ANNUAL REPORT 2019

BRICKWORKS
LIMITED

BRICKWORKS LIMITED

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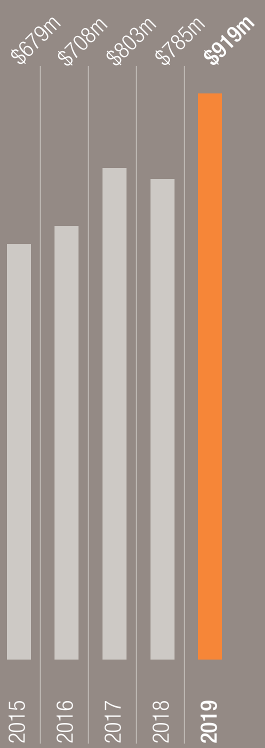
Urbanstone Commercial
Engineered Stone
Milsons Point NSW

BRICKWORKS LIMITED

Five Year

SUMMARY

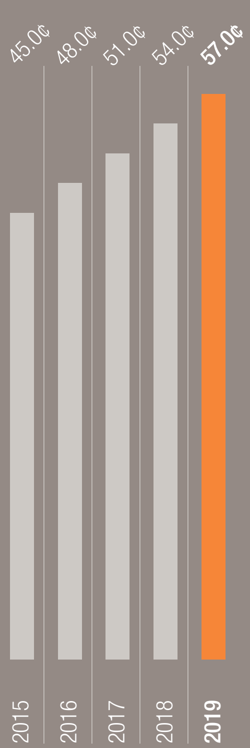
Total revenue



Total EBITDA

Underlying net profit after tax[1]

Dividends

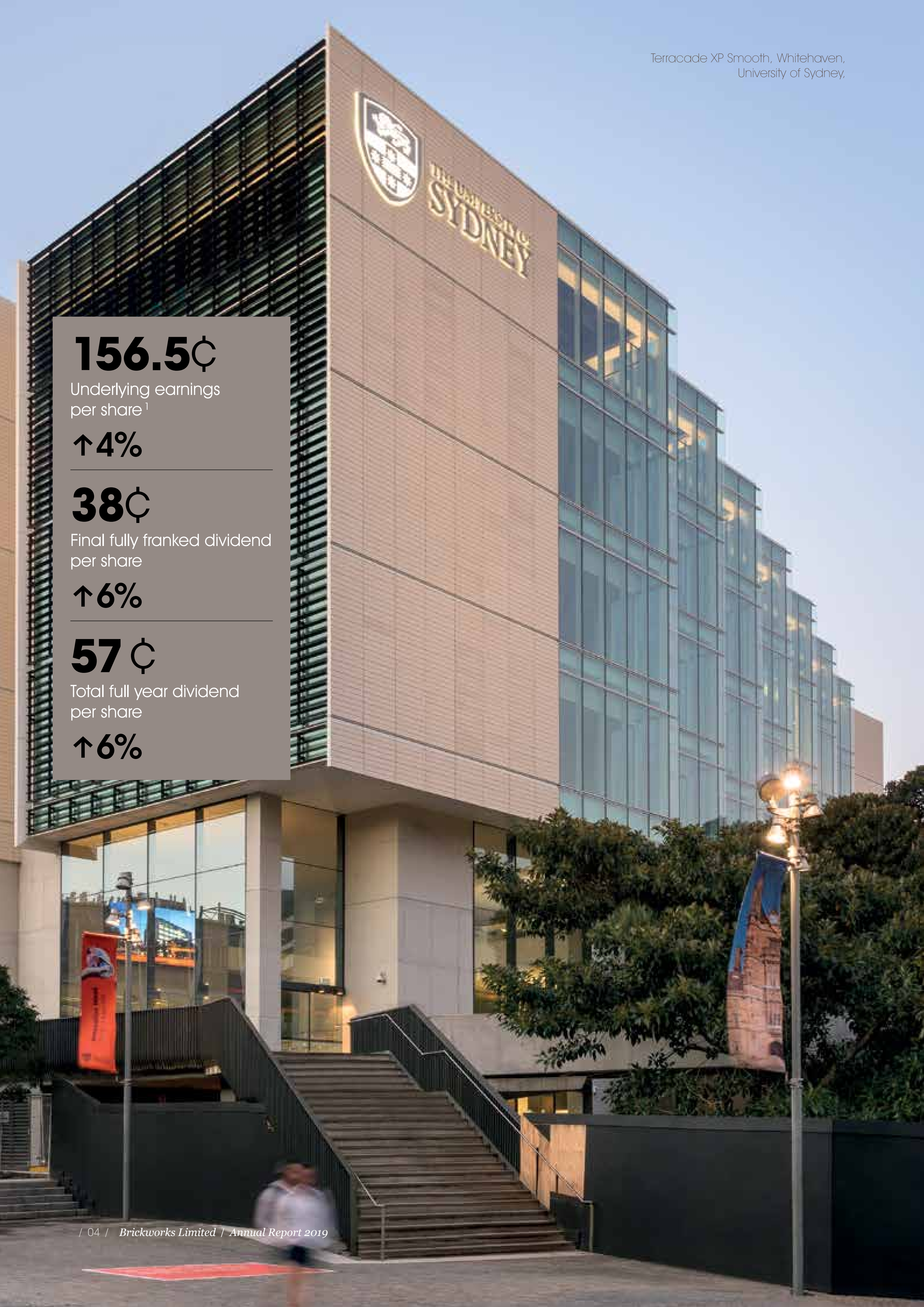


All revenue and earnings measures exclude significant items and discontinued operations unless otherwise stated

	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	Growth %
Total revenue	**679,045**	**707,646**	**803,397**	**785,238**	**918,695**	**17%**
Earnings before interest and tax[1]						
Building Products Australia	58,522	78,339	69,943	78,554	57,138	(27%)
Building Products North America	–	–	–	–	6,180	
Property	64,384	73,451	90,588	93,979	157,806	68%
Investments	54,854	59,559	103,097	123,498	103,725	(16%)
Head office and other expenses	(9,699)	(12,479)	(12,432)	(13,664)	(15,026)	(10%)
Total EBIT	**168,061**	**198,870**	**251,196**	**282,367**	**309,823**	**10%**
Total EBITDA	**191,886**	**224,964**	**277,814**	**310,535**	**346,472**	**12%**
Finance costs	(19,482)	(14,080)	(12,436)	(14,456)	(23,883)	(65%)
Income tax expense	(27,241)	(36,525)	(38,949)	(42,269)	(51,712)	(22%)
Underlying net profit after tax[1]	**121,338**	**148,265**	**199,811**	**225,642**	**234,228**	**4%**
Significant items net of tax	(35,492)	(61,299)	(8,175)	(46,886)	(37,333)	
Discontinued operations net of tax (incl. sig items)	(7,756)	(8,776)	(5,426)	(3,314)	(42,253)	
Net profit after income tax (incl. significant items & discontinued operations)	**78,090**	**78,190**	**186,210**	**175,442**	**154,642**	**(12%)**
Per share earnings and dividends						
Basic earnings per share (cents)	52.6	52.6	124.9	117.5	103.3	(12%)
Underlying earnings per share (cents)[1]	81.7	99.7	134.1	151.1	156.5	4%
Ordinary dividends per share (cents)	**45.0**	**48.0**	**51.0**	**54.0**	**57.0**	**6%**
Ratios						
Net tangible assets per share ($)	10.59	10.96	11.77	12.42	13.28	7%
Return on shareholders' equity	4.3%	4.3%	9.5%	8.5%	7.1%	(16%)
Underlying return on shareholders' equity[1]	6.7%	8.1%	10.2%	10.9%	10.8%	(1%)
Interest cover ratio (underlying)	9.8	14.6	17.1	18.1	17.9	(1%)
Gearing (net debt to equity)	16.6%	14.6%	14.9%	14.7%	11.7%	(20%)

All revenue and earnings measures exclude significant items and discontinued operations unless otherwise stated

1 This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.



Terracade XP Smooth, Whitehaven,
University of Sydney.

156.5¢

Underlying earnings per share[1]

↑4%

38¢

Final fully franked dividend per share

↑6%

57¢

Total full year dividend per share

↑6%

Chairman's

LETTER

On behalf of your Board of Directors, it gives me great pleasure to present Brickworks' Annual Report for the 2019 financial year. The Company has once again delivered a strong performance, demonstrating an ability to deliver earnings growth from a diversified and stable portfolio of attractive assets.

REVIEW OF 2019

Brickworks reported a record underlying Net Profit After Tax (NPAT) from continuing operations of $234 million, up 4% on the prior year.

After including discontinued operations and the impact of significant items, Statutory NPAT was down 12% to $155 million.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was $346 million, up 12% on the prior year, and after depreciation, EBIT was $310 million, up 10%.

The strength of the Company's diversification strategy underpinned the record underlying earnings. A significant increase in Property earnings offset a decline in Investments and the impact of a cyclical downturn on Building Products Australia earnings.

A strong first contribution from Building Products North America, following the acquisition of Glen-Gery in November 2018, rounded out the Group result.

As I mentioned, the contribution from Property was a highlight in 2019, and this was driven by a significant increase in the value of our industrial property portfolio. This reflects a wider structural change across the economy, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

Well located industrial facilities, close to consumers are increasing in value, as they are now a key component in the supply chain solution of our customers. As a result, we are seeing a shift in valuation across the property sector, with capitalisation rates compressing for prime industrial property assets such as ours.

The acquisition of Glen-Gery in the United States was the Company's first major overseas investment, and a significant milestone for the Group. Fittingly, this expansion is focussed on bricks, our heritage business.

Our Company has established a competitive advantage within the brick industry, with unrivalled technical expertise, strong relationships with key suppliers and partners, and a unique market strategy focussed on style and a premium product positioning.

In August we completed a bolt-on acquisition of Iowa based Sioux City Brick. Sioux City Brick has a leading market position in the Midwest region, and will further strengthen our United States business.

We are very pleased to welcome the team at Glen-Gery and Sioux City, and are excited by the growth opportunities available in the United States.

As well as delivering record underlying earnings, the Company continues to build considerable asset value for shareholders.

1 This is an alternative measure of earnings from continuing operations that excludes significant items, which are separately disclosed in the consolidated financial statements.

During financial year 2019, the inferred net tangible asset backing of the Group increased by $86 million, to more than $3.3 billion. This comprises the net tangible assets held within Building Products Australia and North America ($765 million), Brickworks share of net asset value within the Property Trust[2] ($633 million), non-operational building products land ($35 million), and the market value of Brickworks' stake in Washington H. Soul Pattinson (WHSP) ($2.1 billion), offset by net debt.

Over the past decade, the inferred net tangible asset backing of the Group has more than doubled, increasing by $1.8 billion.

DIVIDENDS AND CAPITAL MANAGEMENT

The Directors have declared a fully franked final dividend of 38 cents per share, up 6% on the prior year. This brings total dividends for the year to 57 cents per share, up 3 cents or 6%.

We recognise the importance of dividends to our shareholders and are proud of our strong and stable dividend history. Including this year's dividend increase, we have now maintained or increased dividends for the last 43 years.

In November and December 2018, Brickworks sold 7.9 million WHSP shares, at a weighted average gross price of $26.37 per share ($19.49 net of tax), delivering total cash proceeds of $208 million. This was the first sale of WHSP shares by Brickworks since the initial investment in 1969, with the sale being made when the share price was at near record levels.

Including dividends received, this parcel of shares delivered a return of 13.7% compounded annually for 49 years, since the initial purchase in 1969[3].

This transaction enabled Brickworks to take advantage of the increased demand for WHSP shares following its inclusion in the MSCI index and allowed the company to reduce debt soon after the acquisition of Glen-Gery.

At year end, our borrowing level remained conservative, with gearing of 12%, reflecting a prudent approach to capital management. Net debt at the end of the year was $253 million, down $51 million from the prior year.

BOARD AND GOVERNANCE

Brickworks has a strong and stable Board that is committed to acting in the best interests of shareholders and ensuring that Brickworks is well positioned for future growth.

The Board regularly reviews its capabilities and composition to ensure an optimal mix of skills, knowledge, and experience to safeguard the continued and long-term success of the Company.

As was announced in August, following the retirement of David Gilham last year, I am pleased to welcome Malcolm Bundey to the Board, as an independent non-executive Director, effective 1 October 2019. Malcom has valuable experience as a managing director, with expertise in complex manufacturing operations in Australia and the United States, strategy, mergers and acquisitions and business portfolio management.

IN CONCLUSION

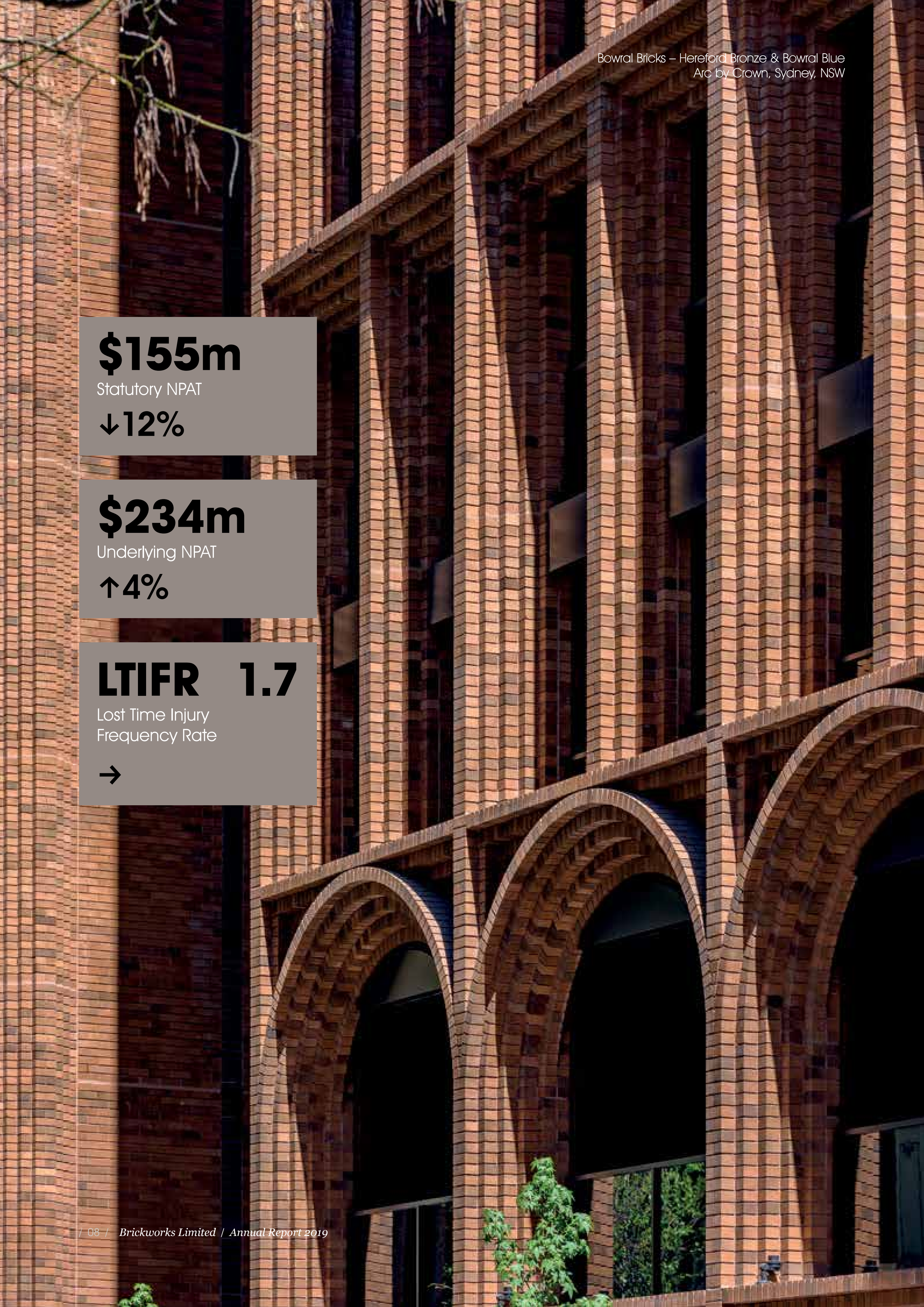
We believe Brickworks offers investors compelling value, stability, and good prospects for long term growth.

The continued strong performance of the Company is a credit to our staff. On behalf of the Board, I would like to thank all our staff and our executive management team for their ongoing efforts and commitment. I would also like to thank my fellow directors and our shareholders for your continued support.

ROBERT MILLNER
Chairman

2 The Joint Venture Industrial Property Trust is a 50/50% partnership between Brickworks and Goodman Industrial Trust.
3 Total return assumes re-investment of dividends and other special shareholder distributions.

Glen-Gery Thin Tech
3rd Ave and E 59th
New York City



Bowral Bricks – Hereford Bronze & Bowral Blue
Arc by Crown, Sydney, NSW

$155m
Statutory NPAT
↓12%

$234m
Underlying NPAT
↑4%

LTIFR 1.7
Lost Time Injury
Frequency Rate
→

Managing Director's

OVERVIEW

2019 has been another successful year for Brickworks. Not only has the Company delivered record underlying earnings, but we have also made significant progress on the implementation of a range of strategic initiatives to position the Company for long-term growth.

This was highlighted by our acquisition of Glen-Gery, an important milestone, that has transitioned Brickworks into a truly international Company.

SAFETY

But I will start with safety, which will always be our number one priority. The Company continues to make steady progress in reducing the number of workplace injuries. In 2019, the workplace injury rate in our Australian operations reduced, and is considerably lower than five years ago.

We continue to roll out best practice safety standards across all our operations, and this will include a special focus on the newly acquired North American operations, where injury rates are significantly higher than Australia. We are also focussed on ensuring our core value of creating a "Sustainably Safe" workplace is embedded and reflected across all our operations.

We will not be satisfied until we have achieved our ultimate goal of zero harm across the business.

BUILDING PRODUCTS AUSTRALIA PERFORMANCE

Building Products Australia recorded an EBIT from continuing operations of $57 million in 2019, down by 27% on the prior year. EBITDA of $88 million was down 18%.

Despite the lower earnings, operational performance across most divisions was encouraging, given the headwinds associated with declining market activity and significantly higher energy costs.

Austral Bricks and Bristile Roofing earnings on the east coast proved resilient, particularly in Victoria, where performance was approximately in line with the prior year. This was achieved, despite gas price increases of between 29-45% across east coast states on 1 January 2019. In total, the impact of higher energy prices resulted in a $12 million increase in costs within Austral Bricks compared to the prior year.

In Western Australia, market conditions remain extremely difficult. In response, brick production was reduced to control inventory levels, resulting in higher unit costs and lower earnings.

Austral Masonry earnings suffered due to this business having a much higher exposure to multi-residential construction, where declines in building activity have been the most severe.

Austral Precast delivered an improved result, with this business experiencing an increase in demand, despite the market decline. This follows a surge in interest, and a distinct shift towards accredited and trusted building products, supplied by reputable companies, following a number of well publicised wall cladding and structural failures during the year.

Our investment in product development and style continues to pay dividends. At the recent Horbury Hunt awards, which recognise excellence in the use of building products in architectural design, our products featured in four out of the six winning projects.

An example is the Arc by Crown building in Sydney, joint winner in the commercial category. This project, inspired by the heritage buildings in the area, incorporates 300,000 dry pressed bricks in Hereford Bronze, from our Bowral plant.

Launceston Design Centre

In the first half, we announced the re-classification of Auswest Timbers hardwood assets in Western Australia and Victoria as held for sale. Following a strategic review, we determined that further investment in these assets is not justified, given other capital priorities across the Group.

BUILDING PRODUCTS COMPLIANCE

As I mentioned, there has been a number of building failures across the country in recent times, caused by non-compliant materials and poor construction practices. Unfortunately, these recent events do not come as a surprise to us, with Brickworks having represented our concerns to state and federal government ministers.

Brickworks supports the growing calls from consumers and industry participants for tighter controls and increased compliance in relation to the use of building products in construction projects.

Shareholders can rest assured that all Brickworks products are fully compliant and accredited. Our product suite is made up of well-established and proven products that have stood the test of time.

BUILDING PRODUCTS NORTH AMERICA

Building Products North America was established following the acquisition of Glen-Gery in November 2018. As recently announced, this has been followed by the additional bolt-on acquisition of Sioux City Brick in August 2019.

These acquisitions followed a thorough strategic review, where the North American brick industry was identified as a highly attractive long-term growth opportunity for Brickworks.

Unlike Australia, the North American brick industry is highly fragmented, with significant over-capacity, and consists of numerous players operating at sub-optimal factory utilisation. As a result, targeted bolt-on acquisitions in North America will allow plant utilisation and production efficiency to increase significantly, as operations are integrated.

Our strategic focus on the architectural brick market in the north-eastern region of the US provides us with a differentiated position compared to other major players. We are now the leading player in this region, incorporating major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Columbus, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

BUILDING PRODUCTS AUSTRALIA

$57m

Segment EBIT

↓27%

BUILDING PRODUCTS NORTH AMERICA

$6m

Segment EBIT

PROPERTY

$158m

Segment EBIT

↑68%

INVESTMENTS

$104m

Segment EBIT

↓16%

Our product mix reflects the traditional building styles of this region, with higher margin architectural products sold into the non-residential and multi-residential segments making up 65% of sales. This compares to the wider US brick industry, where sales into these sectors make up only 27% of the total.

So, whereas the industry as a whole has a majority of sales to home builders in southern regions, such as Texas, our focus is on higher margin architectural bricks, in the major north-eastern cities.

Integration activities continue to proceed well, and performance to date has exceeded our initial expectations. Most importantly, as I have travelled around our operations, I have been encouraged by the level of skill and motivation across the workforce.

The Building Products North America contribution for financial year 2019 incorporates around 8 months of operation and includes extended shutdown periods during the winter months. Sales revenue for this period was AU$121 million, and EBIT was AU$6 million. EBITDA for the period was just over AU$12 million.

PROPERTY PERFORMANCE

The Property division produced a record result in 2019, delivering EBIT of $158 million and recording a seventh consecutive year of earnings growth. Along with a significant revaluation profit within the Property Trust, earnings were driven by the completion of the sale of our Punchbowl property. This sale included a leaseback to Austral Bricks, allowing continued use of this brick site for up to 20 years.

The continued capitalisation rate compression of Property Trust assets reflects the strong demand for quality industrial properties in well located areas.

This was highlighted in January, when a pre-commitment for the highest value facility ever developed by the Property Trust was secured. This 66,000m² facility, up to 34 metres high, is underpinned by a 20-year lease to the Coles Group and will have an anticipated value of more than $300 million at completion.

Net trust income delivered by the Property Trust was $26 million for 2019, up 17% on the prior year.

