, of which, WHSP has two representatives (the Chairman and the Deputy Chairman)
- the nature of Brickworks' investments in particular that the likely benefits of control may be constrained by the following factors:
  - the property assets of Brickworks are unlikely to attract a material control premium as these assets typically do not offer significant benefits of control and therefore typically transact at similar pro-rata values for control and minority parcels
  - the Building Products division has undertaken an extensive restructuring and cost reduction exercise in recent years which may indicate that there may be less cost synergies available to potential buyers which may limit the control premium
  - the majority of the value of Brickworks is represented by its interest in WHSP.

Having regard to the above factors, in particular the relatively passive nature of the Property and Investments businesses, we consider it appropriate to apply a discount of 5.0% to 10.0% to our (control) value of Brickworks to reflect the significant influence afforded by WHSP.

6.4.9 Cross-checks

6.4.9.1 Share trading

We consider that the share price is an appropriate benchmark of the fair market value of Brickworks' shares (on a minority basis) to be utilised as a cross-check of value. Brickworks is followed by a number of sell side research analysts and we consider that it is reasonable to assume that the share price represents an objective assessment of the value of Brickworks' shares on a minority basis.

Brickworks' share price ranged from $12.47 per share to $13.80 per share for the three months prior to 11 October 2013 as set out below

Table 44: Summary of recent share trading – Brickworks

Spot price as at 11 October 2013	13.80
VWAP since results announcement	13.55
VWAP[1] – 30 day	13.17
VWAP[1] – 60 day	12.51
VWAP[1] – 90 day	12.47

Source: CapitalIQ, Deloitte Corporate Finance analysis
Note:
4. As at 11 October 2013.

On this basis, for our cross-check fair market value of a Brickworks share on a minority basis we have used a range based on the VWAP since the most recent results announcement and the closing share price as at 11 October 2013 to derive a range of $13.55 to $13.80 per share.

Given the size of WHSP's interest in Brickworks and the nature of the Cross-Shareholding arrangement, we consider that the interest held by WHSP confers an element of control. We therefore consider it appropriate to apply a premium to the minority share price to reflect the value of the interest in Brickworks held by WHSP.

In forming our view of the appropriate premium for significant influence for WHSP's interest in Brickworks to apply to the minority share price, we have considered the factors discussed in Section 6.4.8. Based on our analysis, we have selected a premium for significant influence in the range of 5.0% and 15.0% which results in a value per share of $14.23 to $15.87 as set out below:

Table 45: Summary – Brickworks

	Low value	High value
Market Approach:		
Minority interest value per share ($)	13.55	13.80
Number of shares outstanding (million)	148.0	148.0
Value of 100% of Brickworks – minority ($'million)	**2,005.9**	**2,042.9**
Premium for significant influence	5.0%	15.0%
Value of 100% of Brickworks – significant influence ($'million)	**2,106.2**	**2,349.4**
WHSP interest	44.3%	44.3%
Value of WHSP's interest – significant influence **($'million)**	**934.0**	**1,041.8**
Assessed value per share ($)	14.23	15.87

Source: Deloitte Corporate Finance analysis

6.4.9.2 Broker target prices

To provide additional support to the value derived using our primary valuation method, we have considered share price (minority interest) targets of sell side research analysts released in September and October 2013 covering Brickworks as set out in the following table:

Table 46: Broker consensus forecasts

	Number	$ per share
Number of broker estimates	5	
Average price ($)		14.22
Median price ($)		14.33
High / low ($)		14.60/13.64

	Buy	Outperform	Hold	Underperform
Recommendation	5	0	0	0

Source: CapitalIQ

We consider that our valuation range of is broadly supported by the broker target prices.

6.5 Other listed investments

Excluding New Hope and Brickworks, the remaining listed investments comprise 35.0% of the fair market value of the listed investment portfolio of WHSP prior to the TPG Demerger and 16.5% subsequent to the TPG Demerger (i.e. excluding TPG). For these investments, we have estimated a range of values based on recent share trading in these companies as set out below. For the remaining other listed investments we have based our assessed value on the market price of this group of investments disclosed in the WHSP FY2013 accounts of $521.2 million and escalated this by the return on the S&P/ASX All Ordinaries index since 31 July 2013 of 3.8%.

Table 47: Other listed investments valuation summary

	Assessed value (100% basis) - $'million		WHSP	Assessed value (WHSP's interest) - $'million	
	Low	High	Interest	Low	High
TPG	3,373.9	3,373.9	26.9%	907.0	907.0
API	222.1	244.3	24.6%	54.7	60.2
BKI	747.4	747.4	13.0%	96.9	96.9
Apex	145.7	145.7	30.3%	44.1	44.1
Ruralco	178.5	178.5	23.8%	42.5	42.5
Clover	86.4	86.4	28.6%	24.7	24.7
Remaining Other Listed Investments	n/a	n/a		541.2	541.2
Total value of investments				**1,711.1**	**1,716.6**

Source: Deloitte Corporate Finance analysis

We have considered whether it is appropriate to apply any premiums or discounts in order to value the interests in these companies held by WHSP, particularly where the Brickworks shareholding is larger than a typical portfolio interest since:

- it could be argued that a blockage discount should be applied to investments comprising a significant block of the issued share capital (i.e. greater than 10.0%). In this report we have referred to a blockage discount as an amount or percentage deducted from the current market price of a publicly traded security to reflect the discount required to attract a willing buyer where the interest held in a company is of a size that could not be sold in a reasonable period of time given normal trading volumes. A blockage discount has characteristics that are similar to but are not the same as marketability discounts, in that there are characteristics that prevent an immediate conversion into cash at the prevailing market price observed in a liquid market. Marketability discounts arise as a result of the difficulty in selling due to contractual or other constraints, while securities with a blockage discount are not affected by these factors and instead are predominantly affected by the size of the block relative to the market. For the purpose of our analysis we have considered the collective impact of these factors and refer to this as a 'blockage discount'

- separate and distinct from the potential for a blockage discount, there will be a point at which a significant minority interest will confer, on the holder, strategic or partial control benefits. Share prices from market trading do not reflect the market value for strategic benefits or significant influence or control of a company as they are for portfolio or minority holdings.

Factors that are typically considered in the application of blockage discounts and strategic premiums are set out below:

Table 48: Factors considered in applying discounts and premiums

Relevant factors in applying a blockage discount	Relevant factors in applying a strategic premium
• liquidity of the trading in the shares • the size of the company's free float of shares • characteristics of the company • the size and liquidity of the market in which it trades • volatility of the share price • the economic environment at the time • the number of other potential buyers for the shares	• concentration of the shareholding base • shareholdings of other significant investors and the relationships between these investors • representation on the board and the ability to influence the strategic direction of the company • the likelihood of a takeover offer for the company which may place a premium on a strategic shareholding

Source: Deloitte Corporate Finance analysis

In considering whether to apply any strategic premium and/or a blockage discount in deriving the value of these investments we have considered the following factors:

- WHSP's interests in TPG, API, Apex, Clover and Ruralco are all greater than 20.0% of the issued share capital in each company. Whilst the size of these interests may confer significant influence, particularly since the company has board representation in respect of all these investments, the influence may be diminished by the presence of other strategic shareholders with interests greater than that held by WHSP which may mitigate their influence. For example, other more dominant shareholders exist for TPG, Apex and Ruralco
- recent restrictive stock studies relating to marketability restrictions have shown average discounts in the range of 20.0% to 35.0%. Discounts for blockage are likely to be considerably less[8], particularly for securities in large listed entities, because their liquidity is usually greater than that of restricted stocks
- an analysis of recent transactions involving the sales of interests between 10.0% and 30.0% indicates an average and median premium observed in these transactions of 2.1% and 0.2% respectively. A summary of our analysis is presented in Appendix E.

In respect of API, we have included a premium for significant influence of 0 to 10.0% on the basis that WHSP is the largest shareholder (24.6%), has board representation and therefore has significant influence over the company. After considering the factors in favour of recognising a strategic premium against those in favour of a liquidity discount for blockage, we have not found any reasonable basis to suggest one is more probable, or would have a greater impact on value, than the other. Accordingly we have not made any explicit adjustment to reflect a premium or discount as a consequence of the effects of a strategic premium or a blockage discount.

[8] Lonergan, W. (2003): "The Value of Businesses, Shares and Other Equity", 4th Edition, p.589 states that a broad guide for blockage would be in the range of 2.5% to 10.0%. Pratt, S. (2001): "Business Valuation Discounts and Premiums", p.251 states that blockage discounts are usually considerably less than restricted stock discounts and are typically less than 15.0%.

6.6 **Value of Unlisted Investments**

WHSP currently holds a 100% interest in a number of unlisted companies.

The extent of information that is publicly available which can be used to assess the value of these investments is limited. We have considered the following information:

- public disclosures by WHSP in respect of the purchase price and/or carrying value of these investments
- earnings information available for these investments and valuation metrics observable from comparable companies
- our knowledge of the underlying business and operating environments for the investments as well as the associated outlook and prospects for these businesses and sectors which may have impacted the value of these investments since acquisition.

In assessing the fair market value of these investments we have considered the following:

- **Exco Resources Limited (Exco)**: In December 2012, WHSP completed the acquisition of the remaining shares in Exco that it did not already own (approximately 285.2 million representing 80.1%). The purchase consideration was $0.265 per share equating to total consideration of $75.58 million. We have also considered the return on the S&P/ASX Materials index since the acquisition date
- **Souls PE**: In October 2011, WHSP completed the acquisition of 100% of the shares in Souls PE for total consideration of $96.77 million. We have also considered the return on the S&P/ASX Financials index since the acquisition date
- **Copperchem**: Copperchem generated a loss of $20.9 million in FY13, $31.3 million in FY12 and $2.7 million in FY11. Accordingly, applying an earnings methodology implies that the company has nil value. Information on Copperchem's financial position is not publicly available and therefore we are unable to estimate the value of its net assets. Notwithstanding this, it is unlikely that Copperchem's net asset value would be material to the overall value of WHSP. We have therefore applied a value of nil for Copperchem
- **Pitt Capital Partners**: Pitt Capital Partners generated a profit of $1.5 million in FY13, $3.2 million in FY12 and $1.5 million in FY11
- **Australian Logistics Property Fund**: WHSP has recently invested $47.0 million in the fund, which was set up by Pitt Street Real Estate Partners Pty Limited for WHSP in February 2013. The fund is 100% owned by WHSP. We have adopted the amount invested by WHSP to represent the fair market value of the fund.