The key operational focus during 2019 was the continued development of Property Trust assets across the country. During the year, 3 new properties were completed at Oakdale South, in New South Wales, and 5 hectares of land was sold to provide additional funds for development activities.

The Property Trust has expanded significantly over the last 10 years and now has over $1.7 billion worth of assets in Sydney and Brisbane. After a decade of methodical investment and development, we are very pleased with the progress that has been achieved.

Since its inception in 2008, Brickworks net asset value within the Property Trust has increased at 18% per annum, generating significant value for shareholders.

INVESTMENTS PERFORMANCE

Following the sale of WHSP shares during the year, Brickworks now holds a 39.4% stake in WHSP, down from 42.7% prior to the sale. This investment is a core asset of Brickworks that has brought diversity and reliable earnings to the Company for more than 40 years.

Our investment in WHSP provides a cash flow stream via dividends that allows long-term strategic decision making by sheltering the business during cyclical downturns. In total, cash dividends of $56 million were received during the year.

EBIT from Investments was down 16% to $104 million in 2019, with WHSP earnings adversely impacted by a significant decrease in the contribution from Round Oak Minerals.

In March 2019, WHSP was admitted into the ASX100, a significant achievement for the company.

GROUP OUTLOOK

The outlook varies across each of our divisions.

Within Building Products Australia, whilst orders and sales are currently steady in most divisions, a soft first half is anticipated. In the second half, we expect the market to strengthen, based on the current level of home builder sales.

In addition, our transition to the wholesale gas market on 1 January 2020 will reduce costs and finally provide some relief from rising energy costs.

Product development and innovation remains a key focus, with a number of initiatives well advanced and offering exciting growth opportunities.

In May 2019, the company formed the 50/50 joint venture company Fastbrick Australia, with FBR Limited (FBR), to consider whether FBR's innovative robotic bricklaying technology can be commercialised in Australia. Since then, a building pilot program has been commenced with Archistruct Builders and Designers.

We also look forward to commissioning the Southern Cross Cement facility in the coming months. This project will provide a reliable, cost effective source of cement for our Austral Masonry and Bristile Roofing businesses in Brisbane, and is expected to deliver solid returns on invested capital.

Glen-Gery – thin bricks in Aspen White
The Brickyard, Playa Vista, California

As I have mentioned, growth prospects for Building Products North America are strong. The recent acquisition of Sioux City Brick strengthens our leadership position in the architecturally focussed Midwest and Northeast regions of the United States and will provide significant cost synergies once fully integrated.

The ultimate transition to a highly efficient and fully utilised plant network, incorporating these bolt-on acquisitions and subsequent rationalisation of facilities, together with plant upgrades to enhance performance, is expected to take approximately three years to complete.

Turning to Property, activity within the Trust remains strong, with developments at Oakdale South expected to drive growth in rent and asset value over the next few years.

Pending final approvals, development of the Oakdale West Industrial Estate will provide further growth for up to a decade.

The sale of 10 hectares at Oakdale East into the Trust is the only sale anticipated for financial year 2020 and is expected to complete in the second half.

As always, Property earnings will depend on the timing of development activity and land sale transactions, and the extent of any revaluations.

We are confident that WHSP will continue to deliver a stable and growing stream of earnings and dividends over the long term.

OUR PEOPLE

Finally, I'd like to thank our people. Following our acquisitions in the United States, we now have more than 2,300 employees, and it is their energy and dedication that will continue to drive our success.

I am very proud that at Brickworks we have been able to maintain a stable and highly experienced workforce, and I believe this gives us a competitive edge.

I would also like to take this opportunity to thank the Board of Directors and the executive team. As you can see, we have achieved a lot during the past 12 months, and none of this would be possible without their support and commitment.

LINDSAY PARTRIDGE AM
Managing Director

GB Smooth, Porcelain
Edsall St House

$253m
Net debt
↓17%

12%
Gearing
↓20%

$346m
Total EBITDA
↑12%

$310m
Total EBIT
↑10%

$123m
Cashflow from operating activities
↓28%

FINANCIAL
Overview

HIGHLIGHTS

- **Statutory NPAT** including significant items, down 12% to $155 million
- **Underlying NPAT from continuing operations** before significant items, up 4% to $234 million
- **Underlying EBIT from continuing operations** before significant items, up 10% to $310 million (EBITDA $346 million)
  - **Building Products Australia EBIT** down 27% to $57 million (EBITDA $88 million)
  - **Building Products North America EBIT** $6 million (EBITDA $12 million)
  - **Property EBIT** up 68% to $158 million
  - **Investments EBIT** down 16% to $104 million
- **Operating cashflow** down 28% to $123 million
- **Gearing** (net debt/equity) reduced to a conservative 12%, net debt $253 million
- **Total shareholder's equity** up $96 million since 31 July 2018, to $2.167 billion
- **Final dividend** of 38 cents fully franked, up 2 cents or 6% (Record date 7 November 2019, payment date 27 November 2019)
- **Total full year dividend** of 57 cents fully franked, up 3 cents or 6%

EARNINGS

Brickworks posted a record underlying Net Profit After Tax (**NPAT**) from continuing operations of $234 million, up 4% on the prior year.

After including discontinued operations and the impact of significant items, **Statutory NPAT** was down 12% to $155 million. This includes $19 million in costs related to WHSP significant items in the second half.

Underlying earnings before interest, tax and depreciation (**EBITDA**) from continuing operations was $346 million, up 12% on the prior year. After depreciation, **EBIT** was $310 million, up 10%.

On revenue of $755 million, **Building Products Australia** EBIT was $57 million, down 27% on the previous corresponding period. EBITDA was $88 million, down 18%.

The decline in earnings was primarily due to the impact of increasing energy prices, and a downturn in construction activity across the country.

Building Products North America contributed an EBIT of $6 million (EBITDA $12 million) for the period since the acquisition of Glen-Gery on 23 November 2018. Business performance has exceeded expectations, with robust product demand and a range of improvement initiatives being progressively implemented. Revenue was $121 million for the same period.

Property EBIT was a record $158 million for the year, including a significant revaluation profit within the Joint Venture Industrial Property Trust (Property Trust), and the completion of the Punchbowl property sale.

Investments EBIT, including the contribution from Washington H. Soul Pattinson Limited (WHSP), was down 16% to $104 million. This was due primarily to a decline in the contribution from Round Oak Minerals.

Total **borrowing costs** were up 65% to $24 million, due primarily to non-cash movements in the mark-to-market valuation of interest rate swaps. Underlying interest cover remained steady at a conservative 18 times.

Underlying **income tax** from continuing operations increased 22% to $52 million for the year, due to the higher earnings from the combined Building Products and Property Groups.

Significant items decreased NPAT from continuing operations by $37 million for the year, and included the following:

- A $71 million gain (net of tax) on the sale of 7.9 million WHSP shares, due to the weighted average selling price of $26.37 per share, being significantly above the book value.
- A non-cash goodwill impairment of $52 million in relation to Bristile Roofing and Austral Masonry, reflecting the cashflow forecasts of these businesses, in accordance with AASB 136.
- Transaction costs of $14 million (net of tax) primarily in relation to the Glen-Gery, Sioux City Brick and Aussie Concrete Products acquisitions.
- Restructuring costs of $7 million (net of tax), including redundancies and asset impairments, primarily associated with the mothballing of Horsley Park Plant 2 in New South Wales.
- Costs of $28 million in relation to WHSP significant items.
- A $8 million cost due to the income tax expense in respect of the equity accounted WHSP profit, less the franking credits associated with the dividends received during the period, and adjusted for the movements in the franking account and the circular dividend impact.

Significant Items	Gross $m	Tax $m	Net $m
Gain on sale of WHSP Shares	110	(38)	71
Bristile Roofing and Austral Masonry goodwill impairment	(52)	–	(52)
Acquisition costs	(15)	1	(14)
Restructuring activities	(10)	3	(7)
Significant items relating to WHSP	(28)	–	(28)
Income tax arising from the carrying value of WHSP	–	(8)	(8)
Total (Continuing Operations)	**5**	**(42)**	**(37)**

DISCONTINUED OPERATIONS

Auswest Timbers hardwood assets were reclassified as held for sale in the first half of financial year 2019 and are not reported in underlying continuing operations.

An after-tax impairment of $34 million to Auswest Timbers hardwood assets was recorded during the year. This comprises an impairment of $19 million to the carrying value of inventory and an impairment of $15 million to buildings, plant and equipment.

The financial performance of the softwood operation in the ACT is now reported as part of Bristile Roofing, however it continues to operate under separate management, as a stand-alone business unit.

To ensure consistency, prior year financials have been restated on the same basis.

Austral Bricks – San Selmo Smoked in Grey Cashmere
Kambri Campus, The Australian National University, ACT

BALANCE SHEET

Gearing (net debt to equity) was 12% at 31 July 2019, down from 15% at 31 July 2018. Total interest-bearing debt was $328 million at the end of the period.

After including cash on hand, net debt at the end of the period was $253 million, a reduction of $51 million during the year. This follows the sale of WHSP shares in December, delivering total cash proceeds of $208 million. These proceeds more than offset the total Glen-Gery acquisition costs of $141 million.

In May, the Group established an unsecured multi-currency facility consisting of a AU$355 million tranche and a US$200 million tranche. The new facility replaced the existing syndicated loan and the USD bridge facility that was established earlier in the year to fund the Glen-Gery acquisition. The new facility provides the Group with a strong platform to fund further growth in Australia and North America.

Net working capital (from continuing operations) was $221 million at 31 July 2019, including finished goods inventory of $189 million, up significantly due to the Glen-Gery acquisition ($53 million impact). Excluding the impact of the acquisition, finished goods inventory in continuing operations was approximately in line with the prior year.

Net tangible assets per share was $13.28 at 31 July 2019, up from $12.42 at 31 July 2018 and total shareholders' equity was up $96 million to $2.167 billion.

Return on equity of underlying earnings from continuing operations was 11%. Over the longer term, Brickworks' diversified corporate structure has provided stability of earnings and enabled prudent investments that have steadily built net asset value.

CASH FLOW

Total **cash flow from operating activities** was $123 million, down from $171 million in the prior year, due primarily to the decreased earnings from Building Products Australia, lower Property Trust distributions (which included proceeds from the disposal of Oakdale South properties in the prior year), and higher income tax payments.

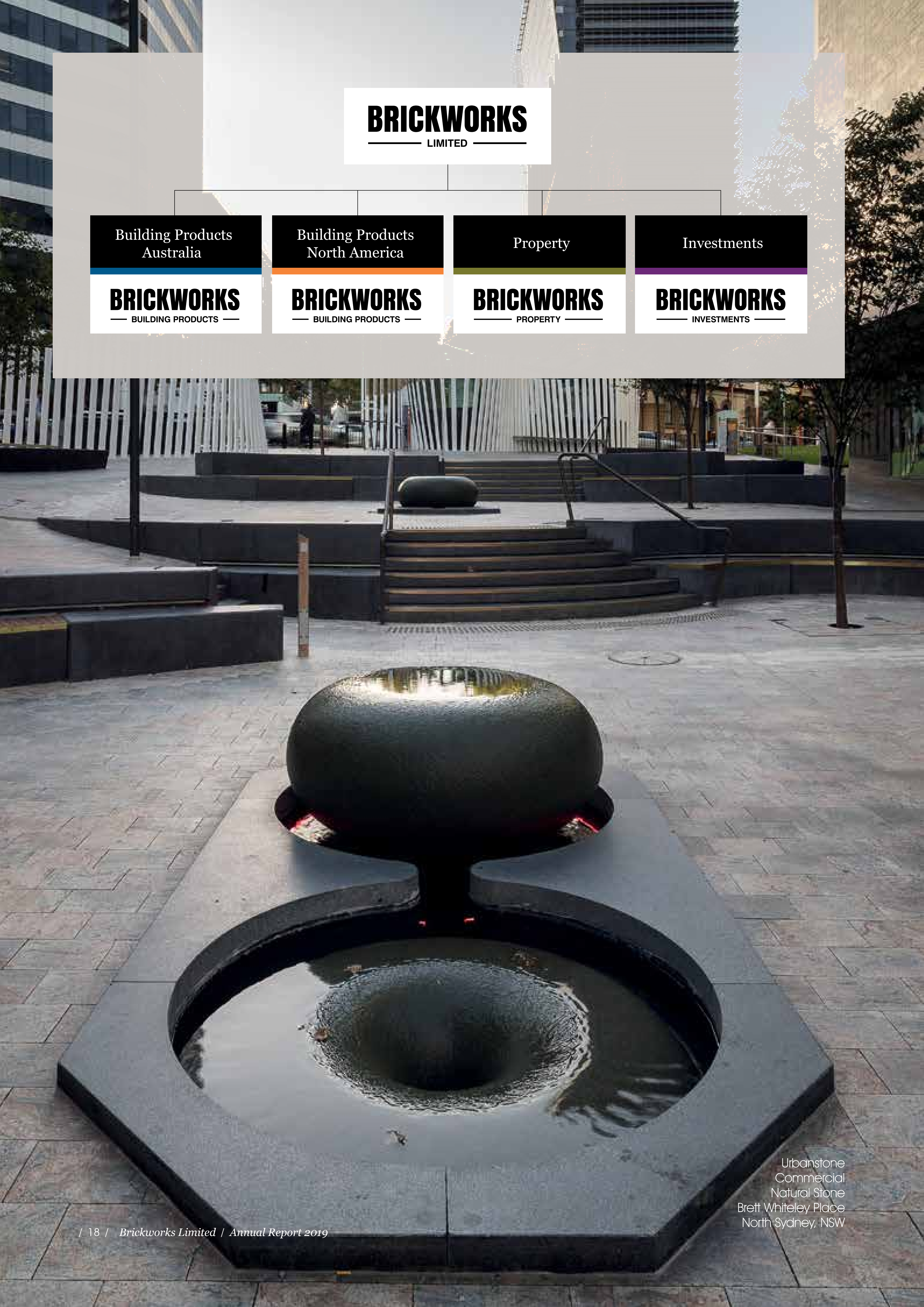
Capital expenditure was $49 million for the year, with major project spend including preliminary works for the new Masonry plant in Sydney, a mill upgrade at the Golden Grove brick plant in South Australia, and the progressive replacement of kiln cars at Horsley Park Plant 3 in New South Wales.

DIVIDENDS

Directors declared a fully franked final **dividend** of 38 cents per share for the year ended 31 July 2019, up 6% from 36 cents. Together with the interim dividend of 19 cents per share, this brings the total dividends paid for the year to 57 cents per share, up 3 cents or 6% on the prior year.

BRICKWORKS LIMITED

Building Products Australia	Building Products North America	Property	Investments
BRICKWORKS BUILDING PRODUCTS	BRICKWORKS BUILDING PRODUCTS	BRICKWORKS PROPERTY	BRICKWORKS INVESTMENTS



Urbanstone
Commercial
Natural Stone
Brett Whiteley Place
North Sydney, NSW

GROUP
Structure

Brickworks has a diversified corporate structure that has delivered stability of earnings over the long term. Following the acquisition of Glen-Gery in the United States, there are now four divisions within the Brickworks Group structure.

BUILDING PRODUCTS AUSTRALIA

Building Products Australia is a leading manufacturer and distributor of building products across all Australian states. Since 2002, the Building Products Group has grown from a two-state brick manufacturer, in New South Wales and Queensland, to a diversified national building products business.

In total Building Products Australia comprises 30 manufacturing sites and more than 40 design centres and design studios across the country. This is complemented by an extensive reseller network that includes over 100 additional displays.

The portfolio includes:

- **Austral Bricks**: Australia's largest clay brick manufacturer with significant market positions in every state
- **Austral Masonry**: Australia's second largest masonry manufacturer with operations in all major states
- **Bristile Roofing**: A "full service" roofing supplier with a strong presence in all major states, offering supply and install tiles (concrete or terracotta), metal roofing and fascia and guttering
- **Austral Precast**: A national supplier of precast walling and flooring products, with plants in Sydney, Brisbane and Perth.

BUILDING PRODUCTS NORTH AMERICA

Building Products North America was established upon the acquisition of Glen-Gery in November 2018. Following the end of the 2019 financial year, Brickworks announced the additional acquisition of Sioux City Brick.

Brickworks North America has a leading position in the Midwest, Northeast and Mid-Atlantic states, and has a strong focus on architectural and premium products. Including the acquisition of Sioux City Brick, it has 11 brick plants and one manufactured stone plant, 15 company operated distribution outlets and a vast reseller network.

PROPERTY

The Property division was established to maximise the value of land that is surplus to the Building Products business. Operational land that becomes surplus to the business needs is transferred to the Property division where it is assessed for optimum land use. In some cases, land is rezoned to residential and sold. Alternatively, the land is rezoned industrial and transferred into the Property Trust and developed, creating a stable, growing annuity style income stream.

The Joint Venture Industrial Property Trust is a 50/50% partnership between Brickworks and Goodman Industrial Trust. Over the past decade it has grown significantly and now has a total asset value of over $1.7 billion. After including debt, Brickworks 50% share of the Property Trust has an equity value of $633 million.

In addition to the Property Trust, the Company holds around 3,750 hectares of operational land and 370 hectares of development land in Australia, and 2,400 hectares of operational land in the United States.

INVESTMENTS

Investments consists primarily of a 39.4% interest in Washington H. Soul Pattinson, an ASX listed Company with market capitalisation of $5.437 billion as at 31 July 2019 (market value of Brickworks share $2.142 billion). This investment provides a stable and diversified earnings stream and has provided Brickworks with superior returns and security to weather periods of weaker building products demand.

Bricks & Pavers

Building Products

AUSTRALIA

MARKET CONDITIONS

Total dwelling commencements for Australia were down 15% to 194,830 for the twelve months ended 30 June 2019.

The decline in activity was broad-based across building segments and states. In detached housing, where Brickworks' products have the greatest exposure, commencements were down 10%, after being at elevated levels for the previous four years.

The decline in activity was more severe in the other residential segment, down 21%, and follows a period of unprecedented growth in this segment that has seen record levels of high rise construction activity in recent years.

Commencements in **New South Wales** (including ACT) were down 9% across both detached houses and other residential segments.

Queensland experienced a 14% decline in commencements. The decline in the other residential segment has been particularly severe in recent times, having now fallen around 50% from the peak level just 3 years ago.

In **Victoria**, building activity declined by 22% compared to the prior year, due primarily to a sharp decline in other residential commencements, from the record level in the prior year.

Weakness in **Western Australia** persisted during the year, with both detached houses and other residential activity continuing to decline. Building activity in this state is now down by over 50% in the past four years, and at the lowest level since 2001.

Masonry & Stone	Roofing	Concrete	Specialised Building Systems	Cement
austral masonry	bristile roofing	austral precast	Pronto Panel	southern cross cement
GB Masonry			terraçade TERRACOTTA FAÇADE SYSTEMS	
URBANSTONE				

GB Smooth Half Height blocks in Nickel – Locura, Byron Bay, NSW

MARKET CONDITIONS – SUMMARY OF HOUSING COMMENCEMENTS

	Detached Houses			Other Residential			Total		
Estimated Starts[4]	Jun 18	Jun 19	Change	Jun 18	Jun 19	Change	Jun 18	Jun 19	Change
New South Wales[5]	31,940	29,000	(9%)	44,360	40,610	(9%)	76,300	69,610	(9%)
Queensland	26,190	22,230	(15%)	16,020	13,960	(13%)	42,210	36,190	(14%)
Victoria	38,660	35,560	(8%)	37,620	23,690	(37%)	76,280	59,250	(22%)
Western Australia	13,550	12,080	(11%)	4,640	3,250	(30%)	18,190	15,330	(16%)
South Australia	8,210	7,580	(8%)	4,800	3,140	(35%)	13,010	10,720	(18%)
Tasmania	2,300	2,680	17%	520	400	(23%)	2,820	3,080	9%
Total Australia[6]	**121,460**	**109,690**	**(10%)**	**108,270**	**85,140**	**(21%)**	**229,730**	**194,830**	**(15%)**
New Zealand[7]	21,176	21,438	1%	11,684	13,366	14%	32,860	34,804	6%

The value of approvals in the non-residential sector in Australia decreased by 7% to $46.4 billion for the twelve months to 31 July 2019. Within the non-residential sector, Commercial building approvals decreased by 10% to $15.7 billion for the period and Industrial building approvals increased 12% to $7.4 billion. The Educational sub-sector, an important driver for bricks and masonry demand, was up 8% to $7.4 billion.

Revenue from continuing operations for the year ended 31 July 2019 was down 4% to $755 million, compared to $784 million for the prior year. An increase in revenue in Austral Masonry and Austral Precast was offset by lower revenue in Austral Bricks and Bristile Roofing.

EBIT from continuing operations was $57 million, down 27% on the prior year, and **EBITDA** was $88 million, down 18%. Despite the lower earnings, operational performance across most divisions was encouraging, with the decrease primarily attributable to the impact of increasing energy prices, and a downturn in construction activity across the country.

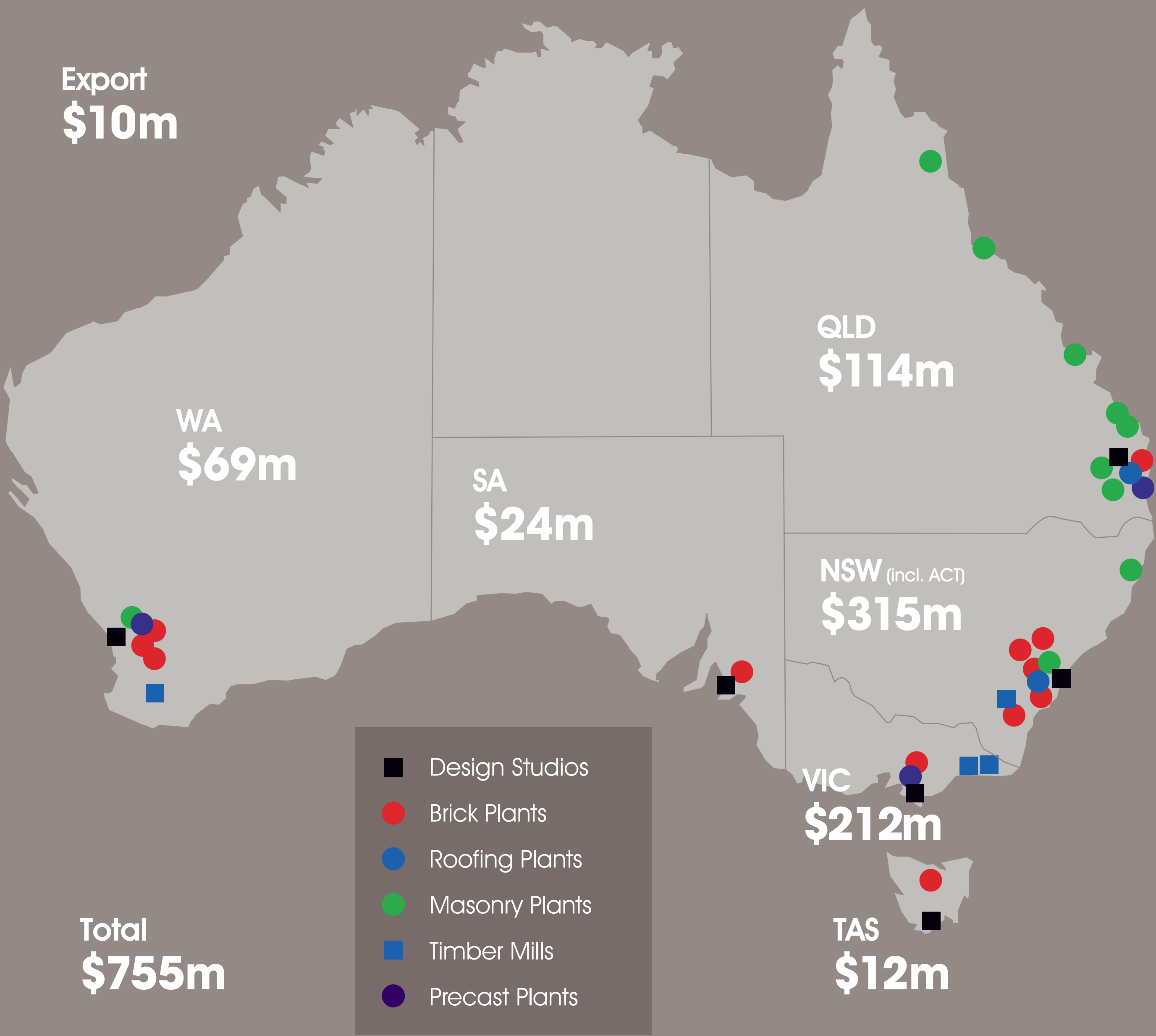
Full time equivalent employees increased by 11 during the year, taking the total number to 1,483 at 31 July 2019. The addition of 25 employees following the acquisition of Aussie Concrete Products was partially offset by reductions across most divisions.

Bowral Bricks in Chillingham White
Garden Room House
Fitzroy North, VIC

4 Based on Housing Industry Association May 2019 Forecast
5 Includes ACT, to align with Brickworks divisional regions
6 Includes Northern Territory, not shown separately on table
7 Building Consents data sourced from Statistics New Zealand – Building Consents.

BUILDING PRODUCTS AUSTRALIA

Revenue by State and location map



OVERVIEW OF FY2019 RESULTS

Year Ended July	2018 $m	2019 $m	Change %
Revenue	784	755	(4%)
EBITDA	107	88	(18%)
EBIT	**79**	**57**	**(27%)**
EBITDA margin	14%	12%	(15%)
EBIT margin	10%	8%	(24%)
Net Tangible Assets	667	626	(6%)
Return on Net Tangible Assets	12%	9%	(23%)
Full Time Equivalent Employees (#)	1,472	1,483	1%
TRIFR[8] (Safety)	20.4	19.6	(4%)
LTIFR[9] (Safety)	1.7	1.7	–

There were 5 Lost Time Injuries ('LTIs') during the year, in line with the prior year. This translated into a Lost Time Injury Frequency Rate ('LTIFR') of 1.7. The Total Reportable Injury Frequency Rate ('TRIFR') decreased to 19.6 from 20.4 in the prior financial year.


Urbanstone / Commercial – Natural Stone, Australian Series in Desert Brown
Anzac Memorial Centenary – Hyde Park NSW

8 Total Reportable Injury Frequency Rate (TRIFR) measures the total number of reportable injuries per million hours worked.
9 Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked.

BUILDING PRODUCTS AUSTRALIA

Highlights

$755m
Revenue
↓4%

1,483
Full Time Employees
↑1%

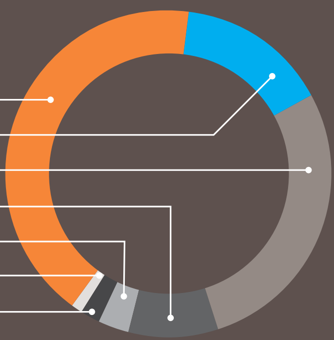
LTIFR 1.7
Safety
→

Revenue by division

Austral Bricks	**$428m**	↓4%
Austral Masonry	**$119m**	↑8%
Bristile Roofing	**$131m**	↓10%
Austral Precast	**$77m**	↑6%

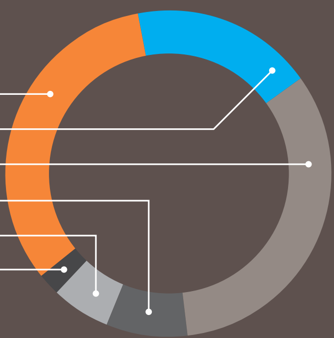
Revenue by State

NSW	42%
QLD	15%
VIC	28%
WA	9%
SA	3%
TAS	2%
Export	1%



Commencements by State

NSW	33%
QLD	18%
VIC	33%
WA	8%
SA	6%
TAS	1%



AUSTRAL BRICKS

Austral Bricks earnings declined 17% for the twelve months ended 31 July 2019, with sales revenue down 4% to $428 million.

Despite the reduced level of activity, performance across the east coast was resilient. The decline in earnings across these states can broadly be attributed to higher energy costs that could not be fully absorbed by price increases, and plant maintenance activities in the first half. The higher energy prices across the east coast resulted in a $12 million cost increase on the prior year. This includes the impact of gas price increases of between 29-45%, depending on the state, that took effect on 1 January 2019.

Performance in Victoria was particularly strong, with a result broadly in line with the prior year. Supply and demand from the Wollert plant is now approximately balanced, allowing the Victorian market to be serviced through local production. This has reduced costs compared to recent years, when Victoria was partially serviced by volume produced in other states.

Conditions remained very challenging in Western Australia, with sales volume and margins declining further on the prior year. Production in this state is progressively being reduced to control inventory levels, and manufacturing costs were adversely impacted as a result.

A sustained investment program to replace older inefficient kilns with modern plants is well underway.

Following significant investments in Victoria, Western Australia and Queensland in recent years, the focus for capital investment has now turned to New South Wales, where there has been limited investment for three decades. A review of the future operational footprint within the Horsley Park precinct has been completed, with a development application for a new face brick plant at the current Horsley Park Plant 2 site submitted in the second half.

Also under consideration is the investment in a new facility at Brickworks' industrial estate at New Berrima to replace the Bowral facility, an energy intensive plant, with some parts having been in operation since the 1920s.

Revenue
$428m ↓4%

Austral Bricks La Paloma in Miro
Calile Hotel, Fortitude Valley, QLD

AUSTRAL MASONRY

Austral Masonry earnings were lower, despite a slight increase in sales revenue to $119 million for the year.

The benefit of a full twelve-month contribution from Urbanstone (acquired in November 2017), was offset by a decline in earnings from grey block sales, due primarily to the slowdown in apartment construction along the east coast.

In May, Austral Masonry completed the acquisition of Aussie Concrete Products, a leading concrete sleeper retaining wall manufacturer, based in Brisbane. This acquisition provides an immediate market leadership position in a fast-growing product category, and the opportunity to expand sales through Austral Masonry's nationwide distribution network.

In New South Wales, earthworks are underway, ahead of the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East, pending DA approval. This plant is scheduled for commissioning in late 2020.

Revenue

$119m **↑8%**

Urbanstone / Commercial – Engineered Stone
Dee Why Esplanade, Sydney, NSW

BRISTILE ROOFING

Bristile Roofing earnings, including the Fyshwick roof batten mill, were marginally lower for the year, with a 10% decrease in sales revenue to $131 million.

Sales volume slowed in the second half, as the decline in detached house construction activity accelerated.

Despite the decline, sales revenue and earnings remained resilient in Victoria, with price increases in that state supporting improved in margins. Margins in Queensland were adversely impacted by particularly strong competition in that state.

In Western Australia sales revenue was down, however earnings improved due to lower costs, with this state now being serviced by high quality imported terracotta tiles from La Escandella in Spain, supplemented by bought-in concrete roof tiles.

Despite ongoing log supply concerns, the Fyshwick batten mill operated at capacity for the entire year, in response to strong customer demand.

Revenue
$131m **↓10%**

Bristile Roofing Planum Slate and Integrated Solar Tile
New Beith, QLD

AUSTRAL PRECAST

Austral Precast earnings were higher, supported by a 6% increase in revenue to $77 million for the year.

The uplift in earnings was primarily due to improved performance in Queensland. In this state, sales increased 46%, underpinned by a major contract for the supply of panels to the Clarence Correctional Centre project.

In New South Wales, sales recovered strongly in the second half to end the year relatively steady, after the first half was impacted by extended delays in the commencement of several large projects.

To meet the strong demand in New South Wales, and improve the efficiency of the automated plant, a second production line at Wetherill Park has been installed. This new manual line will cater for architectural and specialised panels, complementing the highly automated carousel plant for industrial and standardised panels.

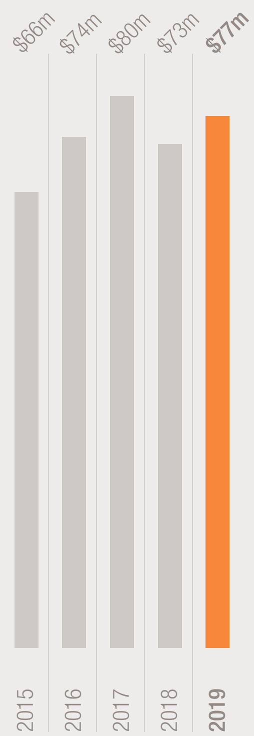
Austral Precast continues to focus on a range of product development initiatives. In August 2019, "Double Wall" was launched, a cost effective permanent structural framework that offers significant advantages over existing alternatives.

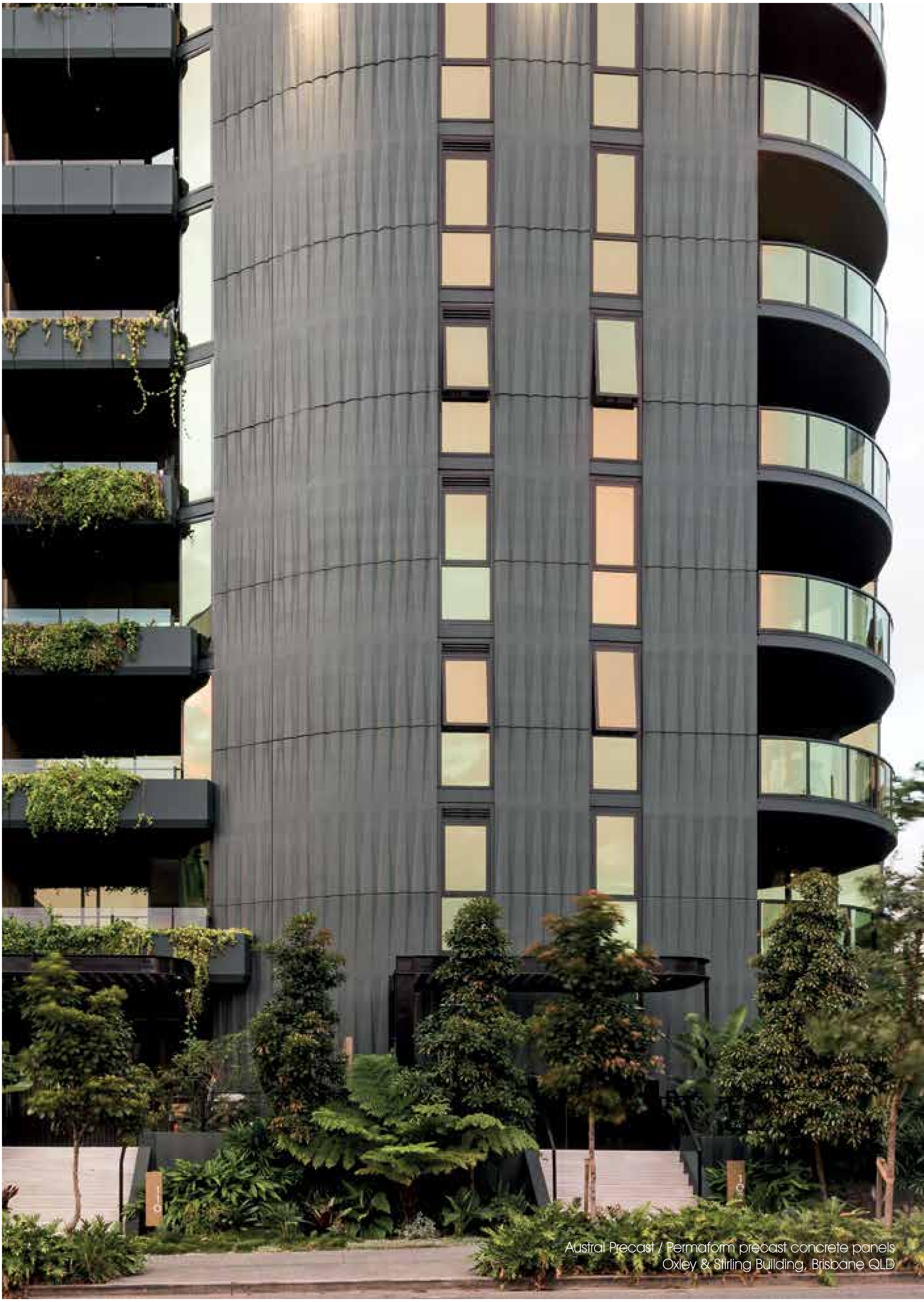
SOUTHERN CROSS CEMENT

Southern Cross Cement is a Joint Venture company owned by Brickworks (33% interest), the Neilsen Group and the Neumann Group.

Construction of the Southern Cross Cement terminal, in Brisbane, has progressed well during the year. The first shipment of cement and deliveries to shareholders, including Brickworks, is scheduled for October 2019.

Revenue
$77m **↑6%**





Austral Precast / Permaform precast concrete panels
Oxley & Stirling Building, Brisbane QLD

Building Products NORTH AMERICA

Brickworks completed the acquisition of Glen-Gery on 23 November 2018, marking the Company's first significant overseas investment.

Glen-Gery has a unique market position within the United States brick industry, holding a leading position in the Northeast and Midwest states. This region incorporates major cities with a long heritage of brick construction in commercial and residential buildings.

In many cases, building covenants are in place mandating the use of brick, in order to maintain the heritage of the region. In other cases, Glen-Gery bricks are specified in the construction of buildings such as schools, hospitals and retail outlets.

In New York, where Glen-Gery holds a significant market share, legislated five-yearly building façade inspection programs underpin a significant proportion of sales.

Glen-Gery's product mix reflects the traditional building styles of the region, with higher margin architectural products into the non-residential, multi-residential and paving segments making up 65% of total sales.

Glen-Gery has established a strong reputation within the industry for premium products and has a plant network that is well equipped to service this market. Across its nine brick plants, it is able to offer a range of specialty moulded, handmade and glazed bricks, in addition to a full range of the more common extruded bricks. It also operates a thin brick production line, a product category that is gaining traction in the US, and offered by Glen-Gery as part of the "Thin Tech" façade system.

10 Market data based on US Census Bureau reports

OVERVIEW OF FY2019 RESULTS

23 November 2018 to 31 July 2019	**USD** $m	**AUD** $m
Revenue	80	121
EBITDA	8	12
EBIT	**4**	**6**
EBITDA margin		10%
EBIT margin		5%
Full Time Equivalent Employees (#)		617
TRIFR (Safety)		7.6
LTIFR (Safety)		29.1

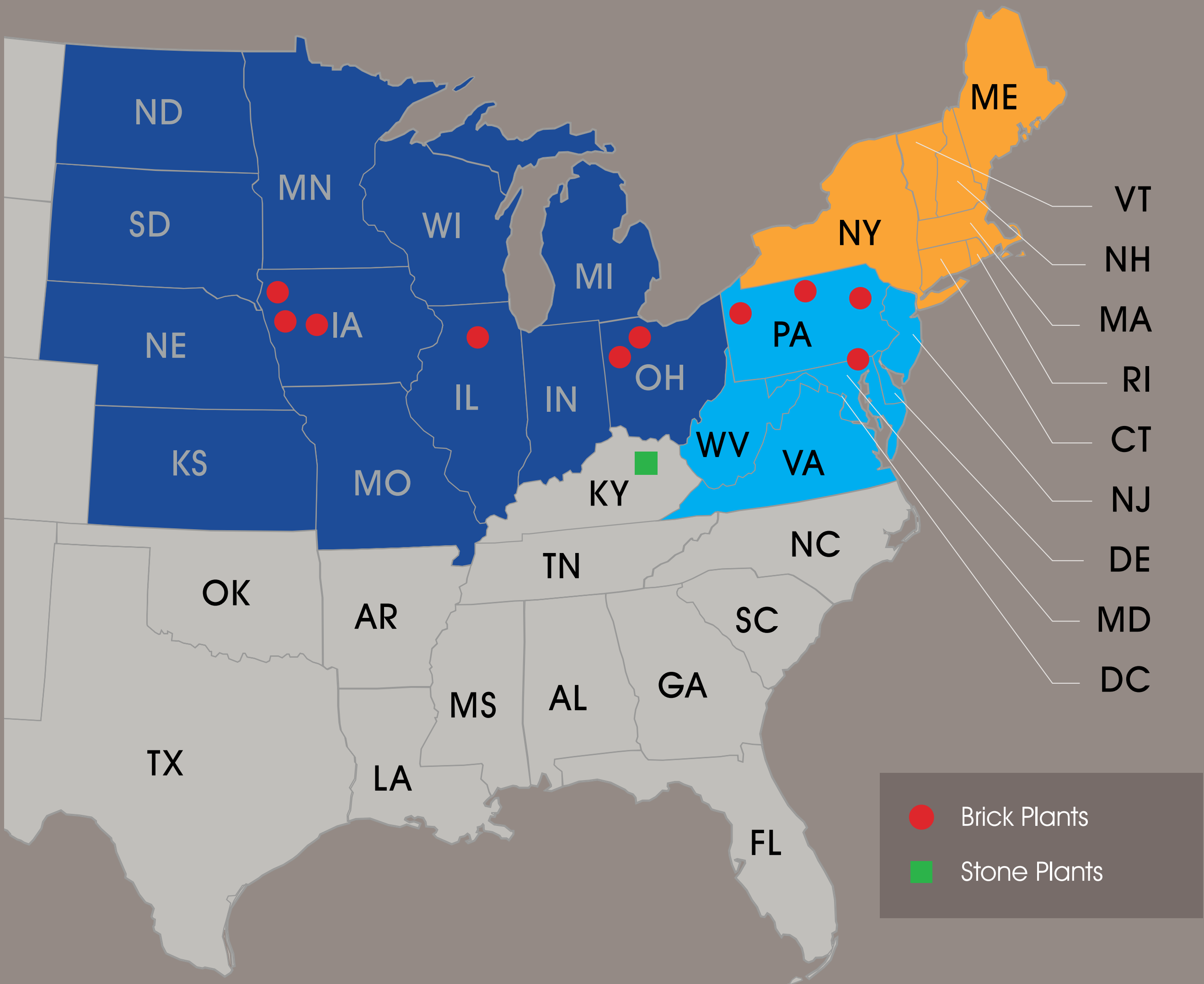
MARKET CONDITIONS[10]

Total construction activity in the United States has been relatively stable over the past 12 months, with the value of construction put in place for the year ended 30 June 2019, US$619 billion, down 1% on the prior year.

Construction spend in the non-residential segment, a key driver for Glen-Gery, was up 5% for the year ended 30 June 2019. This was offset by an 8% decline in residential construction spending.

BUILDING PRODUCTS NORTH AMERICA

Location map



The mild decline in residential activity across the United States was consistent with the trend in key Glen-Gery regions. In the Northeast region, total residential housing starts were down 5% to 107,000 for the 12 months to 30 June 2019, and in the Midwest, starts were down 7% to 166,000.

Financial performance since the acquisition has been ahead of expectations. Sales revenue for the period 23 November 2018 to 31 July 2019, was $121 million, with sales volume and pricing outcomes strong across most products and regions.

EBITDA for the period was $12 million, and EBIT was $6 million.

Following the harsh winter conditions from December to February, when plants were shut down and EBIT was negative, earnings momentum was strong in the final five months of the period.

At 31 July 2019 there were a total of 617 Glen-Gery employees. During the period of ownership there were 6 lost time injuries, with injury rates significantly higher than Australian operations. As such, a key focus in financial year 2020 will be the rollout of best practice workplace health and safety procedures.

INTEGRATION AND OPERATING HIGHLIGHTS

Following the acquisition, key integration activities are now largely completed, including the transition of critical IT infrastructure to Brickworks systems, the rollout of financial reporting processes and the implementation of a range of branding and marketing initiatives.

Significant progress has also been made on key strategic initiatives, in support of Glen-Gery's focus on high margin architectural products.

In July, Brickworks North America executed an exclusive supply agreement with San Selmo (based in Italy), for the supply of premium imported products into the United States. This follows the success of the relationship already established in Australia. San Selmo products will complement other imported ranges introduced since the acquisition, including La Paloma and ultra-premium glass bricks.

A new design studio site has been secured in central Philadelphia, with a ten-year lease executed. A design has been completed and a builder appointed, with opening expected before the end of calendar 2019. Renovations have also been completed at the existing New York showroom.

A range of operational improvements have been implemented across the plant network, including a review of plant scheduling and the commencement of a product rationalisation plan.

The Capitol plant at Manassas in Virginia was closed, with volume transferred to other facilities to improve plant utilisation across the network.

Sioux City Brick – Regency Blend 16" Modular – Belmont Cragin Elementary School – Chicago

ACQUISITION OF SIOUX CITY BRICK

The acquisition of Glen-Gery set the platform for Brickworks to pursue further growth in North America. Unlike Australia, the North American brick industry is highly fragmented, with significant over-capacity, and consists of numerous players operating at sub-optimal factory utilisation. As a result, targeted bolt-on acquisitions in North America allow plant utilisation and production efficiency to increase significantly, as operations are integrated.

In line with this strategy, on Tuesday 27 August 2019, Brickworks North America completed the acquisition of Sioux City Brick.

Sioux City Brick has a leading market position in the Midwest region of the United States. It has 3 modern production lines with a total capacity of around 160 million bricks per year, located at 2 manufacturing plants, both in Iowa.

The acquisition will strengthen Brickworks' position in a key target market and will deliver significant efficiency benefits when operations are rationalised with existing Glen-Gery facilities.