In light of the relatively low value of these investments, as well as the information constraints, we have adopted a wider range for these investments (in percentage terms) than would normally be the case.

Based on this analysis we have assessed the range of potential values for these investments to be between $240 million and $310 million.

6.7 **Value of capital gains tax liabilities**

As WHSP is an investment holding company any potential unrealised CGT liabilities relating to its underlying investments should be considered in assessing the fair market value of the company as potential investors would factor in the likelihood of tax leakage occurring upon the divestment of underlying investments, hence reducing returns, and consequently the price an investor would be prepared to pay.

In contrast to typical investment companies that have relatively short investment periods and exit the investments in their portfolio frequently (thus realising any tax liabilities associated with those investments), the potential unrealised CGT relating to the investments of WHSP is more significant (by value) due to the long-dated nature of the majority of its investments which has resulted in a significant gap between the tax cost base of those investments and their current market value.

As set out in the table below, based on publicly available information in respect of the tax cost base of WHSP's underlying investments and our assessed fair market value of these investments as set out above, we have estimated the notional CGT liability on WHSP's investment portfolio to be in the range $1.1 billion to $1.2 billion (inclusive of that applicable to the stake in TPG):

Table 49: Estimated notional CGT liability

	Low value ($'million)	High value ($'million)
New Hope	643.2	679.2
TPG	233.1	233.1
Brickworks	178.5	263.9
Capital gains tax liability – associates [1]	30.0	30.0
Capital gains tax liability - other investments [2]	33.6	33.6
Notional CGT liability (net)	**1,118.5**	**1,239.8**

Source: Deloitte Corporate Finance analysis

Notes:

1. For equity accounted and unlisted investments of WHSP, we have estimated the tax cost base of these investments based on information available publicly in respect of the purchase date and price paid for these investments
2. For other investments, including WHSP's non-controlled and non-associated investments, we have had regard to the net deferred tax liability relating to investment assets set out in the FY2013 financial statements of WHSP, as a proxy for the potential CGT liability.

There are a range of possible outcomes and considerations in respect of the timing and extent of the realisation of any potential CGT liability as well as the ways in which WHSP or potential acquirers of WHSP could structure transactions to realise the value of WHSP's investments in a tax efficient manner.

In particular there may be scenarios whereby this liability may be able to be minimised or deferred by WHSP or a potential buyer of WHSP which may suggest that application of a discount in the assessment of the fair market value of this liability is warranted. For example:

- in a full control transaction for WHSP there may be scenarios under which a potential buyer could access rollover relief on a future sale of its WHSP shares which results in this underlying CGT liability effectively being passed on to investors. However, this would only be available in certain control transactions and would not be available in the context of Brickworks' 42.7% interest in WHSP
- should WHSP continue to hold its investments and realise the profits of the investments via the receipt of the relevant cash flow distributions into perpetuity, WHSP would benefit without incurring any CGT liability, thereby achieving a deferral of the tax indefinitely

- realising the CGT may generate franking credits in WHSP that can then be attached to dividends that are paid to its investors. The distribution of dividends may fully or partially reduce the impact of crystallising CGT in the company from an investors perspective, to the extent the distribution is franked, however the timing and ability of investors to utilise these credits is uncertain. Furthermore, WHSP currently has a surplus franking credit balance which may indicate that there is no significant incremental value associated with additional excess franking credits generated.

Conversely, there are arguments to suggest that a potential buyer may attribute little or no discount to the notional face value of the liability, as considered below:

- if WHSP were to retain its interest in these investments over the long term, the realisation of the potential embedded CGT liabilities may be delayed. However, it does not necessarily follow that the net present value of this liability would reduce, since the investment may appreciate in value over time
- acquiring the investment assets of WHSP through a corporate structure may not be the optimal transaction structure on the basis that a potential purchaser could instead consider buying the assets directly, thereby avoiding any effective inheritance of CGT liabilities which would otherwise be realised by WHSP
- our assessed values for shares in New Hope and Brickworks include premiums for control / significant influence which implicitly assumes that the value of these investments are realised by WHSP
- as discussed above, WHSP has traded at a significant discount to the market value of its underlying investments for a sustained period of time. Whilst there are a range of contributing factors, including the holding company/conglomerate nature of WHSP and the effect of the Cross-Shareholding, based on the magnitude of this discount, in general, as well as relative to more conventional holding companies , we consider that this discount is at least partially attributable to the potential unrealised CGT liability associated with WHSP's underlying investments
- in light of the recent sales process undertaken by New Hope (to which relates the most significant portion of the total notional CGT liability) and the other proposals contemplated for restructuring the existing investments of WHSP, we consider that a potential buyer may assume a relatively high proportion of this potential CGT liability will crystallise in the short term.