Sioux City Brick offers a vast range of products, selling around 90 million bricks per year through direct sales to builders and resellers, and through 5 company-operated retail distribution outlets. It has broad end-market exposure, with a strong reputation for premium architectural products, servicing the non-residential and multi-residential segments.

BUILDING PRODUCTS NORTH AMERICA

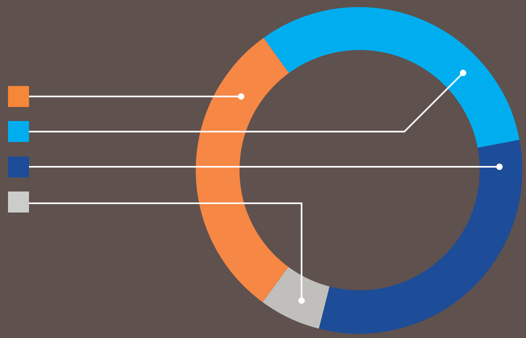
Highlights

23 November 2018 to 31 July 2019

$121m Revenue	**617** Full Time Employees	**LTIFR 7.6** Safety

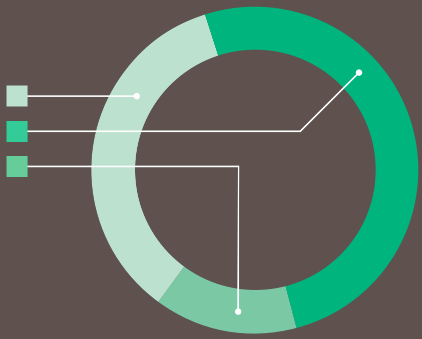
Revenue by Region

North East	30%
Mid Atlantic	32%
Mid West	32%
Other	6%



Revenue by End Market

Detached House	35%
Non Residential	51%
Multi Residentialc	14%



PROPERTY

Property delivered an EBIT before significant items of $158 million for the year ended 31 July 2019, a record contribution, and up 68% from the prior year.

OVERVIEW OF FY2019 RESULT

Year Ended July	2018 $m	2019 $m	Change %
Net Trust Income	22	26	17%
Revaluation of properties	24	70	195%
Development Profit	29	19	(33%)
Sale of assets	26	12	(53%)
Property Trust	**101**	**127**	**26%**
Land Sales	(3)	35	NA
Property Admin and Other	(4)	(4)	–
Total	**94**	**158**	**68%**

The improved result was due to higher earnings from the Property Trust, which generated an EBIT of $127 million, up 26% from $101 million. Property Trust earnings were primarily driven by the revaluation of leased properties, up 195% to $70 million. This follows a 50-basis point compression in capitalisation rates across most properties over the year, reflecting the increasing demand for well-located industrial facilities.

Net property income distributed from the Trust was $26 million, up 17% from $22 million in financial year 2018. Development profit on the completion of three assets contributed an additional $19 million earnings, and the sale of Lot 6 at Oakdale South provided a profit of $12 million.

The record result was also supported by a $35 million profit from land sales, primarily due to the sale of the Punchbowl site in the first half.

Property administration expenses totalled $4 million, in line with the prior year. These expenses include holding costs such as rates and taxes on properties awaiting development.

Iron Mountain Development, Oakdale South, NSW

PROPERTY TRUST ASSET VALUE

The total value of assets held within the Property Trust at 31 July 2019 was $1.756 billion. This includes a 21% increase in the value of leased assets, to $1.411 billion. The Property Trust also holds a further $345 million in land to be developed.

Borrowings of $490 million are held within the Property Trust, giving a total net asset value of $1.266 billion. Brickworks' 50% share of net asset value was $633 million, up $95 million from $538 million at 31 July 2018.

The sale of Precinct 6, a five-hectare (net) parcel of land at Oakdale South, provided the Property Trust with $30 million in cash in May. These proceeds will be used to fund construction of an access road to the Oakdale West Estate, allowing this land to be developed in late 2020 calendar year.

Gearing within the Property Trust decreased to 35% during the year, and the total return on leased assets was 21%, including rental return and revaluations.

PROPERTY TRUST – LEASED PROPERTIES

The entire Property Trust portfolio consists of "A-grade" facilities, each less than nine years old, with long lease terms and stable tenants. The annualised gross rent is $78 million, and the average capitalisation rate is 5.4%. There are currently no vacancies within the portfolio.

PROPERTY TRUST ASSET VALUE

Year Ended July	2018 $m	2019 $m	Change %
Leased properties	1,167	1,411	21%
Land to be developed	360	345	(4%)
Total Property Trust assets	**1,527**	**1,756**	**15%**
Borrowings on leased assets	(451)	(490)	(9%)
Net Property Trust assets	**1,076**	**1,266**	**18%**
Brickworks 50% share	**538**	**633**	**18%**
Rental return on leased assets[11]	6%	6%	(8%)
Reval. return on leased assets[12]	7%	15%	129%
Total return on leased assets	13%	21%	62%
Gearing on leased assets[13]	39%	35%	(10%)

PROPERTY TRUST – LEASED PROPERTIES

Estate	Asset Value $m	Gross Lettable Area ‘000m^2	Gross Rental $m/year	WALE[14] years	Capitalisation Rate %
M7 Hub	149	64	8	2	5.6%
Interlink	412	192	24	4	5.6%
Oak Central	565	245	30	5	5.3%
Oak South	102	46	5	11	5.0%
Rochedale	183	96	10	12	5.8%
Total	**1,411**	**643**	**78**	**6**	**5.4%**

11 Based on Net Trust Income, divided by Brickworks share of leased properties less associated borrowings
12 As above, but using revaluation profit
13 Borrowings on leased assets / total leased assets.
14 Weighted average lease expiry by income

Progress on Oakdale South facilities development

PROPERTY TRUST – DEVELOPMENT PIPELINE

Development activity in financial year 2019 was focussed on Oakdale South. Assets completed during the period included a 20,000 m^2 facility leased to Iron Mountain, a 15,000 m^2 warehouse leased to Briggs and Stratton and a 11,000 m^2 facility leased to B-Dynamic.

Development of a 33,000 m^2 facility for DHL commenced during financial year 2019 and is due for completion in November 2019.

During the year a pre-commitment for a 15,700 m^2 facility was secured with Linfox. This facility is being constructed alongside a separate 15,700m^2 speculative development, and is due for completion in February 2020.

Following these developments, there remains up to 45,000 m^2 of gross lettable area still available at Oakdale South, with strong interest being received by the Trust.

In January 2019, the Trust announced the pre-commitment of Coles to a 65,000 m^2 high bay facility at the Oakdale West Estate. Subject to final development approval, infrastructure works will soon commence, including the construction of a two-lane dual carriageway regional road (the Western North-South Link Road) that will provide easy access to the nearby M7 and M4 motorways.

A development application has been lodged for 10 hectares of land next to Plant 3, at Eastern Creek (Oakdale East). This site will include a new plant leased to Austral Masonry and a further 25,000 m^2 of industrial development area.

BRICKWORKS OPERATIONAL AND DEVELOPMENT LAND

Operational land is utilised in the day to day activities of Building Products Australia and North America. The total value of operational land in Australia remained stable during the period at around $357 million. The newly acquired Glen-Gery operations comprise over 2,400 hectares of land, with a land value of almost $25 million.

The largest site held for development is at Craigieburn in Victoria. Brickworks is currently collaborating with other local landowners to produce development concepts that may accelerate rezoning of this land to residential.

INVESTMENTS

The EBIT from total investments was down 16% to $104 million in the year ended 31 July 2019.

WASHINGTON H. SOUL PATTINSON LIMITED (WHSP) ASX Code: SOL

Brickworks' investment in WHSP returned an underlying contribution of $103 million for the year ended 31 July 2019, down 16% from $122 million in the prior year. This was due primarily to a decreased contribution from Round Oak Minerals.

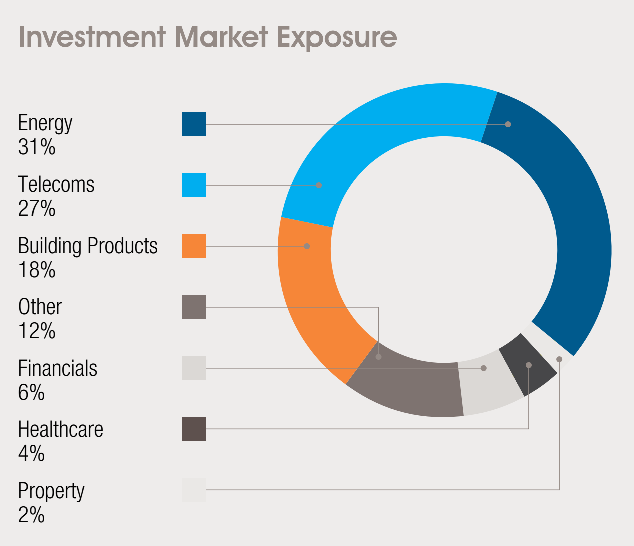
Brickworks sold 7.9 million WHSP shares in November and December, at a weighted average price of $26.37 per share, delivering total cash proceeds of $208 million.

Brickworks now holds 94.3 million shares; equivalent to a 39.4% interest in WHSP (down from 42.7%). This shareholding in WHSP is an important source of earnings and cashflow diversification for the Company and has been a key contributor to Brickworks' success for more than four decades.

The market value of Brickworks shareholding in WHSP was $2.142 billion at 31 July 2019 (39.4%), down $89 million from $2.231 billion at 31 July 2018 (42.7%). This decrease is due to the lower shareholding held by Brickworks, with the WHSP share price increasing 4% over the year.

WHSP has delivered outstanding returns over the long term, with fifteen year returns of 11.6% per annum to 31 July 2019 being 2.6% ahead of the All Ordinaries Accumulation Index.

WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation, Australian Pharmaceutical Industries, Apex Healthcare Berhad and TPI Enterprises.



This provides WHSP with a diversified end market exposure, as shown in the chart above. Over more than four decades, WHSP has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from Brickworks' Building Products and Property divisions.

During the year cash dividends of $56 million were received, up marginally on the prior period.

$104m

EBIT from
Total Investments

↓16%

LTIFR 1.7

Lost Time Injury Frequency Rate

→

TRIFR 19.6

Total Recordable Injury Frequency Rate

↓4.0%

Health and

SAFETY

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

STRATEGY

Brickworks is committed to minimising risks to the health and safety of its employees, contractors and the general public and believes continual improvement in health and safety is a key requirement for a sustainable workplace. The Company's health and safety strategy sets the framework for the development and management of programs to improve safety performance year on year. It includes a focus on safety leadership and a proactive culture that integrates safety into all business processes.

PERFORMANCE

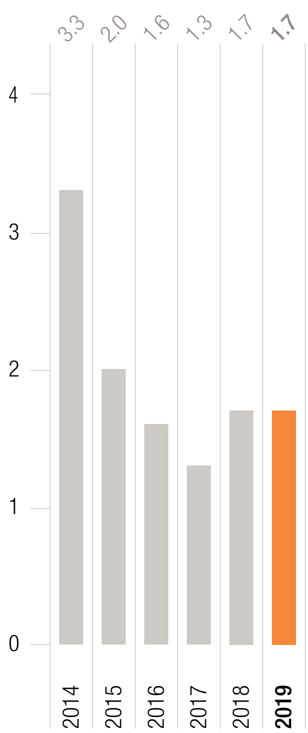
Essential to Brickworks improved safety performance is the effective communication of safety performance and goals throughout all levels of the Brickworks business. Performance is measured utilising both lead and lag performance indicators. Brickworks benchmarks its safety performance both internally and externally and this assists in driving improved safety performance.

Performance targets are set within the Workplace Health and Safety Management System, with a key target being a 10 percent reduction in injury rates each year.

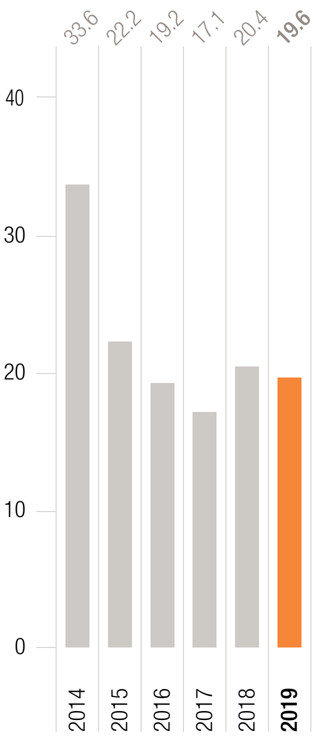
In Australia, there were 5 lost time injuries (LTIs) recorded in financial year 2019, in line with the prior year. This translates to a lost time injury frequency rate (LTIFR) of 1.7, also in line with the prior year. There were 52 medical treatment injuries recorded for the year, down slightly from 55 in financial year 2018. The total recordable injury frequency rate (TRIFR) was 19.6, down 4%.

Building Products Australia

Lost Time Injury Frequency Rate (LTIFR)



Total Recordable Injury Frequency Rate (TRIFR)



In the United States, there were 6 LTIs in the period from the acquisition of Glen-Gery (23 November 2018) until the end of financial year 2019. This translates to a LTIFR of 7.6, significantly higher than the Australian rate. In the same period, there were 17 medical treatment injuries, translating to a TRIFR of 29.1.

A key focus in financial year 2020 will be the roll out of best practice workplace health and safety programs in the acquired North American operations.

KEY INITATIVES

Fundamental to Brickworks' work health and safety strategy are a number of key safety initiatives, supported by a robust safety culture. This is underpinned by a common work health and safety management system across all divisions of the Company, providing a consistent approach to managing health and safety within Brickworks.

Employee education continues to be a key safety initiative and a lead indicator that is measured at Brickworks. Online training is available 24/7 to all Brickworks employees, with courses assigned based on the employee's role in the business. Further, the national rollout of a behavioural safety leadership program for managers and supervisors has commenced.

Brickworks believes a drug and alcohol-free workplace is also essential for the welfare of employees, contractors and visitors and mandatory random testing continued to be implemented across the business nationally in 2019. 64% of our staff were randomly tested for drugs and alcohol throughout the year, exceeding our target of 25%.

During the year, the Company completed a review of National Transport systems and an audit of the heavy vehicle fleet to evaluate the effectiveness of existing procedures, documentation, and ensure satisfactory compliance with regulations and internal policies. Following this review, a number of recommendations will be implemented in areas such as chain of responsibility, fatigue management and load restraint.

Another key initiative introduced during the year is medical testing and certification for heavy vehicle drivers.

Safe environments and systems alone will not eliminate workplace injuries and having good general health is crucial in reducing injuries in the workplace. As such, employee health and wellbeing is another key focus area for the Company.

Brickworks' wellbeing program provides employees advice, education and professional assistance to improve their personal health. This includes on site physiotherapy sessions available at larger operational sites, undertaking workplace task assessments and treating employee ailments before they turn into injuries. In addition to this, diligent recruitment processes which include professional functional health assessments ensure that all new recruits are appropriately suited to the physical requirements of the position.

Overview of

SUSTAINABILITY

Brickworks is committed to social and environmental responsibility. As one of Australia's largest and most diverse building products manufacturers, we believe we have a responsibility to our shareholders, employees, industry, environment and the wider community.

We are committed to social responsibility and we aim to make a valuable contribution to our communities

- Partnerships
- Community Engagement and Support

We are committed to managing our operations in an environmentally sustainable manner

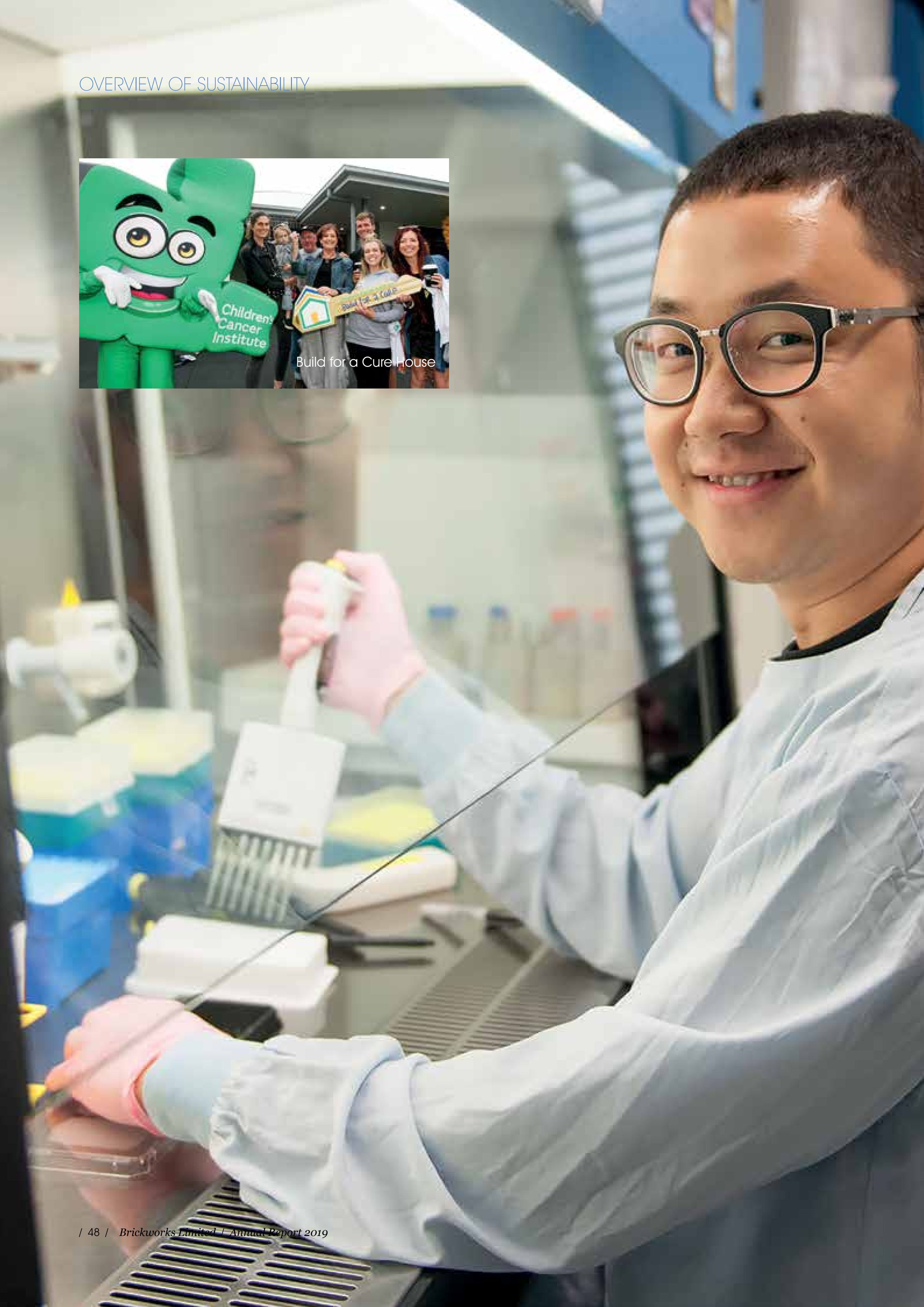
- Energy and Emissions
- Understanding Carbon Risks and Opportunities
- Resource Efficiency
- Waste Management
- Rehabilitation and Local Communities
- Environmental Performance and Compliance

Sustaining a strong culture driven by diverse and talented people is critical to our long-term success

- Health, Safety and Wellbeing
- Training and Education
- Diversity and Inclusion

We continue to lead the way through design, style, innovation, sustainability and collaboration

- Innovation and Sustainable Products
- Product Compliance
- Risk Management
- Responsible Procurement
- Governance



Build for a Cure House

SUSTAINABILITY REPORTING

At Brickworks, we are passionate about our sustainable vision for the built environment and the role our genuine building products play in creating beautiful, healthy and sustainable homes and environments. This year we are taking another step forward on our sustainability journey, with the launch of our Sustainable Business Framework, linking our purpose with the material issues of our Sustainability Strategy. These areas – Our People, Community, Environment and Responsible Business – are issues important to both our stakeholders and Brickworks.

This year our first stand-alone Sustainability Report allows a chance to cover these issues in depth, informed by international standards such as the Global Reporting Initiative.

Our FY2019 Sustainability Report shares our sustainability journey with an overview of our sustainability strategy, and case studies of our progress along the way.

The FY2019 Sustainability Report can be found at www.brickworks.com.au.

COMMUNITY SUPPORT

Brickworks is committed to social responsibility in our communities and we aim to make a valued contribution to our communities.

Austral Bricks donated 160,000 premium face bricks for the new Ronald McDonald house, opened at Westmead in Sydney. The new facility provides a 60-room house with space to accommodate 1,360 families per year. Last year, 400 families were turned away because of space constraints, but with the new house, turning away families is a thing of the past.

The new facility, housing up to 371 people, is the largest of its kind in New South Wales, and will help provide even more families with a home away from home while their sick or injured child is undergoing treatment.

The Brickworks Sustainability Report contains additional case studies of Community Support initiatives during FY2019.

SUSTAINABILITY REPORT 2019 HIGHLIGHTS

$919M
FY19 total Group revenue

$1.6M
saved through improved waste management

100%
Community Engagement Plans at relevant sites

22
participants in our Mentoring Program

27%
female senior executives

5.99%
reduction in carbon emissions

100%
Gas Efficiency Plans at high gas using sites

$3.5M
donated to Children's Cancer Institute

100%
Water Efficiency Plans at relevant sites

5.67%
reduction in energy use

1494
Australian employees

1.7
LTIFR

19.6
TRIFR

CHILDREN'S CANCER INSTITUTE

Brickworks is a long-standing partner of the Children's Cancer Institute (CCI), the only independent medical research institute in Australia dedicated to research into the causes, cure and prevention of childhood cancer. Their vision is to cure all children with cancer.

Brickworks became a partner of CCI in 2002. To date $3.5 million dollars has been donated via staff involvement, contributions and participation in events.

This year Brickworks raised over $683,000, to help children like Isla, who was diagnosed with Leukemia when she was only 4 years old. Thanks to a clinical trial, she started to improve and has since completed her treatment. Now 8 years old, a magical family trip to Disneyland in April 2019 was a dream come true.

Further details of our partnership with CCI are included in our Sustainability Report.

ENVIRONMENTAL AWARDS

In FY2019, Brickworks held its second year of Awards for Environmental Excellence, celebrating and promoting environmental excellence with our employees. The three categories of awards were Environmental Champion, Environmental Innovation and Environmental Collaboration.

Over 30 nominations were received demonstrating the passion and enthusiasm across the Brickworks business. Read more about the award winners' achievements in the Brickworks Sustainability Report.