Having regard to the above factors, in particular the market pricing of WHSP's shares, it is our view that the fair market value of the liability would be weighted closer to the notional value of the CGT liability. In estimating the fair market value of this liability we have therefore applied a discount of 25.0% to 50.0% to notional CGT liability as set out below:

Table 50: Fair market value of CGT liability

	Low value ($'million)	High value ($'million)
Notional CGT liability (net)	**1,118.5**	**1,239.8**
Discount	25.0%	50.0%
Assessed fair market value of CGT liability	**838.8**	**619.9**

Source: Deloitte Corporate Finance analysis

Estimating the fair market value of this liability is a subjective judgement that is based on a range of hypothetical outcomes and factors set out above.

We acknowledge that a different conclusion could be reached based on the same information, given the high degree of uncertainty associated with the potential outcomes.

6.8 **Value of corporate costs**

We have considered whether there is a liability attributable to the overhead costs of WHSP which is not represented by the value of the SOTP.

On one hand there is an argument that since these costs will be incurred in order to realise the value of WHSP's investments, the on-going costs should be capitalised based on the expected realisation timeframe for the portfolio. On the other hand there is an argument that such costs would not be factored in at all when assessing the market value of an investment holding company as these costs are incurred for the purpose of improving the performance of WHSP either by sourcing new investment opportunities or by increasing the return of the existing portfolio. Accordingly, it can be argued that the on-going corporate costs produce a return equal to or higher than their cost.

On balance, based on the above considerations, we do not consider it appropriate to make any valuation adjustment for corporate costs of WHSP as we consider it reasonable to assume that WHSP would produce a return equal to or higher than the cost of providing those services.

6.9 **Net cash**

Financial information for 2013 relating to WHSP's parent entity is not yet publicly available. However we have estimated the current balance of cash and debt attributable to WHSP from an analysis of the total cash and debt based on the consolidated cash and debt of WHSP as at 31 July 2013 less the amount attributable to New Hope (based on the FY13 New Hope financial statements).

The following table sets out WHSP's net cash estimated on this basis.

Table 51: Estimated of net cash attributable to WHSP (excluding investments)

	$'million
Interest bearing liabilities	71.5
Cash	273.1
Net cash	**201.6**

Source: WHSP announcements, Deloitte Corporate Finance analysis

6.10 **Surplus assets**

Surplus assets are those assets and liabilities owned by a company that are surplus to its main operating activities, such as unused property, loans, investments and tax liabilities. Such assets and liabilities should be valued separately from the main operating activities of the company, after adjusting operating results to remove the net income, or expense, contributed by the surplus assets. We have identified surplus cash which has been included in the net cash calculation above and deferred CGT liabilities which have also been valued separately.

WHSP has a franking credit balance of $0.5 billion as at 31 July 2013. WHSP shareholders may immediately benefit from the value of these franking credits to the extent that WHSP were to declare a "franked" dividend. However, there are also some impediments to realising the full value of these credits including (but not limited to) WHSP's ability to pay a dividend and the tax position of each shareholder. In particular, any benefit associated with a franking credit is strictly related to an individual investor's tax profile and therefore their tax position could significantly influence whether the receipt of franking credits would be more or less favourable to an individual shareholder.

Having regard to the above factors, we have not attributed any separate value to the surplus franking credits of WHSP.

6.11 **Shares on issue**

As at 11 October 2013, there were 239.4 million WHSP fully paid ordinary shares on issue. As there were no options or rights over shares or interests in WHSP on issue as the date of this report there has been no need to adjust the number of shares on issue.

6.12 **Significant influence discount**

The Brickworks Shareholding represents a 42.7% shareholding in WHSP which provides significant influence over WHSP, compared to a typical passive portfolio investment; however, it does not afford Brickworks the benefit of absolute control of WHSP (directing investment decisions, portfolio realisation strategy, etc). Since we have valued the investment portfolio of WHSP based on the level of control that it is able to exert over its investments in our assessed fair market value of the investment portfolio above, we consider it appropriate to allow for a discount for lack of control in our assessed fair market value of the Brickworks Shareholding. Generally premiums observed in control transactions range from 20.0% to 40.0% as set out in Appendix C which implies a discount for lack of control of approximately 15.0% to 30.0%.

Having regard to the significant influence afforded by the Brickworks Shareholding, we consider it appropriate to apply a discount of 5.0% to 10.0% to our (control) value of the Brickworks Interest to reflect the significant influence afforded by the Brickworks Shareholding.