PRODUCT SAFETY

All of Brickworks' products are tested to meet stringent quality standards. We undertake ongoing assessments of changes in building codes and legislation to ensure products are fit for purpose and compliant.

Our product approval process comprises testing programs to meet the requirements of the National Construction Code, Australian Standards and ensures products are fit for purpose. Testing programs are specifically designed to reflect product applications, and include testing such as mechanical, fire, structural, acoustic and installation.

Only through the passage of time do building products prove their long-term safety and durability. Bricks have been proven over centuries as a superior material choice as they are non-flammable, low maintenance, weatherproof, reusable, recyclable, inert, have excellent acoustic properties, are colourfast and durable with a 100-year warranty lifetime.

Brickworks is committed to customer health and safety through product quality systems and testing. All Brickworks clay and concrete products are non-combustible and pass AS 1530.1, combustibility test for building materials. Some competitors claim compliance through an exemption when their products cannot pass the non-combustibility test.

Brickworks supports the growing calls from consumers and industry participants for tighter controls and increased compliance in relation to the use of building products in construction projects.

SUSTAINABLE PRODUCTS

Brickworks' products create beautiful and sustainable environments and places. With our heritage as one of Australia's founding brick businesses many generations ago, we hold the values of family, community, sustainability, innovation and quality at our core.

We know our quality products last forever, which is why some of our products come with a 100-year guarantee. Our FY2019 Sustainability Report further explores sustainability performance research, carbon neutral products, our Net Zero home concept, environmental labels and product wellness.

Burwood Brickworks 6 Green Star

Brickworks is proud to have a range of its clay bricks specified on the latest 6 Star GreenStar development in Burbank Victoria. Fittingly the site was previously the head office, factory and quarry site of Nubrik – Austral Bricks Victoria.

Award Winning Solar Roof Tiles

FY2019 was a successful year for Bristile Roofing, winning the HIA Industry and Product Innovation Award for its solar tiles.

Our Brickworks Building Products Display Centre in Rochedale Queensland proudly displays a 6.75kW building integrated Bristile Roofing solar tile system. Congratulations to the installer (Leeson Solar) for winning the 2018 Clean Energy Council 'Under 30 kW grid connect PV power system' award for the installation.

Our FY2020 *Targets*

OUR PEOPLE

- Launch values survey
- 30 staff to join mentoring program
- Develop targets for gender diversity
- 10% reduction in injury rates
- 10% staff trained in Mental Health First Aid
- 25% staff to undergo drug and alcohol testing
- 100% Heavy vehicle drivers to complete medical testing
- Implement the recommendations from the National Transport audit
- Increase female board membership to 28%

ENVIRONMENT

- Implement Gas Efficiency Plans
- Investigate carbon targets
- Finalise TCFD plan and implement
- Develop library of technical properties of clay
- Implement production waste and recycling plans at all manufacturing facilities
- Identify further opportunities to reduce mains water usage
- Commence rollout of online software to support Environmental Management System
- Zero environmental fines

COMMUNITY

- Implement Community Engagement Plans at relevant sites
- Continue ongoing support of the Children's Cancer Institute

RESPONSIBLE BUSINESS

- Explore opportunities to further support affordable housing developments
- Strategic review of additional product disclosures
- Prepare and present the Environmental Social Governance (ESG) risks and opportunities paper, and five-year Sustainability Strategy
- Form a Sustainable Supply Chain Working Group to better understand the risks within our procurement categories and countries of supply, and work towards a robust risk assessment process, a Modern Slavery roadmap and reporting statement.

ENVIRONMENTAL

Sustainability

Brickworks is committed to managing our operations in an environmentally sustainable manner, while considering economic and social influences. Brickworks' aim is to reduce the environmental impact of our operations.

RESOURCE EFFICIENCY AND WASTE

Our products are engineered to reduce material requirements, while maintaining structural integrity. We achieve this through innovative product design, raw material substitution and process resource efficiency.

A key driver of resource efficiency is process optimisation and product innovation through a deep understanding of the technical properties of clay and shale raw materials. In FY2019, we reviewed our raw materials and initiated a project to build a comprehensive library of the technical properties of all clay and shale raw materials. During FY2020, this library will be completed to support further optimisation of materials usage and product innovation.

Brickworks continuously evaluates opportunities for closing the loop and driving the circular economy. The objective of a 'closed-loop' or 'circular economy' is to minimise waste and keep resources in use for as long as possible. We continue to drive closed loop initiatives across the business. We achieved up to 50% material replacement in some masonry products, substituting cement and aggregate with waste products such as fly ash, bottom ash and crushed concrete. We minimise our raw clay requirement by utilising clay sourced from infrastructure projects, which would otherwise be landfilled.

Our FY2019 Sustainability Report shares more on our product innovation achievements, such as high void bricks manufactured in Queensland, reducing raw material requirements by 11%. During FY2020, Brickworks will continue to focus on product design, waste re-use and material substitution initiatives.

Brickworks is committed to minimising the amount of waste sent to landfill from its manufacturing facilities. Opportunities for the reuse of waste are a key focus area for our brick and concrete businesses to decrease material costs, increase resource efficiency and drive the circular economy.

Over the last 12 months, a National Quality Initiative has been implemented across all divisions. This initiative examines waste data tracked across the last 3 years. Improved monitoring and management have led to continued improvement, reducing waste costs by a total of $1.6 million over the last 24 months.

During FY2020, we will continue implementation of waste reduction and recycling plans at all manufacturing facilities.

WATER

Water is a limited resource across most of Australia and is critical to our production process and operations. Brickworks understands the importance of water efficiency.

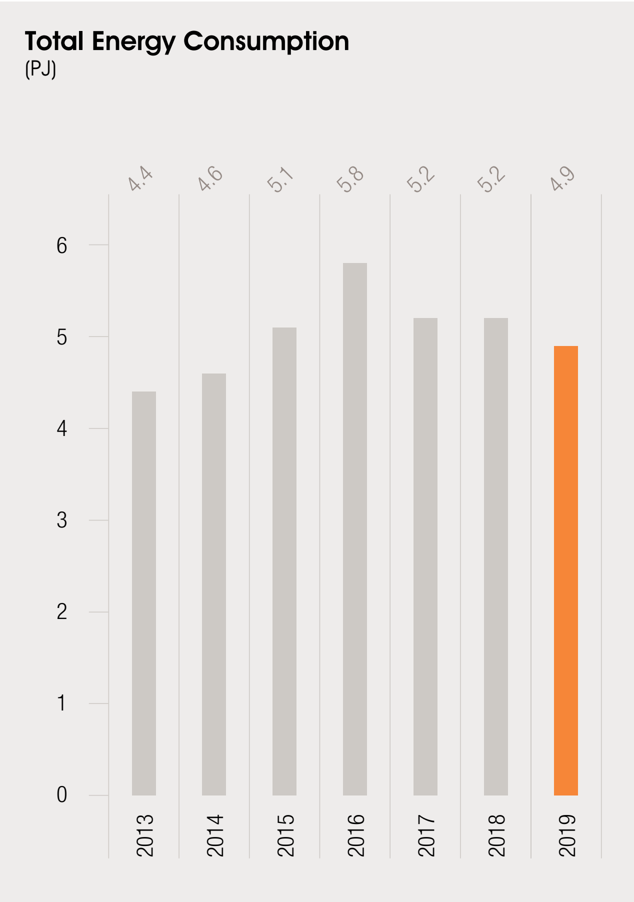
Many of our manufacturing facilities use runoff or bore water as the major water supply. Mains water is used when ponds are dry, or ground water allocation has been met.

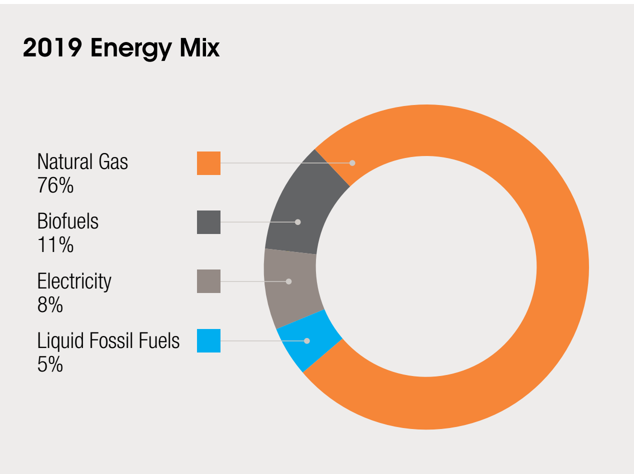
In FY2019 we identified water efficiency opportunities across relevant sites to minimise the use of mains water. Our environmental management system includes a focus on water management to protect local water bodies.

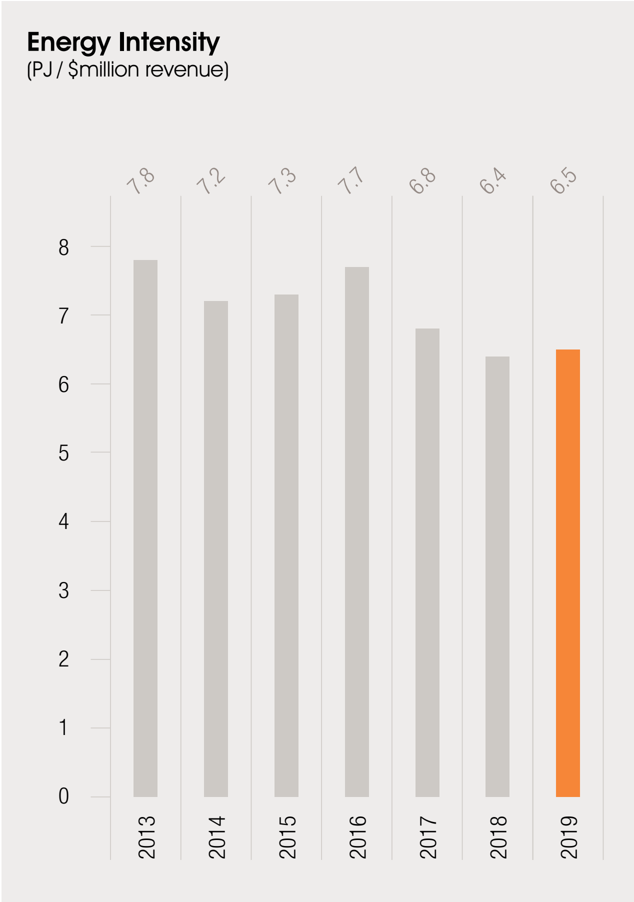
ENERGY

Brickworks continues our commitment to reducing energy use and carbon emissions. Our strategy for FY2020 is to drive energy efficiency opportunities and continue our use of renewable fuels as substitutes for natural gas.

In FY2019, Brickworks total energy usage within Australian operations was 4.9PJ, a 5.7% reduction from 5.2PJ the previous year.







Energy intensity (energy consumption vs revenue) was 6.5 terajoules per million dollars of revenue (within Building Products Australia), approximately in line with the prior year.

Natural gas was our primary fuel source and made up 76% of our energy mix. Alternative biofuels made up 11% of our energy use, including landfill gas and sawdust. Austral Bricks Horsley Park Plant 1 and Plant 3 both continue to substitute natural gas with landfill gas, sourced from neighbouring landfills. Use of these fuels at Plant 3 was interrupted in FY2019, due to a required blower replacement at the landfill site.

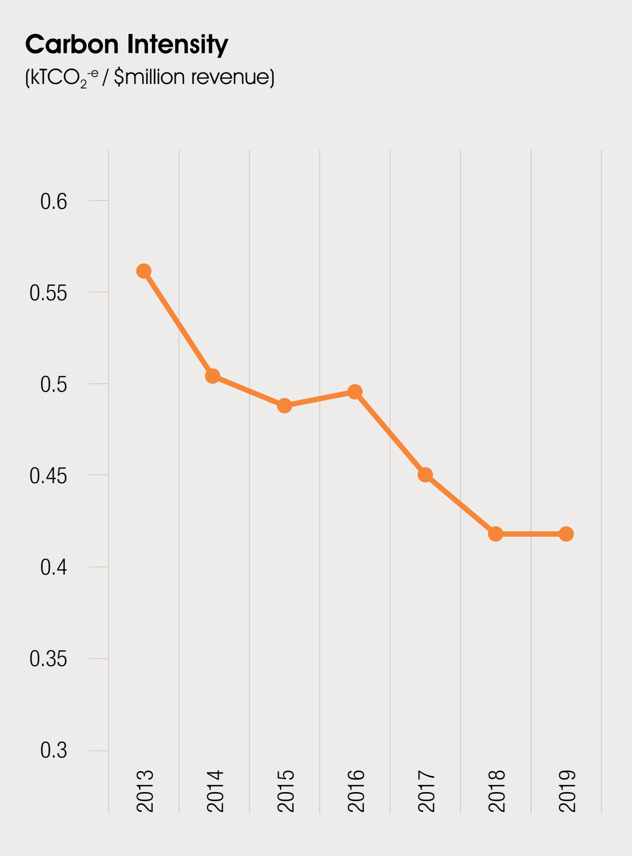
Austral Bricks' Longford's main kiln fuel is sawdust, acquired from various Tasmanian sawmills.

Energy efficiency is a focal point, using audits, regular maintenance and upgrades to ensure that energy efficiency is continuously managed. Heat recovery systems are utilised in all brick manufacturing facilities. Over the last year, we prepared gas efficiency plans for all high gas-using sites. During FY2020 the focus will continue on implementation.

CARBON

Greenhouse gas emissions are reported and audited for the National Greenhouse and Energy Reporting Scheme (NGERS). In FY2019, emissions were 232,116 tCO_2^{-e} (Scope 1) and 87,486 tCO_2^{-e} (Scope 2). Carbon emissions continue to trend downwards, with a 6.0% decrease on the previous year.

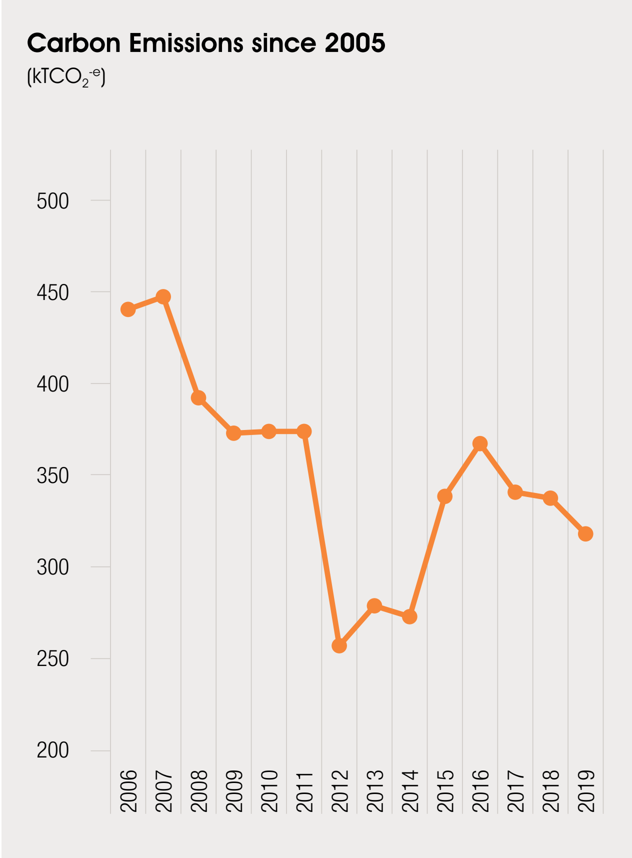
Carbon intensity is 2.0% higher than the previous year, due primarily to the short-term interruptions to landfill gas supply.



Carbon emissions have followed a general downward trend, with a 27% decrease compared to the base year FY2006 (Scope 1 & 2). The decrease can be attributed to efficiencies gained from alternative fuels, manufacturing consolidation, equipment upgrades and operational improvements.

To advance strategies around carbon management, Brickworks will explore additional greenhouse gas metrics and targets.

Brickworks recognises the benefits of disclosure of, and action on, climate change-related risks. The Task Force on Climate-Related Financial Disclosures (TCFD) recommendations provide a disclosure framework supported by investors and regulators.



We have commenced preparing a plan to meet the recommendations of the TCFD, with a staged approach starting in FY2020. During FY2020 Brickwork will finalise this plan and begin implementation.

ENVIRONMENTAL COMPLIANCE

Brickworks monitors its environmental performance and compliance in accordance with its Environmental Management System, aligned with ISO14001:2004. Manufacturing and raw materials sites are audited regularly by internal and external auditors, with issues reported as either a hazard or an incident and rectified in a timely manner. During the year, fifteen external, and two internal site audits were undertaken.

Hazard and incident reporting is undertaken in accordance with our Risk Management Framework. The framework assesses the likelihood of an event occurring, the potential impact of such an event and the controls and processes in place to continually mitigate each risk. This information is reported to Divisional and Group management and any issues of material concern are reported monthly to the Board.

In FY2018, Austral Bricks received an Enforceable Undertaking for breaching the Mining Act 1992 at two clay pits in southern New South Wales. Details of the Enforceable Undertaking was determined in FY2019, which Austral Brick's implemented by April 2019, including:

- A donation of $50,000 to Wingecarribee Shire Council for the restoration of the Bong Bong Common
- A minimum commitment of $50,000 for training and auditing of Austral Bricks staff
- $51,960 in royalties and administration levies
- Recovery of the Regulators investigation and monitoring costs of $15,500.

Austral Bricks has continued to work closely with the Resource Regulator to ensure all aspects of the Enforceable Undertaking are addressed.

To prevent similar non-compliances from occurring, Brickworks undertook a mining due diligence program and reviewed compliance registers to identify all key requirements.

During FY2019, we received zero prosecutions and one uncontested infringement notice for $250, relating to the offsite discharge of turbid stormwater at our Parns clay pit in WA. An immediate response was undertaken to comply with the issued notice, and an improved dewatering procedure implemented at the site. Our FY2020 target remains zero environmental fines.

During FY2019, the Austral Bricks Horsley Park Hydrogen Fluoride Emissions Reduction Program was closed out and a Scrubber installation program commenced. At Austral Precast Wetherill Park, a Preventative Action Notice was issued relating to site water management, and adequately addressed through the installation of a first flush water treatment system.

Brickworks made a range of improvements to core components of our environmental management system during FY2019, including the implementation of site level environmental plans and environmental awareness training. Continuous improvement to the system and training will continue during FY2020.

EMISSION CONTROLS

Our objective is to comply with environmental law and community standards as they evolve. We frequently review our operations, implement environmental improvement programs and invest in emission control technologies.

During FY2019, Brickworks developed investment plans for air emission control technology across our New South Wales brick business and will install limestone scrubbers at our Horsley Park brick manufacturing facilities through a staged rollout program, commencing in FY2020.

LOCAL COMMUNITIES

Brickworks recognises the importance of maintaining positive relationships with all stakeholders. We play an active role and are embedded in the local communities where we operate.

We continue to attend community forums, such as consultation for development applications and community group meetings. We maintain strong relationships with legislative and regulatory authorities. In addition, company representatives are involved with industry groups to promote issues, such as sustainable building products.

In FY2019, Brickworks developed stakeholder maps and community engagement plans for sites at risk of community concern. During FY2020, our target will be to implement Community Engagement Plans across these sites.

REHABILITATION

Rehabilitation and land-use planning is an essential aspect of managing our quarries and is crucial to meeting legislative requirements and community expectations. Within our Environmental Management System, we monitor progress of rehabilitation projects across the Group, to ensure the protection and enhancement of biodiversity.

Our FY2019 Sustainability Report shares more on our achievements, such as our successful hydroseeding trial within the progressive rehabilitation program at Rochedale in Queensland.

We undertook a Rehabilitation Planning Review to improve our future land-use planning. A range of rehabilitation projects were undertaken last financial year, with a total of 182,200m^2 of rehabilitation projects commenced.

Our

PEOPLE

WORKPLACE PROFILE

As at 31 July 2019, Brickworks employed 2,111 full time equivalent employees (permanent and part time employees, excluding casuals). This comprised:

- 1,483 within Building Products Australia;
- 617 within Building Products North America; and
- 11 across Property and Group functions.

The Sioux City Brick acquisition that was completed in August 2019 adds a further 200 employees in North America.

The average age of Brickworks employees is 43, with 32% aged 50 years and over. The average length of employee service at Brickworks is 9 years, and 20% of the total workforce are female.

Operators, Trades, Drivers and Labourers account for 55% of the workforce. Professionals, Sales, and Administrative account for 36% of the workforce, and Management makes up 9% of the workforce.

DIVERSITY AND INCLUSION

Brickworks is committed to an inclusive culture where all employees are treated with dignity and respect, and valued for their contributions and diverse backgrounds, experience and perspectives.

Led by the Managing Director, the Brickworks Diversity Council meets quarterly and drives the Diversity and Inclusion Strategy. During financial year 2019, the key focus has been delivering a range of initiatives to increase the gender diversity across the leadership of the Company, predominately focusing on attracting and retaining female executive leaders. Over the past four years female representation in executive leadership roles has increased from 7% (2015) to 27% (2019).

OUR PEOPLE

CULTURE AND ENGAGEMENT

Brickworks recognises that sustaining a strong culture driven by the diversity of our people is critical to our long-term success. In financial year 2019, Brickworks continued its focus on building and sustaining a strong culture with the continued integration of the 'WE ARE BRICKWORKS' values and behaviours. These values and behaviours drive unity and focus across the organisation by providing a simple way for employees to understand what the Company stands for and how success is achieved at Brickworks.

2020 will see the implementation of the Company's first Values Survey which will identify opportunities for further embedding values and behaviours, and measure employee engagement to identify areas of focus.

Employee engagement is supported by the multiple benefits offered to permanent employees; including paid parental leave, support for further education and Employee Share Schemes. A range of social and celebratory events for employees, including Company Update Evenings provide an informative and relaxed networking opportunity for staff.

TALENT AND DEVELOPMENT

Attracting and retaining the right people with the right skills is a strategic imperative to allow the Company to continue to grow and innovate. During financial year 2019, Brickworks continued to develop attraction and retention strategies to ensure the organisational talent pipeline continues to grow.

Brickworks aim to provide opportunities that aid employee growth and development. The Company is committed to the development of an internal pipeline of talent, by investing in formalised graduate, apprentice, mentoring and succession planning programs.

All employees are encouraged to further their professional development with a minimum of 2 hours per week dedicated to development activities and training.

In financial year 2019, the focus on internal development and progression resulted in 71 internal promotions occurring across Brickworks.

During financial year 2019, Brickworks rolled out two significant learning and development initiatives; the Graduate Program and the Mentoring Programs.

GRADUATE PROGRAM

The Brickworks 24-month Graduate Program is a structured program offered by all divisions. Graduates attend an induction process to gain business understanding and build valuable networks. They are provided technical and professional skills training as they undergo structured business rotations across critical business functions. In their second year, they choose a specialist rotation to deepen their experience and skills in the nominated area.