Appendix A: Glossary

Reference	Definition
AFSL	Australian Financial Services Licence
APESB	Accounting Professional and Ethical Standards board Limited
API	Australian Pharmaceutical Industries
Apex	Apex Healthcare Berhad
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ASX200 All Ords	ASX200 All Ordinaries Index
ASX200 Materials Index	S&P/ASX200 Materials Index
ASX200 Property Index	S&P/ASX Property Index
ATO	Australian Tax Office
AuASB	Auditing and Assurance Standards board
Adelaide Brighton	Adelaide Brighton Limited
Alesco	Alesco Corporation Limited
Associates	Entities over which WHSP has significant influence but not control or joint control, generally accompanying a shareholding of between 20.0% and 50.0%
B	Beta
BBSY	Bank bill swap bid rate
Bps	Basis points
Black & Decker	Black & Decker, Inc.
Boral	Boral Limited
Brick & Block	Brick & Block Company Pty Limited
Brickworks	Brickworks Limited
Brickworks Shareholding	102.3 million WHSP shares held by Brickworks and its subsidiaries
Building Products	Manufacturing and distribution of clay and concrete products utilised in residential construction
CAPM	Capital Asset Pricing model
CGT	Capital gains tax
CSR	CSR Limited
Calculation Date	Ten days prior to the Cancellation Date
Cancellation Date	The date of the Share Cancellation
Capral	Capral Limited
Clover	Clover Corporation Limited
Collex	Collex Waste Management Pty Limited
Consideration	$250 million cash and the remainder to be funded by Promissory Notes
Convening Shareholders	The respective nominees of MHC and Perpetual registered as the shareholders in each of Brickworks and WHSP
Cooperation Agreement	The agreement the MHC and Perpetual entered into on 26 November 2012 with the purpose of working together to identify and pursue Strategic Options for the shares of Brickworks and WHSP
Copperchem	Copperchem Limited
Corporations Act	Corporate Act 2001 (Cth)
Coupon Rates	Margin over the bank bill swap bid rate (BBSY) equivalent to 350 basis points (bps) for the fully secured portion of the Promissory Notes, 950 bps for the portion of the Promissory Notes that have a second charge over the residual assets of WHSP and 1,250 bps for the unsecured portion of the Promissory Notes
Crane	Crane Group Limited
Cross-Shareholding	The cross-shareholding arrangement that has been in place since 1969 when Brickworks and WHSP entered into a share swap agreement primarily to protect both companies from unwanted takeover offers
DHL	DHL International GmbH

Reference	Definition
DPS	Dividend per share
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMRP	Equity Market Risk Premium
EPS	Earnings per share
EV	Enterprise value
EV/tonne coal	EV per tonne of in-situ coal
East Coast Masonry	East Coast Masonry Pty Limited
Exco	Exco Resources Limited
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year ended 31 July
Fletcher Building	Fletcher Building limited
Floor Price	$15.75 prior to the TPG Demerger which equates to an offer price of approximately $19.75 subsequent to the TPG Demerger
GAA	Growth Areas Authority
GPG	Guinness Peat Group Plc
ha	Hectare
HIA	Housing Industry Association
Hunter Green	Hunter Green Institutional Broking Pty Limited
Index	HIA-CBA Housing Affordability Index
Indicative Price	$18.00 prior to the TPG Demerger which equates to an offer price of approximately $22.00 subsequent to the TPG Demerger
Industrial Property Trust	50/50 joint venture between Brickworks and the Goodman Group in the form of an industrial property trust as an effective disposal point for industrial land lots that could be developed to generate and annuity style of revenue
Investments	Brickworks' investments through its 42.7% interest in WHSP
ITAA	Income Tax Assessment Act
LIC	Listed investment company
Lafarge	Lafarge Plasterboard Pty Limited
Listing Rule 10	Chapter 10 of the Listing Rules of the ASX
m	Million
MHC	M.H. Carnegie & Co Pty Limited
Mt	Mega tonnes
MTM	Marked to market
Mtpa	Million tonnes per annum
n/a	Not available
NPAT	Net profit after tax
New South Wales	New South Wales
NTA	Net tangible assets
New Hope	New Hope Corporation Limited
Non-Associated Shareholders	Holders of Brickworks' ordinary shares whose votes are not to be disregarded
Offer Price Mechanism	Estimates the Share Cancellation price for the Brickworks Shareholding
Option Shares	The 1,319,341 WHSP shares which represent approximately 0.6% of the issued capital of that company and 796,973 Brickworks shares which represent approximately 0.5% of the issued capital of that company, the subject of an option granted by Perpetual to MHC
Promissory Notes	Promissory notes payable within one year of the Cancellation Date
PCI	Pulverised coal injection
PDS	Product Disclosure Statement
Perpetual	Perpetual Investment Management Limited

Reference	Definition
Property	Property development activities through direct interests in a number of residential and industrial land banks and indirectly via a joint venture with Macquarie Goodman
Proposed Transactions	Demerger of WHSP's interest in TPG and unwind of the current holding in WHSP held by Brickworks
RG 111	ASIC Regulatory Guide 111: Content of expert reports
Ruralco	Ruralco Holdings Limited
SOTP	Sum of the parts
Securityholders	Existing holders of Brickworks securities
Share Cancellation	The cancellation of the Brickworks Shareholding by way of a selective capital reduction
Shareholder Booklet	Booklet provided to Non-Associate Shareholders which includes a Notice of Meeting and an Explanatory Statement in respect of the Proposed Transactions.
Souls PE	Souls Private Equity Limited
Strategic Options	Strategic options for MHC and Perpetual to unlock or increase the value of shares of Brickworks and WHSP
t	Tonnes
Toll	Toll Holdings Limited
TPG	TPG Telecom Limited
TPG Demerger	The distribution of WHSP's interest in TPG to the shareholders of WHSP via a demerger dividend
VWAP	Volume weighted average price
WHSP	Washington H Soul Pattinson and Company Limited

Appendix B: Valuation methodology

To estimate the fair market value of the securities in Brickworks Shareholding using the SOTP approach for WHSP's underlying investments, we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its securities or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to securityholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

Appendix C: Control premium analysis

Deloitte study

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 31 August 2013. This study was conducted by Deloitte staff for internal research purposes. Our merger and acquisition data was sourced from Bloomberg and Reuters and yielded 518 transactions that were completed during the period under review[9].

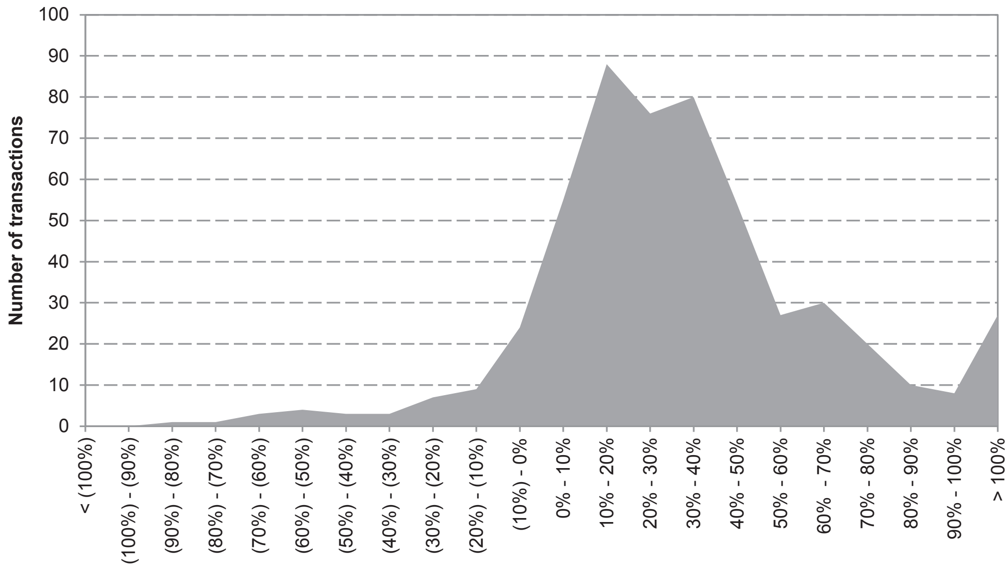
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 31 August 2013 are widely distributed with a long 'tail' of transactions with high premiums.

Figure 21: Distribution of data



Source: Deloitte Corporate Finance analysis

9 Excluding transactions where inadequate data was available.

The following table details our findings.

Table 52: Premium analysis - findings

	Control premium
Average	34.0%
Median	29.0%
Upper quartile	47.0%
Lower quartile	12.0%

Source: Deloitte Corporate Finance analysis

Notwithstanding the relatively wide dispersion of control premiums observed in our study we consider the control premium range of 20.0% to 40.0% to be representative of general market practice for the following reasons.

Many of the observed control premiums below 20.0% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40.0% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise ‘special purchaser’ value which is only available to a very few buyers. Such ‘special purchaser’ value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

Other studies

In addition to the study above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, ‘Cross Country Determinants of Mergers and Acquisitions’, on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- ‘Valuation of Businesses, Shares and Equity’ (4th edition, 2003) by W.Lonergan states at pages 55-56 that: “Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25.0% to 40.0% above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly.”
- a study conducted by P.Brown and R.da Silva dated 1997, ‘Takeovers: Who wins?’, JASSA: The Journal of the Securities Institute of Australia, v4(Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7%.

Appendix D: Coupon rate research

We have undertaken an analysis in respect of the observed market metrics for instruments with broadly similar characteristics to the Promissory Notes. In undertaking this analysis, we have considered market evidence of rates applicable to similar instruments. In particular, we have considered:

- the industry in which the issuer operates
- the credit rating of the issuer
- the type of instrument
- whether the instrument is secured or unsecured
- the seniority of the instrument.

The results of our analysis are set out in the table below.