Graduates are assigned specific business projects throughout the program, challenging them to create a tangible business impact. They also participate in an external project-based development program. This program brings together individuals from a cross section of industry to co-create solutions to complex local problems. Graduates have the opportunity to work collaboratively in teams and to pitch their proposals to industry leaders.

During the program, graduates have access to a support network, a career coach and a structured mentoring program. Networking opportunities are provided for graduates to connect with the cohort, share experiences and also elevate their profile with senior leaders within the Company.

MENTORING PROGRAM

In April 2018, Brickworks launched a Mentoring program to provide development opportunities across a wide spectrum of employees. The nine-month program first matches “mentors” with “mentees” with a structured criteria and review process including candidate meetings with senior management.

Once the program commences, and throughout the 9 months, participants attend an information briefing session and undertake a mentor and mentee training session to connect, build rapport, learn coaching tools and set goals.

Following the success of the 2018 pilot program, the 2019 program is well underway, with 30 participants from across the business.

INDUSTRIAL RELATIONS

Brickworks operations include fifteen non-union enterprise agreements and five union enterprise agreements. In addition, some sites that have individual agreements and a number of sites are covered by the respective Modern Awards.

During financial year 2019, four site-based enterprise agreements were successfully negotiated and executed, reflecting the strong working relationship that exists between manufacturing staff and local management teams across the organisation.

Of the site agreements negotiated during the year, there was a trend towards direct negotiation with employees.

Austral Bricks La Paloma in Romero
BENT Annexe, Melbourne, VIC

Board of

DIRECTORS

ROBERT D. MILLNER

FAICD

CHAIRMAN

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

LINDSAY R. PARTRIDGE AM

BSC. HONS. CERAMIC ENG; FAICD; DIP CD

MANAGING DIRECTOR

Mr Partridge graduated as a ceramic engineer from the University of New South Wales, and worked extensively in all facets of the clay products industry in Australia and the United States before joining the Austral Brick Company in 1985. In 2008, Mr Partridge completed the Stanford University Executive Development Program. He held various senior management positions at Austral before being appointed Managing Director of Brickworks in 2000. Since then, Brickworks has grown significantly in terms of size and profitability as its operations have become Australia-wide, with its product range extending beyond bricks to tiles, pavers and masonry and activities expanding into property development.

Mr Partridge has also had extensive industry involvement, and was previously a director of various industry bodies, including the Australian Brick and Blocklaying Training Foundation and the Clay Brick and Paver Institute.

In 2012 he was awarded the Member of the Order of Australia for services to the Building and Construction Industry, particularly in the areas of industry training and career development, and to the community.

In 2018 the Housing Industry Association awarded Mr Partridge the “Sir Phillip Lynch Award”, their highest award. The award was in recognition of a lifetime contribution to the Housing Industry.

MICHAEL J. MILLNER

MAICD

DEPUTY CHAIRMAN

Mr. M. Millner is a non-executive Director who was appointed to the Board in 1998. He is Vice President of the Royal Agricultural Society of NSW, Chairman of the Royal Agricultural Society of NSW (RAS) Foundation, and has extensive experience in the investment industry. Mr Millner is the deputy chairman of the Board, and a member of the Remuneration Committee and the Nomination Committee.

THE HON. ROBERT J. WEBSTER

MAICD

DIRECTOR

Mr Webster was appointed to the Board in 2001 and is a non-executive Director. He is Senior Client Partner in Korn Ferry’s Sydney office. He is the Lead Independent Director and Chair of the Independent Board Committee, Chair of the Nomination Committee, a member of the Remuneration Committee and the Audit and Risk Committee.

BRENDAN P. CROTTY

LS; DQIT; DIP.BUS ADMIN; MAPI; FAICD; FRICS

DIRECTOR

Mr Crotty was appointed to the Board in June 2008 and is a non-executive Director. He brings extensive property industry expertise to the Board, including 17 years as Managing Director of Australand until his retirement in 2007. He is a director of a number of other entities that are involved in the property sector. He is the Chair of the Remuneration Committee, and a member of the Audit and Risk Committee and the Nomination Committee and the Independent Board Committee.

DEBORAH R. PAGE AM

B.EC; FCA; FAICD

DIRECTOR

Mrs Page was appointed to the Board in July 2014 and is a non-executive Director. Mrs Page has extensive financial expertise, arising initially from her time at Touche Ross/KPMG Peat Marwick including as a partner, and subsequently from senior executive roles with the Lend Lease Group, Allen Allen and Hemsley and the Commonwealth Bank. She also has experience as a Director in a number of sectors, including Property, Energy & Renewables, Insurance, Funds Management, Technology and Public Sector bodies. Mrs Page is the Chair of the Audit and Risk Committee, and a member of the Nomination Committee, the Remuneration Committee and the Independent Board Committee.

MALCOLM P. BUNDEY

B.BUS (ACCOUNTING), GAICD

DIRECTOR (FROM 1 OCTOBER 2019)

Subsequent to year end the Board has announced that Mr Malcolm Bundey has agreed to join the Board as an Independent Non-executive Director, with effect from 1 October 2019.

Mr Bundey has valuable experience as a Chief Executive Officer (CEO) and Managing Director with expertise in complex manufacturing operations in Australia, the USA and many international jurisdictions, and a strong financial background.

Company Secretary

SUSAN LEPPINUS

B.EC; LLB; GRAD DIP APP FIN

COMPANY SECRETARY AND GENERAL COUNSEL

Ms Leppinus was appointed Company Secretary and General Counsel in April 2015. She is admitted to practice in NSW and has over 14 years' experience as a company secretary and general counsel. She has worked closely with boards and senior management in ASX 200 companies, and has significant experience in mergers and acquisitions, contract negotiation, corporate governance, corporate and commercial law. She is responsible for the legal governance and company secretarial functions of the Group, including liaising with the ASX, ASIC and other regulatory bodies.

Executive MANAGEMENT

LINDSAY R. PARTRIDGE AM

BSC. HONS. CERAMIC ENG; FAICD; DIP CD

MANAGING DIRECTOR

Refer to Board of Directors, page 61.

ROBERT BAKEWELL

B.COMM; CA

CHIEF FINANCIAL OFFICER

Mr Bakewell was appointed Chief Financial Officer in June 2016. He is a chartered accountant with more than 34 years finance and commercial experience in listed Australian and international companies including significant experience in mergers and acquisitions, restructuring, balance sheet and capital management. He is responsible for all financial operations of the business including group accounting and taxation, treasury, banking and finance and investor relations.

MARK ELLENOR

B.BUS

PRESIDENT – BRICKWORKS BUILDING PRODUCTS NORTH AMERICA

Mr Ellenor was appointed President – Building Products North-America in November 2019. Mark started with Austral Bricks in the graduate program in 1999 and progressed through management and promoted to General Manager Eureka Tiles in 2006, General Manager Austral Bricks NSW in 2009, General Manager Austral Bricks Australia in 2017 and Group General Manager Austral Bricks and Bristle Roofing in 2018. Now based in Philadelphia, USA Mark is responsible for setting and implementing the strategic plan for Brickworks North America, and is responsible for the day to day safety, sales, operational and financial performance of the American division. Mark has completed the Stanford Executive Program.

MEGAN KUBLINS

BS (ARCH), B ARCH

EXECUTIVE GENERAL MANAGER – PROPERTY & DEVELOPMENT

Ms Kublins was appointed General Manager Property in November 2001 and became Executive General Manager Property in 2006. She has over 22 years experience in the property industry gained in public and private organisations in the capacity of both landowner and developer. She manages all of Brickworks property assets, including over 3,500 hectares of land. Her primary focus is to identify value creation opportunities within this portfolio. She is responsible for the growth and management of the Goodman/Brickworks JV, which was established and grown under her direction. Megan has completed the Stanford Executive Program.

Terracade / TN Glazed in Brilliant Black, Brilliant Grey and Brilliant White / Apex Apartments

Corporate

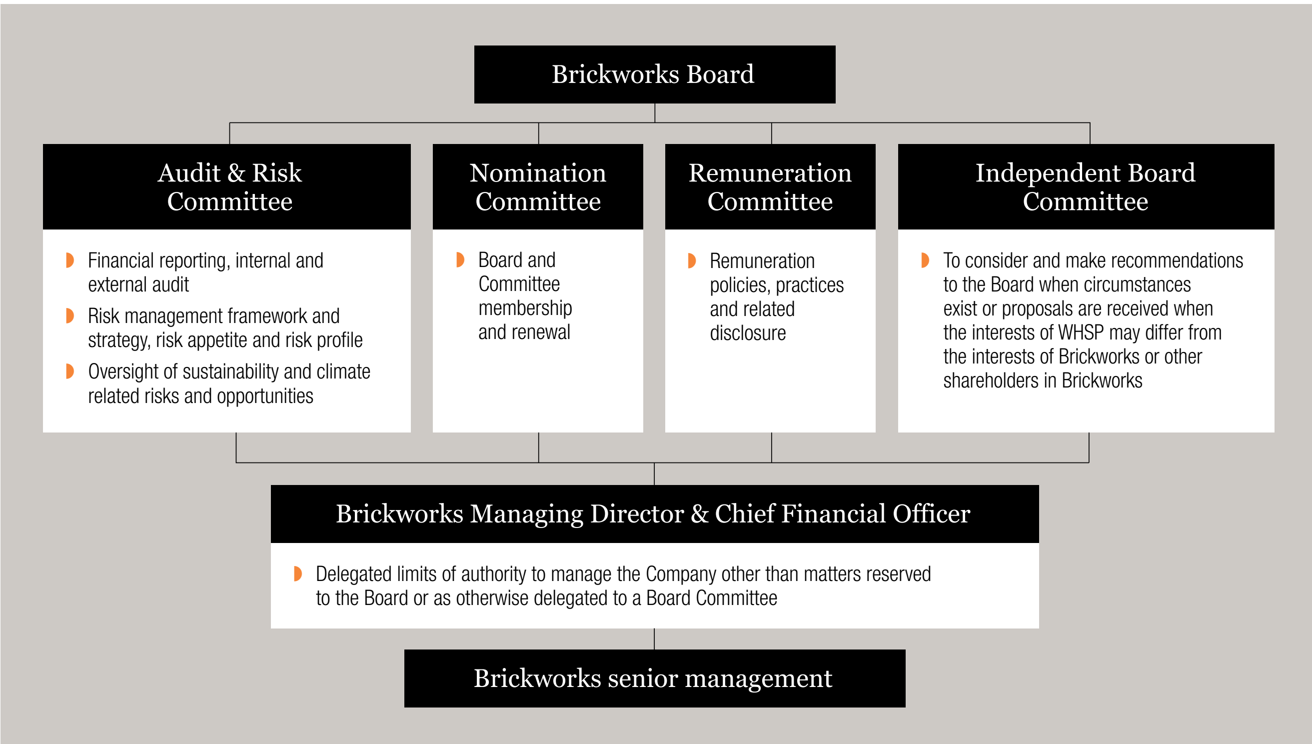
GOVERNANCE

*The Brickworks Limited (**Company**) Board is committed to developing and maintaining good corporate governance and recognises that this is best achieved through its people and their actions.*

The Company's long-term future is best served by ensuring that its employees have the highest levels of honesty and integrity and that these employees are retained and developed through fair remuneration. It is also critical to the success of the Company that an appropriate culture is nurtured and developed, starting from the Board itself.

Brickworks full Corporate Governance Statement which provides detailed information about governance at Brickworks is available on Brickworks' website at www.brickworks.com.au

BRICKWORKS GOVERNANCE FRAMEWORK



Management and oversight

The Board

The Brickworks Board is responsible for the leadership, oversight, development strategy and long-term success of the Group. The Board works with management to consider specific issues relevant to the overall conduct of our businesses – including strategy, safety, sustainability, annual budget and major acquisitions and disposals.

There is one executive and five non-executive Directors on the Brickworks Board, 20% of which are women. The independence of non-executive Directors is considered annually and the Board has determined that two non-executive Directors are independent. We ensure the Board has the appropriate blend of skills, knowledge and experience, from a wide range of industries, backgrounds, necessary to lead the Group. In 2019, there were 10 full meetings of the Board.

Board Committees

The Board has established four permanent Committees to assist in the execution of its responsibilities. The current permanent Committees are the Audit & Risk Committee, the Nomination Committee, the Remuneration Committee and the Independent Board Committee. The role of these Committees is to provide strategic direction, oversight and assurance on the specific objectives set for each Committee. The Chairman of each Committee reports to the Board on its deliberations and minutes of Committee meetings are circulated to all Directors.

Committee Chairs also attend the Annual General Meeting to answer questions from shareholders. Current membership and terms of reference of each Committee are available on our website.

Board renewal, development and evaluation

Our Directors are committed to ensuring the Board is diverse and appropriately balanced in terms of business experience, knowledge, skills and gender.

All newly appointed Directors receive extensive briefing materials and the Chairman agrees an individually-tailored and comprehensive induction programme.

A review of Board effectiveness is carried on an annual basis. This review takes into account the operation and performance of the Board and its Committees, and the effectiveness of Board communications.

In 2019 the Board focussed on Board renewal. David Gilham retired from the Board in November 2018 and on 1 October 2019 Malcolm Bundey will join the Board as a non-executive Director. He has valuable experience as a Chief Executive Officer (CEO) and Managing Director with expertise in complex manufacturing operations in Australia, the USA and many international jurisdictions, and a strong financial background.

Brickworks recognises the importance of gender diversity on its board, and has developed a target to increase female board membership to 28% by 2020.

The Board is currently seeking to appoint an independent female non-executive director with appropriate property experience.

While the timing of this appointment is uncertain the intention is for there to be a period during which the number of directors on the Board increases to 8 in order to facilitate a smooth transition onto the Board for a new female non-executive director until such time as Brendan Crotty retires. The Company has engaged an external recruitment company Johnson Partners to assist with this process.

Compliance

We have procedures in place to ensure compliance with our obligations under the applicable rules and regulations, including those issued by the Australian Securities Exchange.

Ethical and responsible decision making

- The Board aims to ensure the Company continually builds an honest and ethical culture.
- Brickworks has an established code of conduct which centres on the Company and all Directors, senior management and employees conducting themselves with integrity in all business dealings. It also has Board policies and conducts training of employees in relation to these policies.
- Consistent with our commitment to act fairly, with honesty and integrity Brickworks has a Whistleblower Policy and has implemented Behonest@Brickworks an anonymous whistleblower service delivered by Deloittte.
- The Company also has an Anti-Bribery and Corruption Policy, Political Donations Policy and Securities Trading Policy.

Timely and balanced disclosure

- Brickworks is committed to keeping its shareholders informed about the Company’s activities.
- The Company aims to provide relevant information to shareholders in a timely manner which is supported by its Continuous Disclosure Policy.

Safeguard integrity in financial reporting

- The Board through the Audit and Risk Committee:
  - monitors Company performance; and
  - ensures the proper external reporting of financial information.

Recognise and manage risk

- To ensure robust and effective risk management systems are in place and operating effectively, the Board through the Audit and Risk Committee:
  - determines the risk profile for the Company;
  - ensures that business initiatives are consistent with its risk appetite;
  - reviews the controls and systems in place to continually mitigate risk;
  - monitors the results of a risk based internal audit program, and timely remediation of issues identified; and
  - oversees reporting and compliance requirements.
- Risk management is a priority for the Board and senior management.

Remunerate fairly and responsibly

- The Board through the Remuneration Committee ensures that remuneration policies and practices are consistent with strategic goals.
- The Company's remuneration policy is to:
  - equitably reward executives with a mix of fixed remuneration, short-term and long-term incentives aimed at attracting and retaining executives who will create value for shareholders; and
  - ensure appropriate succession planning is in place.
- Non-executive directors receive no incentive payments and there are no retirement benefits in place. Contributions to the retirement allowance plan for non-executive Directors were discontinued on 30 June 2003. Under legacy arrangements, non-executive Directors appointed prior to 30 June 2003 were entitled to receive benefits upon their retirement from office. These benefits were frozen with effect from 30 June 2003, and are not indexed. Since 30 June 2003 no new Directors have been entitled to join this plan.

Austral Precast
The Flour Mill,
Summer Hill, NSW

Directors' REPORT

The Directors of Brickworks Limited present their report and the financial report of Brickworks Limited and its controlled entities (referred to as the Brickworks Group or the Group) for the financial year ended 31 July 2019.

DIRECTORS

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

- **Robert D. Millner** FAICD (Chairman)
- **Michael J. Millner** MAICD (Deputy Chairman)
- **Lindsay R. Partridge AM** BSc. Hons. Ceramic Eng; FAICD; Dip. CD (Managing Director)
- **Brendan P. Crotty** LS; DQIT; Dip.Bus Admin; MAPI; FAICD; FRICS
- **Deborah R. Page AM** B.Ec; FCA; FAICD
- **The Hon. Robert J. Webster** MAICD
- **David N. Gilham** FCILT; FAIM; FAICD (retired 27 November 2018)

Except for David N. Gilham, all Directors have been in office since the start of the financial year to the date of this report. Each Director's experience and special responsibilities are set out on pages 61 to 62 of this Annual Report.

Details for each Director's directorships of other listed companies held at any time in the three years before the end of the financial year and the period of which such directorships are held are:

Robert D. Millner

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

Michael J. Millner

Ruralco Holdings Ltd	Appointed 2007, Resigned 2019

Brendan P. Crotty

GPT Group	Appointed 2009, Resigned 2018

Deborah R. Page AM

GBST Holdings Ltd	since 2016
Pendal Group Ltd	since 2014
Service Stream Ltd	since 2010

COMPANY SECRETARY

Susan L. Leppinus B.Ec; Llb; Grad Dip App Fin

PRINCIPAL ACTIVITIES

The Brickworks Group manufactures a diverse range of building products throughout Australia and North America, engages in development and investment activities to realise surplus manufacturing property, and participates in diversified investments as an equity holder.

CONSOLIDATED RESULT OF OPERATIONS

The consolidated net profit for the year ended 31 July 2019 of the Brickworks Group after income tax expense, amounted to $154,642,000 compared with $175,442,000 for the previous year.

DIVIDENDS

The Directors recommend that the following final dividend be declared:

Ordinary shareholders – 38 cents per share (fully franked)

The record date for the final ordinary dividend will be 7 November 2019, with payment being made on 27 November 2019.

Dividends paid during the financial year ended 31 July 2019 were:

(a) Final ordinary dividend of 36 cents per share (fully franked) paid on 28 November 2018 (2017: 34 cents).

(b) Interim ordinary dividend of 19 cents per share (fully franked) paid on 30 April 2019 (2018: 18 cents).

REVIEW AND RESULTS OF OPERATIONS

A review of Brickworks Group operations and the results for the year is set out on pages 5 to 43 and forms part of the Directors' Report.

STATE OF AFFAIRS

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

AFTER BALANCE DATE EVENTS

On 27 August 2019 Brickworks completed the acquisition of Sioux City Brick for US$32 million (AU$47 million). The transaction included acquisition of 100% of shares in Sioux City Brick & Tile Company as well as land assets related to the Sioux City Brick operations. Sioux City Brick has two modern manufacturing plants in Iowa, and has a leading position in the Midwest of the United States, where it has built a strong reputation for premium architectural products.

Other than referred to above, no matter or circumstance has arisen since the end of the financial year that has significantly affected the current financial year, or may significantly affect in subsequent financial years:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Review of Operations gives an indication of likely developments and the expected results of operations in subsequent financial years.

ENVIRONMENTAL PERFORMANCE

The Group is subject to various state and federal environmental regulations in Australia. Many sites also operate under additional requirements issued by local government.

There is significant environmental regulation requiring compliance for Brickworks' building products manufacturing and associated activities in each state of Australia. Due to the scale and diversity of the operation there is a risk of non-compliances occurring. To manage these risks, Brickworks continually improves management systems, compliance registers and procedures, in addition to the continuation of training, audit and assurance programs. Annual returns were completed where required for each license stating the level of compliance with site operating conditions.

The Board places a high priority on environmental issues and is satisfied that adequate systems are in place for the management of Brickworks' compliance with applicable environmental regulations under the laws of the Commonwealth, States and Territories of Australia.

Brickworks is not aware of any pending prosecutions relating to environmental issues.

The Directors are not aware of any material non-compliance with environmental regulations pertaining to the operations or activities during the period covered by this Report which would materially affect the business as a whole.

Further information regarding Brickworks approach to environmental performance, compliance and approach to environmental management and sustainability is set out on pages 52 to 55.

RISK MANAGEMENT

The Board of Brickworks has adopted a Risk Management framework that identifies Risk Tolerance and Risk Appetite for the Group and then considers how each identified risk is placed within that framework.

That framework involves assessment of the likelihood of an event occurring, the potential impact of each event and the controls and processes in place to continually mitigate each risk.

The significant risks that may impact the achievement of the Group's business strategies and financial prospects are:

Building Products

The achievement of business objectives in the Building Products Group may be impacted by the following significant risks:

Risk	Mitigation
Energy Supply– reliability and cost of gas and electricity	The Group continues to improve its manufacturing energy efficiency through a sustained research and development program of process and product improvement. Gas and electricity are sourced on market competitive arrangements with energy suppliers. Commencing on the 1 January 2020, gas will be sourced on a wholesale basis for the majority of the east coast business operations. Energy efficiency is a focal point, using audits, regular maintenance and upgrades to ensure that energy efficiency is continuously managed. Heat recovery systems are utilised in all brick manufacturing facilities. Over the last year, we prepared gas efficiency plans for all high gas-using sites in Australia. During FY20, we are targeting the implementation of these gas efficiency plans.
Serious Safety Incidents	The Group has a strong safety culture and a well-developed WHS system (refer further "**Health and Safety**").
Environmental incident	The Group has a comprehensive environmental compliance system and strong commitment to environmental protection (refer further "**Environmental Sustainability**").
Products – alternative products and product failure	The Group has a strong focus on research and development and quality control. The Group monitors market trends and has strategies to diversify its range of building products and its marketing approach.
Shift in housing trend	The movement away from detached housing in Australia threatens the Group's traditional market. The Group has strategies to diversify its range of building products and its marketing approach.
New competitor	Whilst barriers to entry are significant the Group monitors both domestic manufacturing and import competitors and has adopted a customer relationship and quality model, supported by investment in research and development.
Production capacity	The Group manages production capacity by restarting, building and mothballing plant to adapt to cyclical market conditions.
Business Interruption – plant failure or underutilisation and raw material supply	There are multiple facilities throughout Australia that can transport products between locations as and when required and also multiple plants in the US with no single plant so large as to represent an existential threat to the whole operation. The major facilities have rolling risk reviews and reporting by outside parties. The business also maintains significant insurance policies to manage the physical loss of assets and any loss of income from an insurable interruption. Raw materials are generally secured through ownership of raw material reserves and maintaining prudent raw material stockpiles.
Asbestos and other respirable dust risk	There has been a comprehensive review of all locations for the presence of asbestos. Building cladding is regularly removed and replaced with non-asbestos based materials. Where any asbestos is found, either within a plant or during rehabilitation, it is immediately quarantined and removed by qualified reputable contractors, using the most diligent safety standards. Respirable crystalline Silica is also deemed carcinogenic and a crystalline silica management program is being reviewed ensuring it meets regulatory requirements. Inhalable and respirable dust exposure measurements are occurring at all operational sites with a health monitoring program. All individual assessment results will now be viewed by an occupational Physician and further actions taken if required. The Silica program procedures will be documented into the Brickworks Safety management system to lock in all aspects of the program. The program will also include comprehensive instruction and training for all employees exposed in these environments.
Market Risk – deteriorating market conditions	The Group is investing in geographic expansion into new markets in the US and product diversification, cost control and continuous improvement of business.
Failure to execute US bricks strategy effectively	Extensive due diligence was undertaken and a comprehensive restructure and integration program is being led by relocated senior executives working with the US leadership team and members of the Australian executive. A plant rationalisation plan is well developed and being executed.

Property

The achievement of business objectives in Land and Development may be impacted by the following significant risks:

Risk	Mitigation
Market Risk	The industrial property cycle may deteriorate, resulting in softening capitalisation rates and lack of growth. The Group manages the risk by monitoring the key economic drivers, employing property professionals who understand the property cycle and undertaking development in joint venture with Goodman Group. The Group regularly conducts hold/sell assessments.
Serious Safety Incidents	The Group has a strong safety culture and a well-developed WHS system (refer further "**Health and Safety**").
Property Trust Financing	The joint property trusts maintain facilities with multiple lenders with various tenors up to 7 years. In addition, gearing is maintained at prudent levels through the property cycles.
Rezoning Risk	The Group takes a long-term approach to achieving the highest and best use for each property. The rezoning process for a property usually commences prior to finalisation of its existing use.

Group

The achievement of business objectives in the Group activities may be impacted by the following significant risks:

Risk	Mitigation
Financing Risk	The Group maintains conservative gearing levels below 20% in recognition of the industry's cyclical nature. Senior debt facilities are maintained with financial lenders with whom an open and transparent relationship is maintained. Facilities are maintained over various tenors ranging from 2 to 8 years.
Cyber Security Risk	The Group has assessed its main cyber security threat as phishing to obtain sensitive company or private information or a virus attack which compromises the system. Investment in technology has increased and risk controls include the use of a VPN and antivirus software to safeguard against incoming viruses from personal computers. Preventative measures include regular system penetration tests and employee training. New leading-edge end-point protection software and firewall protection has been introduced. A disaster recovery plan is in place across the organisation.

Investments

The achievement of business objectives in Investment activities may be impacted by the following significant risks::

Risk	Mitigation
Market Risk	The Group's investment in WHSP is subject to market movements and the underlying performance of WHSP. The WHSP investment is diversified across industries other than those in which the balance of Brickworks specialises, which provides a stable stream of dividends over the long term. The WHSP group may have significant exposure to the Coal and Telecommunications Markets.

MEETINGS OF DIRECTORS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are set out below. All directors were eligible to attend all director and committee meetings held.

	Directors' Meeting	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Independent Board Committee
Number of Meetings held:	**10**	**3**	**4**	**3**	**3**
Number attended:					
R D Millner	10	N/A	4	2	N/A
M J Millner	9	N/A	3	3	N/A
L R Partridge	10	N/A	N/A	N/A	3
B P Crotty	10	3	4	3	3
D R Page	10	3	4	3	3
R J Webster	9	3	3	2	2
D N Gilham (August to November 2018 only)	4	N/A	2	1	2

DIRECTORS' INTERESTS

As at 17 September 2019, Directors had the following relevant interests in Brickworks shares:

Director	Ordinary Shares
R D Millner	4,813,098
M J Millner	4,787,141
L R Partridge	196,855
B P Crotty	18,209
D R Page	9,810
R J Webster	15,922

As at 17 September 2019, there were no contracts entered into by Brickworks or a related body corporate to which any Director is party, or under which any Director is entitled to benefit nor were there any contracts which confer any right for any Director to call for or deliver shares in, debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

Remuneration

REPORT

The Remuneration Report has been audited in accordance with s300A of the Corporations Act 2001.

1 OVERVIEW

1.1 Executive Summary

The Brickworks Board of Directors is committed to ensuring that the remuneration framework is focussed on driving a performance culture that is closely aligned to the achievement of the Company's strategy and business objectives as well as the retention of key members of the senior management team.

Following the Company's first strike on the Remuneration Report at the Company's 2018 Annual General Meeting (**AGM**), Brickworks has carefully reviewed the reports of proxy advisors and engaged with its major shareholders and with proxy advisors. The key remuneration issues raised by proxy advisors and investors on the FY2018 Remuneration Report are as follows:

- The Managing Director (**MD**) and Chief Financial Officer (**CFO**) long-term incentive (**LTI**) plan hurdles are not sufficiently challenging;
- The MD and CFO LTI performance and service period whereby 20% of each allocation is measured annually and therefore after one year in the first instance is too short;
- The MD and CFO equity awards should not be tested more than once;
- The MD and CFO should not receive dividends and voting rights on unvested awards; and
- The MD's LTI is not put to shareholders for approval at AGM.

Following our review and consultation process and having regard to the Company's circumstances the Board made changes to the Company's remuneration framework to take effect for allocations made during FY2019 and subsequent years as follows:

- The LTI awards for the MD and CFO will be subject to more challenging targets for the relative and absolute TSR measures as outlined in section 2.6;
- For all LTI awards made to the MD and CFO after 31 July 2019 the relative and absolute TSR performance under the LTI will be tested over a period of 3 years as outlined in section 2.6 with one performance test undertaken at the end of the 3-year period;
- For all LTI awards made to the MD and CFO after 31 July 2019 there will be no re-testing of equity awards on future allocations;
- For all LTI awards made after 31 July 2019, no dividends or voting rights will vest to the executive management team on unvested performance rights. Dividends will be paid only on those rights that meet the performance criteria at the end of the relevant performance period; and
- The LTI allocation to the MD proposed after 31 July 2019 will be put to shareholders for approval at the 2019 AGM.

Agenda for Financial Year 2020

The Board will continue to review executive remuneration to ensure that it continues to align with Brickworks strategy, motivate management, reflect market best practice and support the delivery of sustainable long-term returns to shareholders. As part of the review process we will continue to engage with major shareholders and proxy advisors.

1.2 Details of Key Management Personnel (KMP)

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that entity during the full financial year.

Directors

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

Mr R Millner	Non-executive Chair
Mr M Millner	Non-executive Deputy Chair
Mr L Partridge	Executive Director (Managing Director)
Mr B Crotty	Non-executive Director
Mrs D Page	Non-executive Director
The Hon. R Webster	Non-executive Director

Executives

Mr R Bakewell	Chief Financial Officer
Ms M Kublins	Executive General Manager – Property & Development
Mr M Ellenor	Group General Manager Bricks and Roofing until 31 December 2018. Following his appointment as President Brickworks Building Products North America on 1 January 2019 he is no longer considered a KMP.

1.3. *Remuneration Policy*

Brickworks remuneration governance framework is set out below. Whist the Board retains ultimate responsibility, Brickworks' remuneration policy is implemented through the Remuneration Committee.

Brickworks Board

- Overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors
- Reviews and, as appropriate, approves recommendations from the Remuneration Committee

Nomination Committee

Developing and implementing a process for the evaluation of the performance of the Board of Directors

Remuneration Committee

Remuneration Policy

Monitors, recommends and reports to the Board on:

- Alignment of remuneration policies and procedures with Brickworks strategic goals and human resource objectives and which enable Brickworks to retain executives and directors who will create value for shareholders
- Equitably, consistently and responsibly rewarding executives including incentive targets and achievement of the remuneration outcomes having regard to the performance of Brickworks, the performance of the executives and the general pay environment
- Employee share plans
- Board remuneration within aggregate approved by shareholders
- Overseeing induction of new non-executive directors

Human Resources

Monitors, recommends and reports to the Board on:

- Talent pools for senior management succession
- Assessment of performance against measurable objectives
- Management development frameworks and individual development progress for key talent
- Monitoring surveys conducted by the Company in relation to the culture of the organisation
- Initiatives to improve and drive a strong performance culture

MD & HR Manager

Provides information to the Remuneration Committee for the Committee to recommend on:

- Incentive targets and outcomes
- Remuneration policy
- Long and short-term incentive participation
- Individual remuneration and contractual arrangements for executives

External Advisors

- Provide independent advice, information and recommendations relevant to remuneration decisions
- Throughout the year, the Remuneration Committee and management received information from external providers Aon related to remuneration market data and analysis,
- There were no remuneration recommendations received from external providers during the year

1.4 *Remuneration Committee*

The Board has an established Remuneration Committee which operates under the delegated authority of the Board of Directors. A summary of the Remuneration Committee charter is included on the Brickworks website (www.brickworks.com.au). All non-executive Directors of Brickworks are members of the Remuneration Committee and the membership of the Remuneration Committee is as follows:

Mr B Crotty	Non-executive Committee Chair
Mr M Millner	Non-executive Director
Mr R Millner	Non-executive Director
Mrs D Page	Non-executive Director
The Hon. R Webster	Non-executive Director

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

1.5 *Use of remuneration consultants*

Where the Remuneration Committee will benefit from external advice, it will engage directly with a remuneration consultant, who reports directly to the Committee. In selecting a suitable consultant, the Committee considers potential conflicts of interest and requires independence from the Group's KMP as part of their terms of engagement.

- During the financial year, the Remuneration Committee appointed Hewitt Associates (**Aon Hewitt**) as the remuneration adviser to provide information regarding remuneration benchmarking for directors and executives.

- The consideration paid for the remuneration benchmarking for executives provided by Aon Hewitt was $14,000.
- Remuneration information was provided to the Remuneration Committee as an input into decision making only. The Remuneration Committee considered the information in conjunction with other factors in making its remuneration determinations.
- The Committee is satisfied the advice received from Aon Hewitt is free from undue influence from the executives to whom the remuneration information applies, as Aon Hewitt were engaged by, and reported to, the Chairman of the Remuneration Committee.
- During the year no remuneration recommendations, as defined by the Corporations Act, were provided.

1.6 Board Policies for determining remuneration

Retention of executives and highly skilled staff continues to be the Remuneration Committee's highest priority for the following reasons:

- It requires at least 5 to 10 years for executives and production staff to become totally familiar with the complexities associated with the manufacture of clay and concrete building products.
- If there is a breakdown Brickworks needs to be able to restart production within hours and days rather than weeks and months. The necessary skills that have been developed internally to deal with these challenges cannot be procured easily outside the Brickworks group.
- The sale and marketing of building products is a function of good client relationships as well as product excellence. Brickworks cannot afford to lose executives who in some circumstances may have been dealing with clients for 10–20 years.
- The property trust was established 12 years ago to develop land surplus to operations which also requires in depth property and development skills and experience.

Link between remuneration and business strategy

Brickworks is one of the leading providers of building products in Australia. Our purpose is to help Australians build the homes they want. Our business will continue to grow strongly through innovation – and by recognising and seizing new strategic opportunities. Following the acquisition of Glen-Gery, Brickworks is also one of the leading brickmakers in North America.

There are 3 main parts to the Brickworks business model:

1. The Building Products Group (Australia and North America) – Austral Bricks, Austral Masonry, Bristile Roofing, Austral Precast and Glen-Gery.
2. The Property and Development Group – exists to maximise the value of surplus land created by the Building products business, and
3. Investments – represent 39.4% interest in Washington H. Soul Pattinson and has provided a stabilizer to the cyclical nature of the Building Products earnings stream.

Brickworks uses key performance indicators across the Building Products and Property businesses to ensure that its Executives:

- improve profit, cash flows, production and operational efficiencies;
- rationalise non – performing assets;
- retain key employees who have developed specialist skills and expertise in the industries in which the Group operates; and
- ensure that the health and safety of employees has the highest priority.

Brickworks' short-term performance incentive (**STI**) and its long-term incentive (**LTI**) scheme are designed to prioritise these corporate objectives.

The short-term incentive program contains key performance measures for each executive which support its strategy as outlined further in section 2.5.

The long-term incentive program is outlined further in section 2.6.

2 REMUNERATION COMPONENTS

2.1. Remuneration structure

The core elements of Brickworks remuneration structure for the executive KMP are outlined below:

Total Executive Remuneration		
FIXED	**AT RISK**	
Fixed remuneration	**Short-term incentive**	**Long-term incentive**
Fixed remuneration having regard to the market for jobs of comparable size and responsibility	BKW's executives participate in an STI plan The STI is weighted 75% to relevant business unit financial metrics and 25% to individual performance metrics Refer to 2.5 for further details	For the MD and CFO, the LTI is linked to: - Relative total shareholder return - Absolute total shareholder return For the other executive KMP 20% of an LTI allocation vests each year on 31 July following the allocation date for five years Refer to 2.6 for further details
- Base salary - Superannuation - Other benefits such as maintained motor vehicles - Other eligible salary sacrifice benefits	- 100% cash - For the MD and CFO 33.33% is deferred for two years	- Equity with performance assessed over three years

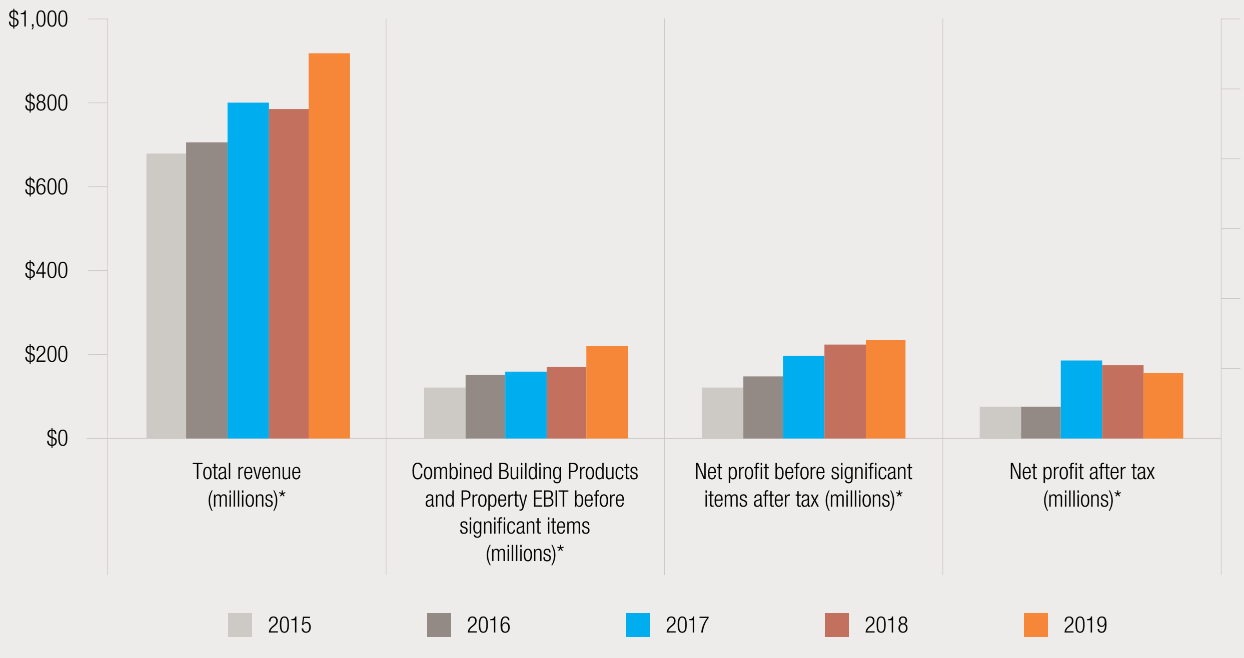
2.2 *Group performance, shareholder wealth and remuneration*

Brickworks' ongoing emphasis on aligning LTI outcomes with medium to long-term financial performance, also supported by the annual achievements of the STI hurdles, has fostered the development and maintenance of an organisational culture that is characterised by co-operative endeavour and mutual respect which has contributed to the following outperformance.

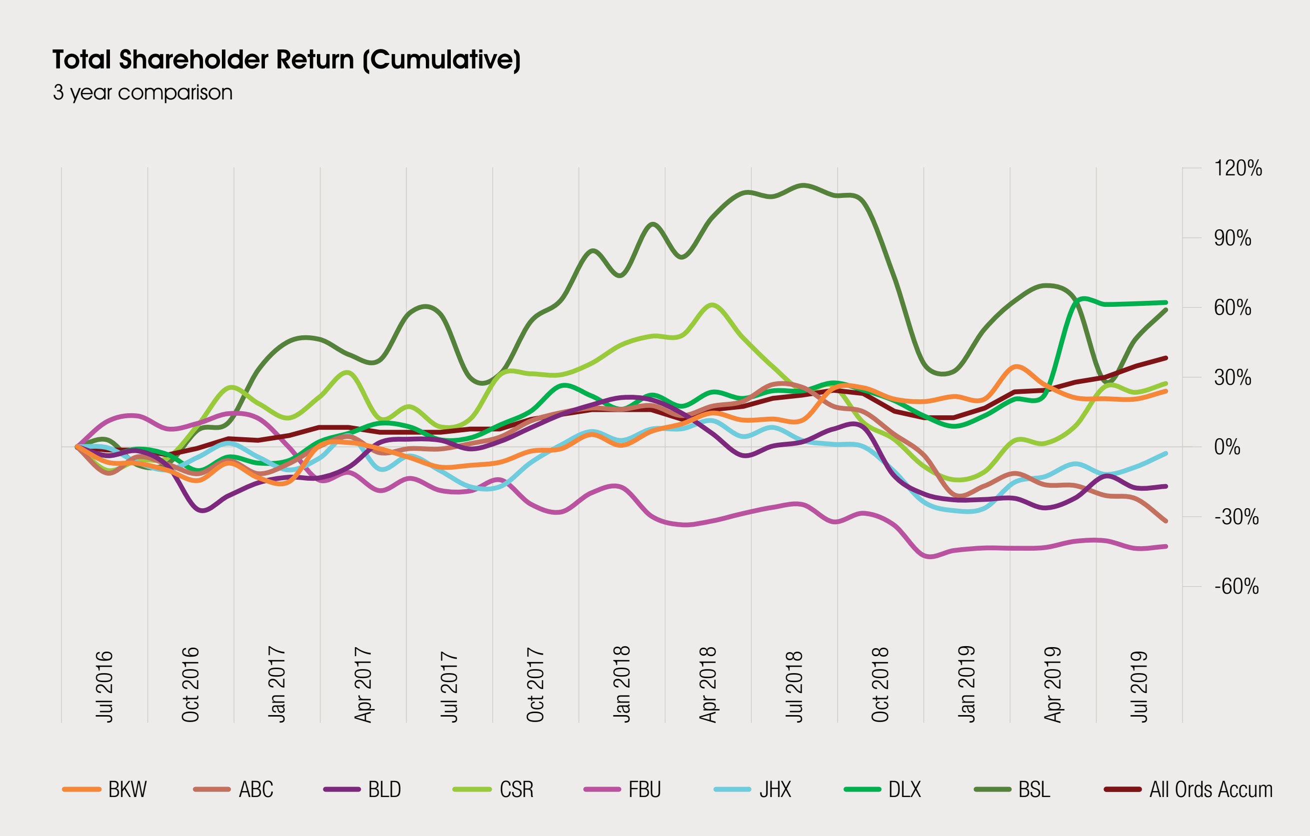
- The annual EBIT from continuing operations (before significant items) generated by the Building Products Australia and Property divisions has increased from $122.9 million in the 2015 financial year to $214.9 million in the year to 31 July 2019;
- Brickworks completed the acquisition of Glen-Gery on 23 November 2018. The annual EBIT (before significant items) generated by Building Products North America was $6.2 million in the year ending 31 July 2019;
- the Return on NTA for the Building Products Australia, Building Products North America and Property divisions demonstrate an increase from 13.3% in 2015 to 17.1% in 2019;
- the Operating Cash Flows generated by the Building Products and Property divisions have decreased from $110.8 million for the year ending 31 July 2015 to $99.7 million for the year ending 31 July 2019 primarily due to a slowdown in construction activity and reduced sales volumes in the current year; and
- most of the senior executives who have retired in recent years have been replaced by internal candidates with appropriate skills which highlights the important role that retention plays in Brickwork's succession planning.
- a range of strategic initiatives have been implemented, including geographical diversification into the North American market, establishment of a joint venture with Fast Brick (FBR) to investigate opportunities for robotic block laying in Australia and a substantial completion of the cement terminal in Port of Brisbane as part of the Southern Cross Cement joint venture.

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

Measures of Group performance
5 year comparison



* All revenue and earnings measures exclude discontinued operations.



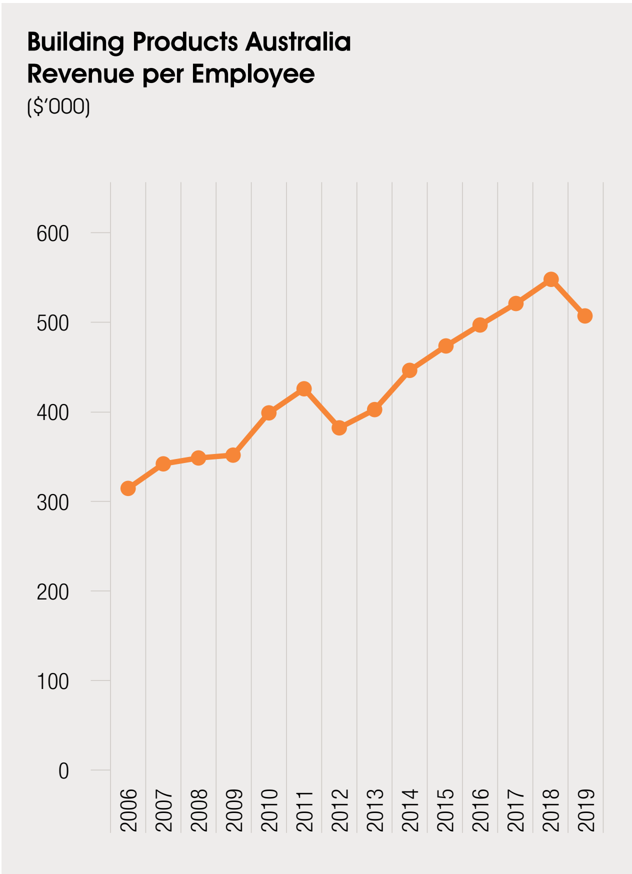
Employee Productivity

Brickworks productivity measures have also improved over time. The graph to the right shows historical revenue per employee. Despite having grown substantially employee productivity has not been compromised in the process.