Table 53: Coupon rates on comparable instruments

Company	Instrument	Credit rating	Sec-ured?	Subor-dinated?	Term (yrs)	Coupon rate	Issue date	Interest rate
Australian coal mining companies - unsecured								
Paladin Energy	Convertible bonds	NR	N	N	5	5.00%	Mar-08	-
Paladin Energy	Convertible bonds	NR	N	N	5	3.625%	Nov-10	-
Paladin Energy	Convertible bonds	NR	N	N	5	6.00%	Apr-12	-
Guildford Coal	Working capital facility	NR	N	N	2	-	Sep-12	LIBOR + 7.25%
Guildford Coal	Debt facility	NR	N	N	4	-	Oct-12	LIBOR + 7.25%
Guildford Coal	Convertible loan	NR	N	N	1.5	-	Apr-13	12.00%
Australian coal mining companies - secured								
Paladin Energy	Project finance	NR	Y	N	6	-	Mar-09	LIBOR + 2.5%
Paladin Energy	Project finance	NR	Y	N	6	-	Aug-11	LIBOR + 3.25%
Cockatoo Coal	Loan	NR	Y	N	0.75	-	Mar-12	BBSW+ 1.90%
Cockatoo Coal	Loan	NR	Y	N	0.75	-	Dec-12	BBSW + 2.00%
Bannerman Resources	Convertible notes	NR	Y	N	5.5	8.00%	Nov-08	-
Cuesta Coal	Convertible notes	NR	Y	N	1	9.00%	Feb-13	-
Energy and Minerals Australia	Convertible notes	NR	Y	N	1	10.00%	Nov-12	-
Australian LICs								
Australian Foundation Investment Company	Convertible notes	NR	Y	N	5.5	6.25%	Dec-11	-
Australian United Investment Company	Bank loans	NR	Y	N	Range	-	Range	4.37% - 7.45%
Diversified United Investment	Bank loans	NR	Y	N	Range	-	Range	4.62% - 5.89%
Gowing Bros	Bills payable	NR	Y	N	Range	-	Range	BBSY + 1.10% to BBSY + 1.88%
Aberdeen Leaders	Bank loans	NR	Y	N	3	-	Sep-11	4.17%
US LICs								
Affiliated Managers Group	Notes	BBB	Y	N	10	5.25%	Oct-12	-
Affiliated Managers Group	Notes	BBB	Y	N	30	6.375%	Aug-12	-
Affiliated Managers Group	Convertible notes	BBB	Y	N	30	3.95%	Aug-08	-
Affiliated Managers Group	Convertible preferred	BBB	Y	Y	30	5.15%	Oct-07	-
Affiliated Managers Group	Convertible preferred	BBB	Y	Y	30	5.10%	Apr-06	-

Company	Instrument	Credit rating	Sec-ured?	Subor-dinated ?	Term (yrs)	Coupon rate	Issue date	Interest rate
Apollo Global Management	Credit agreement	NR	Y	N	6	-	Dec-10	LIBOR + 4.25%
Apollo Global Management	Loan agreements	NR	Y	N	n/a	-	Jun-08	LIBOR + 3.18%
American Capital	Term loan facility	BB -	Y	N	4	-	Aug-12	LIBOR + 4.25%
American Capital	Revolving credit facility	BB -	Y	N	4	-	Aug-12	LIBOR + 3.75%
Calamos Asset Management	Notes	NR	N	N	7	5.24%	Apr-04	-
Calamos Asset Management	Notes	NR	N	N	7	6.33%	Jul-07	-
Calamos Asset Management	Notes	NR	N	N	10	6.52%	Jul-07	-
Calamos Asset Management	Notes	NR	N	N	12	6.67%	Jul-07	-

Source: Most recently published annual reports, Deloitte Corporate Finance analysis

Notes:

1. This is the only debt outstanding for the relevant companies and has therefore been assumed as senior
2. NR = not rated, n/a = not available.

We note the following rates in relation to each group of comparable issues[10]:

- observed unsecured debt outstanding for Australian coal mining companies displays coupon/interest rates ranging from 3.625% to 12.0%
- observed secured debt outstanding for Australian coal mining companies displays coupon/interest rates of 3.09% to 10.0%
- observed secured debt outstanding for Australian LICs displays coupon/interest rates of 3.73% to 7.45%
- observed unsecured debt outstanding for US LICs displays coupon/interest rates of 5.24% to 6.67%
- observed secured debt outstanding for US LICs display coupon/interest rates of 3.77% to 4.84%.

[10] Based on the six month LIBOR rate of 0.59% and an estimated six month BBSW rate of 2.63% as at 14 October 2013

Appendix E: Evidence of premiums / discounts for strategic stakes

Table 54: Evidence of premiums / discount paid for strategic stakes

Announcement date	Target	Deal value ($ 'm)	Acquired stake (%)	1 month Premium/ (Discount) (%)	1 day Premium/ (Discount) (%)
20-Sep-13	Equity Trustees Limited	19.6	13.20%	3.90%	-0.10%
6-May-13	Ridley Corporation Limited	54	19.50%	0.00%	14.70%
28-Feb-12	Breville Group Limited	84	19.30%	20.50%	-6.90%
13-Feb-12	ABM Resources NL	32.4	20.00%	-16.70%	-9.10%
23-Dec-11	Allied Healthcare Group Limited	4.1	15.80%	17.60%	5.30%
14-Feb-11	Marathon Resources Limited	13.1	19.80%	56.30%	15.40%
20-Jan-11	Virgin Australia Holdings Limited	145.8	15.00%	0.00%	10.00%
8-Dec-10	Tassal Group Limited	51.8	19.80%	26.10%	12.90%
22-Nov-10	KalNorth Gold Mines Limited	17.9	24.10%	13.80%	7.00%
8-Nov-10	Woodside Petroleum Limited	3,308.30	10.00%	-4.90%	-7.70%
9-Jul-10	Extract Resources Limited	176	10.30%	3.70%	2.50%
29-Mar-10	Carbon Energy Limited	35.4	10.00%	18.80%	16.50%
31-Dec-09	Medusa Mining Limited	56	10.40%	-24.50%	-13.10%
29-Dec-09	Nufarm Limited	610.8	20.00%	21.00%	32.60%
22-Sep-09	Mount Gibson Iron Limited	176.8	14.30%	8.70%	-1.60%
26-Aug-09	SEEK Limited	440.6	26.00%	19.10%	-5.60%
18-Aug-09	Homeloans Limited	10.8	17.40%	38.00%	19.50%
29-May-09	Breville Group Limited	18.1	19.40%	6.10%	0.20%
7-Apr-09	Coal of Africa Limited	61.8	16.30%	11.00%	0.10%
23-Feb-09	Australian Agricultural Company Limited	67.3	15.00%	-10.50%	3.00%
7-Mar-11	carsales.com Limited	565.6	49.10%	-1.40%	-6.10%
21-Mar-11	Sundance Resources Limited	190.9	16.00%	-13.70%	-10.20%
7-Apr-10	Forge Group Limited	30.2	18.30%	-13.20%	-29.10%
Average			**18.22%**	**7.81%**	**2.18%**
Median			**17.40%**	**6.10%**	**0.20%**

Source: Capital IQ, Mergermarket

Appendix F: Sources of information

In preparing this report we have had access to the following principal sources of information:

- audited financial statements for WHSP and its investments to the extent publicly available
- audited financial statements for Brickworks
- annual reports for comparable companies
- company websites publicly available information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ / ThomsonReuters, and Mergermarket
- IBIS company and industry reports
- other publicly available information, media releases and sell side research analysts reports on Brickworks, WHSP and their underlying investment assets.

Appendix G: Qualifications, declarations and consents

The report has been prepared at the request of the MHC and Perpetual and is to be included in the Shareholder Meeting Booklet to be given to Non-Associated Shareholders for approval of the Proposed Transactions in accordance with Listing Rule 10. Accordingly, it has been prepared only for the benefit of MHC and Perpetual and those persons entitled to receive the Shareholder Meeting Booklet in their assessment of the Proposed Transactions outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders (including MHC and Perpetual), in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Transactions. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the TPG Demerger and the Share Cancellation are fair and reasonable in relation to Chapter 10 of the ASX Listing Rules.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by MHC and Perpetual and their officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to MHC and Perpetual management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by MHC and Perpetual and their officers, employees, agents or advisors, MHC and Perpetual have agreed that they will not make any claim against Deloitte Corporate Finance to recover any loss or damage which MHC and Perpetual may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by MHC and Perpetual and their officers, employees, agents or advisors or the failure by MHC and Perpetual and their officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Transactions.

In preparing our report we have had no access to the management of Brickworks or WHSP. Drafts of our report were issued to MHC for confirmation of factual accuracy. We may not have become aware of all information that may be relevant to our valuation of this entity. Accordingly the conclusions reached in our valuation report could differ to those reached had we had full access to the management of Brickworks and WHSP.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of MHC and Perpetual personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Brickworks and WHSP included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Brickworks and WHSP referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Rachel Foley-Lewis, B.Com, CA, F.Fin, Nicole Vignaroli, M.App.Fin.Inv, B.Bus, BA, F.Fin, Dave Pearson, B.Com, CBV, CFA, CA, Anthony Ranauro B.Com, F.Fin and Evangeline Thieviasingham B.Com, CA. Rachel and Nicole are Directors, Dave is an Associate Director and Anthony and Evangeline are Managers of Deloitte Corporate Finance. Each has many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- MHC and Perpetual propose to issue an Explanatory Statement in respect of the Proposed Transactions
- the Explanatory Statement will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Statement for review
- it is named in the Explanatory Statement as the 'independent expert' and the Explanatory Statement includes its independent expert's report in the Shareholder Meeting Booklet.

On the basis that the Explanatory Statement is consistent in all material respects with the draft Explanatory Statement received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Statement in the form and context in which it is so named, to the inclusion of its independent expert's report the Explanatory Statement and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Statement is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Statement and takes no responsibility for any part of the Explanatory Statement, other than any references to its name and the independent expert's report as included in the Shareholder Meeting Booklet.

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