Total Shareholder Returns (TSR)

Our diversified portfolio of assets has translated into consistently strong absolute shareholder returns, including an excellent return of 11% for the year to 31 July 2019 and an investment Brickworks shares delivered a robust long-term annual shareholder return of 6.6% on a compound basis.

Annual TSR	1 year	3 years	5 years	10 years	15 years
Brickworks Ltd	11.2%	7.4%	6.7%	6.1%	6.6%

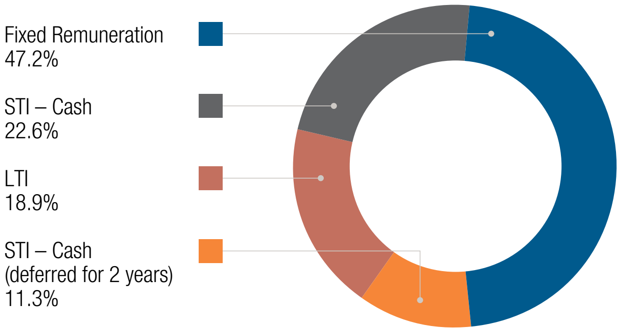


2.3 *Potential Remuneration Mix*

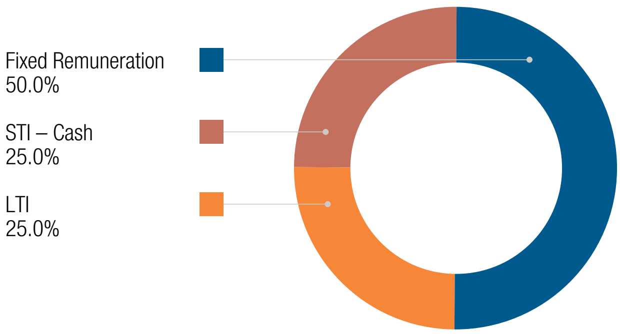
Total remuneration for the MD and the other executives comprises both fixed remuneration and an at risk component (STI and LTI). The mix shown in the graph below is the potential remuneration based on the current remuneration at 31 July 2019 with STI and LTI based on maximum opportunities.

This structure is designed to retain and pay executives competitively based on their performance.

Potential MD and CFO Remuneration Mix



Average Potential Other Executive KMP Remuneration Mix



2.4. *Remuneration Component – Fixed Remuneration*

There has been no material increase in total fixed remuneration for any KMP during the 2019 year except for Mark Ellenor. His remuneration increased on 1 August 2018 to reflect increased responsibilities as Group GM Bricks and Roofing (previously Group GM Austral Bricks).

2.5. *Remuneration Component – Short-Term Incentives (STI)*

The information below outlines the STI Plan:

Purpose and Objectives

The STI is an annual incentive plan designed to reward executives for meeting or exceeding financial and non-financial objectives over a one-year period. The STI has been designed to foster an organisational culture of collaboration, co-operation and mutual respect which supports the objective of a long-term outperformance in both the financial and non-financial areas of the business, mainly through the use of annual measures linked to the business strategy, set at levels that are achievable, yet challenging.

STI Awards and Deferral

For the MD and CFO the STI is awarded in cash up to a maximum of 72% of total fixed remuneration (including base salary, superannuation and car allowance) with 33.33% of STI awarded deferred for two years.

For all other executives the STI is awarded in cash up to a maximum of 50% of total fixed remuneration (including base salary, and superannuation but excluding car allowance). Any excess STI earned between the target and maximum opportunity will not be paid as a cash bonus but will be added to the long-term incentive share allocation for that year and will vest over the LTI's plan vesting period.

Target Opportunities

The STI Target Opportunities are set out below:

	Target STI opportunity	Max STI opportunity
MD & CFO	60% of total fixed remuneration (incl. base salary, car allowance and superannuation)	72% of total fixed remuneration
Other Executives*	Between 12.5% and 50% of fixed remunera-tion (incl. base salary and superannuation)	50% of total fixed remuneration

* STI as a proportion of base salary for an employee increases as that employee gains greater responsibility and has greater capacity to influence the performance of the business as a whole.

Outperformance against the STI target up to the maximum STI opportunity is recognised by the grant of shares or rights to vest over the LTI plan's performance period.

Performance measures

Each year the Remuneration Committee sets KPIs for the MD and CFO for the financial year, with a view to directly aligning the individuals' annual incentive opportunity to execution of the Group's business strategy.

The MD determines the KPIs which are aligned to the delivery of the strategy and performance of the business for other executives.

Payments under the STI are determined by performance against KPIs.

STI performance measures and weightings vary by executive depending on individual accountabilities. The metrics and their rationale for selection are as follows:

Rationale for selection

Financial measures (MD and CFO: 75%)

Group NPAT (before significant items) excluding equity accounted profit from associates (WHSP) – 37.5%	Focus senior executive attention on results and performance for segments for which they have direct responsibility. This is a gateway performance measure to receiving any other performance related payments. The gateway is the minimum threshold measure of profit which must be achieved before any STI is awarded. Once it is met performance against the other following financial and non-financial measures determines actual individual awards.
Cash generation – 37.5%	Managing cash to ensure cash and working capital is available whenever and wherever required by the business.

Non-financial measures – (MD and CFO: 25%)

Quality of earnings – 12.5%	This measure considers the quality of earnings result including goodwill and asset impairment and windfall gains.
Safety and Health – 6.25%	This measure incentivises executives to demonstrate leadership in enhancing workplace health and safety and taking a sustainable approach to operations through process innovation.
People – 6.25%	The success of Brickworks depends on the people that work for the Company. This measure will only reward executives for superior performance and demonstration of effective leadership, talent development, retention and succession planning, which are critical to the success of the business and underpin financial performance.

Outperformance above target STI up to the maximum STI opportunity is recognised by the grant of long-term incentive plan shares or rights to vest over the plan's performance period.

MD and CFO

Percentage of financial component of STI Award payable for the MD and CFO

Profit – 37.5% of total STI Award	
Achievement	**STI Award**
Below 80% of profit target	0%
Between 80% and 100% of profit target	Pro rata award on a straight-line basis between 60% and 100% of potential STI
Between 100% and 110% of profit target	Pro rata award on a straight-line basis between 100% and 120% of potential STI

Operating cash flow – 37.5% of total STI Award	
Achievement	**STI Award**
Below 80% of budgeted operating cash flow	0%
Between 80% and 100% of budgeted operating cash flow	Pro rata award on a straight-line basis between 60% and 100% of potential STI Award

The profit and operating cash flow targets are determined at the start of the performance period, with reference to the prior year result, and the following factors that influence Brickworks' ability to generate profit and cash:

- Market outlook
- Housing trends
- Energy Supply – sources and cost of gas and electricity
- Existing and new market competition
- New and alternative products on the market

The Board of Brickworks is confident that achievement of profit and cash generation above 80% of target in the current market conditions is considered as superior performance. The targets vary every year, are set with a view of delivering challenging results and do not provide executives with a windfall gain.

The remaining 25% of any STI Award is subject to the achievement of challenging non-financial measures.

Other Executives

Percentage of financial component payable for other executive KMP

Profit – 37.5% of total STI Award	
Achievement	**STI Award**
Below base target	0%
Between base target and upper target	Straight line between 50% and 100%
> upper target	Pro rata equal to the percentage over upper target to a maximum of 50% of total fixed remuneration

Operating cash flow – 37.5%	
Achievement	**STI Award**
Below base target	0%
Between base target and upper target	Straight line between 50% and 100%

There is no upside available against cash and non-financial measures.

Performance assessment

MD and CFO

At the end of the financial year the Remuneration Committee assesses actual performance against their respective KPIs and recommends the STI quantum to be paid to the individuals for approval by the Board.

These assessment methods have been chosen as they provide the Remuneration Committee with an objective assessment of each individual's performance.

Other Executives

At the end of the financial year the MD assesses the actual performance against their respective KPIs and determines the STI quantum to be paid to the senior executives. The MD provides these assessments to the Remuneration Committee annually.

The Remuneration Committee and the MD have the discretion to take into account the quality of earnings achieved including any significant items, acquisitions and divestments and one-off events/abnormal/non-recurring items in determining whether the financial KPIs have been achieved, wherever and whenever this is considered appropriate for linking remuneration reward to Company performance.

Other features

Clawback

While historically clawback clauses have not been applicable for STI payments, the Board and the Remuneration Committee have discretion with regard to the remuneration outcomes wherever and whenever this is considered appropriate. **This discretion also applies in the event of financial misstatement, reputational damage and/or evidence of misconduct.**

Termination

Should the employment of either the MD or CFO be terminated other than for cause, all outstanding deferred STI payments will remain on foot and will be considered for assessment in the usual course as if their employment had continued with Company.

STI outcomes

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive for financial year 2019 and the performance achieved. Unless otherwise stated all earnings measures exclude significant items.

Executive	Measure(s)	Performance	Outcome
Financial 75%			
MD & CFO	Group NPAT (before significant items) excluding equity accounted profit from associates (WHSP)	The Group NPAT (before significant items and excluding equity accounted profit from associates) has demonstrated an improvement from $101.3 million for the financial year ended 31 July 2018 to $124.7 million for the year ended 31 July 2019 which translated into a fully achieved maximum STI target.	100% achieved
	Group operating cash flow	Compared to the financial year ended 31 July 2018 the Group operating cash flow reduced from $170.9 million to $123.1 million primarily due to reduced construction activity and lower sales volume. As a result, only 76% of the maximum STI target was met.	76% achieved
EGM Property & Development	Divisional profit against target for Property	Property divisional profit increased from $94.0 million to $157.8 million which is significantly above the performance target.	221% achieved
	Divisional cash generation against target	The Operating Cash Flows generated by the Property division have demonstrated an improvement from $57.6 million for the year ended 31 July 2018 to $69.4 million for the year ended 31 July 2019 and met the target for FY2019.	100% achieved
Group GM Bricks and Roofing	EBIT against target for the Austral Bricks and Bristile Roofing divisions	The EBIT (before and after significant items) generated by the Bricks and Roofing divisions did not meet the target.	85% achieved
	The Austral Bricks and Bristile Roofing divisions	Cash flow generated by the Bricks and Roofing divisions did not meet the target.	66% achieved

Executive	Measure(s)	Performance	Outcome
Non-financial 25%			
MD & CFO	Return on net assets/ quality of earnings considerations	- Return on Net Tangible Assets for the Group excluding investments in associates (WHSP) amounted to 16.1% - Despite meeting the RONTA target, the quality of earnings was adversely affected by impairment losses recognised in the current financial year. As a result, only 60% of the maximum of this non-financial STI target was achieved by the MD and 86% was achieved by the CFO.	60% achievement of the KPI for the MD 86% achievement of the KPI for the CFO
	Safety	- Enhanced safety performance measured by a reduced number of long-term injuries (LTI) and medical treatment injuries (MTI) compared to last year at Building Products Australia from 60 to 57 in FY2019. - Proactive safety behaviour including leadership training for executives - The visible and active participation by the MD and CFO in safety committee meetings throughout the Company's Australia wide operations - Chain of responsibility system review in Australia and operational improvements - Precast concrete safety system review and operational improvements	100% achievement of safety planning KPIs
	Succession Planning	- Quarterly talent and succession reviews completed and actions implemented for our top talent across the business - Improvement in gender diversity at the senior executive level from 24.1% in FY2018 to 26.7% in FY2019 - Mentoring program to develop, inspire and support Brickworks future leaders - Successful continuation of the Company's values and culture program throughout the organisation including through our performance management processes - Improvement in voluntary turnover from 13.2% in FY2018 to 10.6% in FY2019	100% achievement of succession planning KPIs
EGM Property & Development	Property Trust Return on net assets/quality of earnings considerations	- Return on Net Tangible Assets for the Property division of 27.2% which was significantly above the FY19 target and last year.	100% achievement of non-financial KPIs
	Safety	- Enhanced safety performance measured by a reduced number of long-term injuries (LTI) and medical treatment injuries (MTI) compared to last year for the Property Division	
	Mixture of Strategic and Operational relevant to the executive	- Successfully managed Trust property leases to achieve high occupancy rates - Successful progress made in securing operational DA approvals for Bowral Bricks, Oakdale East Masonry and Horsley Park Brick operations.	
Group GM Bricks and Roofing	Return on net assets / quality of earnings considerations for Austral Bricks and Bristile Roofing	- The Return on Net Tangible Assets for the Austral Bricks and Bristile Roofing divisions did not meet the target	59% achievement of non-financial KPIs
	Health and Safety	- Enhanced safety performance measured by a reduced number of long-term injuries (LTI) and medical treatment injuries (MTI) compared to last year at Austral Bricks and Bristile Roofing	
	Mixture of Strategic, Operational, and Environment and People relevant to the executive for the Austral Bricks and Bristile Roofing divisions	- Improvements in Austral Bricks and Bristile Roofing employee leave accruals ensuring employees are taking sufficient time away from work - Timely response to softening market conditions, including mothballing of manufacturing facilities - Improvement in closing out identified workplace environmental hazards in Building Products - No material environmental hazards outstanding in Building Products - Completion of environmental system training across the Building Products business - Succession planning	

STI achieved

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive for 2019 and the performance achieved.

The following table outlines the percentage of target STI achieved (and forfeited) in relation to financial and non-financial KPI's, and the total STI awarded, for each executive for 2019.

			FINANCIAL			NON-FINANCIAL				
Executive	Target STI Opportunity	Max STI Opportunity	Weighting %	Achieved %	Forfeited %	Weighting %	Achieved %	Forfeited %	STI awarded $	STI over perfor-mance subject to LTI $
MD	$914,621	1,097,545	75%	106%	0%	25%	90%	0%	931,000	–
CFO	$470,640	564,768	75%	106%	0%	25%	103%	0%	494,367	–
EGM Property & Development	250,000	272,500	75%	161%	0%	25%	100%	0%	272,250	91,323
Group GM Bricks and Roofing	151,250	151,250	75%	75%	25%	25%	59%	41%	107,832	–

2.6. *Remuneration Component – Long Term incentives (LTI) for FY 2019*

What is the LTI?

The Group operates an LTI Plan through the Brickworks Deferred Employee Share Plan and Executive Rights Plan in which employees receive Brickworks Limited shares or performance rights. No consideration is payable by participants for shares or performance rights under the terms of the plan.

Scope

The LTI is a broad-based employee share plan with 635 employees participating as at 31 July 2019 via 1,497,958 shares on allocation of which 62.04% remain unvested (and 37.96% vested). In addition, 25,768 shares in the plan were forfeited during the year to 31 July 2019.

Purpose

The primary purpose of the LTI is the retention of the Company's senior executive team. For example, acquisition of the necessary knowledge to successfully manage the manufacturing processes for building products usually requires an immersion period of at least 5 years and in some sectors, such as brick production, as much as 10 years. Similarly, an executive who knows the Company's clients extremely well and has a long history of successful negotiations with them will also be difficult to replace. Not surprisingly, Brickworks seeks to retain as many of its experienced executives as practically possible.

The LTI also provides alignment between executive remuneration and shareholders, as measured by the absolute and relative total shareholder return (TSR).

Opportunity

The value of shares or performance rights granted is dependent upon the employee's position within the Group and their total fixed remuneration. For the MD and CFO this LTI entitlement is 40%. For all other executives, this LTI entitlement is up to 50% of total fixed remuneration (excluding car allowance).

Performance Measures that apply to senior executives (other than the MD and CFO)

The assessment of shares/ rights is undertaken progressively on 31 July for 20% on each anniversary following the allocation date for five years.

Performance measures that apply for allocations made after 31 July 2019 for the MD and CFO

50% of the award is subject to Brickworks relative total shareholder return (**TSR**) vesting condition under which Brickworks' TSR is compared to the companies in the S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index over a period of three years from 1 August 2019 to 31 July 2022. The remaining 50% of the award is subject to an absolute TSR vesting condition also over the same period.

Relative TSR

A summary of the Relative TSR measure for the MD and CFO for FY 2019 and proposed for FY 2020 is as follows.

	Relative TSR measure for equity grants made to the MD/CFO in October 2018 (ie allocated un FY2019)	Relative TSR measure proposed (FY 2020 LTI allocation subject to shareholder approval)
Performance Period	Performance assessed annually over 1 to 5 years	**3-year performance period**
Measure	Brickworks' relative TSR inclusive of all grossed dividends measured against the S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index (XJOAI Franked Index)	
Vesting*	**Below 80% of the XJOAI Franked Index** – 0% vesting **At 80% of the XJOAI Franked Index** – 50% vesting **Between 80% and 120% of the XJOAI Franked Index** – pro rata vesting on a straight-line basis between 50% and 100% **At 120% of the XJOAI Franked Index** – 100% vesting	**Below the median** – 0% vesting **At the median** – 50% vesting **Between the median and 60th percentile** – pro rata vesting on a straight-line basis between 50% and 100% **At the 60th percentile or above** – 100% vesting
Re-testing	Testing on an annual basis with underperformance in one year able to be made up by over performance in following years	Testing to be undertaken once only at end of the **3-year period**.
Dividends and voting rights	Dividends and vesting rights on unvested shares.	**No dividends or voting rights on unvested performance rights.** Compensation for dividends will be provided at the end of the performance period only on those rights that meet the performance criteria.
Shareholder approval	No	**Yes**

* The initial relative TSR target for FY2019 was set as:
Below 50% of the XJOAI Franked Index – 0% vesting
At 50% of the XJOAI Franked Index – 50% vesting
At 80% of the XJOAI Franked Index – 90% vesting
At or above the XJOAI Franked Index – 100% vesting

During FY2019 the Board, the MD and CFO agreed that a more challenging target be introduced for allocations made in FY2019.

Absolute TSR

A summary of the changes to Absolute TSR measure for the MD and CFO for FY 2019 and as proposed for FY 2020 is as follows.

	Absolute TSR measure for equity grants made to MD & CFO in October 2018 (ie in FY2019)	Absolute TSR measure proposed FY2020 LTI allocation (subject to shareholder approval)
Performance Period	Performance assessed annually over 1 to 5 years.	**3-year performance period**
Vesting	**Less than 6%** – 0% vesting **Equal to 6%** – 50% vesting **Between 6% and 8%*** – pro rata vesting on a straight-line basis between 50% and 100% **Equal to 8% or greater** – 100% vesting	**Less than 6%** – 0% vesting **Equal to 6%** – 50% vesting **Between 6% and 8%** – pro rata vesting on a straight-line basis between 50% and 100% **Equal to 8% or greater** – 100% vesting
Re-testing	Testing on an annual basis with underperformance in one year able to be made up by over performance in following years.	No re-test. Testing to be undertaken once only at end of the **3-year period**
Dividends and voting rights	Dividends and vesting rights on unvested shares.	**No dividends or voting rights on unvested performance rights.** Compensation for dividends will be provided at the end of the performance period only on those rights that meet the performance criteria
Shareholder approval	No	Yes

* The initial absolute TSR target was set at 6% to 7%. During FY2019 the Board, the MD and CFO agreed that a more challenging target range be introduced for allocations made in FY2019 of 6% to 8%.

Rationale

The Board believes that to move the measures outlined, when combined with the STI, the vesting period for deferred STI and LTI requirements provides the most suitable link to long-term security holder value creation because:

- absolute TSR ensures vesting is commensurate with the Company's actual TSR, meaning there are no awards when TSR is negative and it also provides a good line of sight for the MD and CFO;
- measuring TSR on a relative basis levels the playing field by removing overall market movements and industry economics for the evaluation of MD and CFO performance. Relative TSR provides a relative, external market performance measure having regard to a peer group of ASX200 companies with which the Company competes for capital, customers and talent;
- the use of relative TSR ensures that the MD and CFO are motivated to deliver returns that are superior to what a security holder could achieve in the broader market and ensures as the most senior management they maintain a strong focus on security holder outcomes;
- Brickworks calculates its after tax TSR incorporating the full value of franking credits. The S&P ASX 200 Franking Credit adjusted annual total return Index also adjusts the total return for the tax effect of franking credits;
- the use of the S&P ASX 200 Franking Credit adjusted annual total return Index was chosen as the relative performance target following testing of this group against a range of historical and future share price/payout scenarios to confirm that outcomes align with the Company's historical notion of superior long-term performance.
- The S&P ASX 200 Franking Credit adjusted annual total return Index measure (XJOAI Franked) adjusts the total return of the S&P / ASX 200 Accumulation Index for franked dividends to ensure consistency of calculation;
- having regard to the overall size and market capitalisation of Brickworks, and the diverse nature of the Brickworks Group across Property Development, Building Products and its investment in WHSP, the Board considers the XJOAI Franked Index as the most appropriate Index for relative performance assessment; and
- while the Board appreciates that there are at times different views held by different stakeholders, it considers that these measures provide the appropriate balance between market and non-market measures.

October 2019 Allocations to the MD and CFO

For shares allocated during FY 2019 the assessment of TSR Shares against each of the absolute and relative TSR targets is undertaken progressively for 20% of the TSR Shares on 31 July for each of the 5 years following the allocation date.

For the allocation made in October 2018 in any one year up to five TSR Share tranches allocated will be tested. The TSR performance target for each allocation in that year is the average of 5 Brickworks share prices calculated from 5 different commencement VWAPs on 5 different years (i.e. it will include the average of a Brickworks' one-year TSR, a two-year TSR, a three year TSR, a four year TSR and a five year TSR).

The level of vesting applicable to each tranche is outlined above. However, to ensure a long-term focus is maintained by the MD and CFO, to the extent that any tranche does not vest in one year it will be deferred and form part of the shares that are eligible for vesting in the following years. In other words, underperformance in one year can be made up by over performance in the following years, provided that underperformance may only be made up by outperformance by the end of the 6th year from the date of first allocation.

For example, if the absolute TSR target of 8.0% or more is met, there will be an incremental vesting of, each prior year's entitlement, if any of these allocations did not vest. To ensure long-term focus is maintained, by the MD and CFO this enables underperformance in previous years to be partially made up by over performance in this and the following years.

The cumulative vesting can reach a level that will be equivalent to but not more than the total number of shares originally allocated.

These criteria will no longer be applicable to LTI allocations made to the MD and CFO after 31 July 2019.

The proposal (subject to shareholder approval) for the MD and CFO is that performance rights allocated after 31 July 2019 will be measured over a 3-year period and tested only once at the end of this 3-year period.

Other features

Clawback

While historically clawback clauses have not been applicable for LTI allocations. The Board and the Remuneration Committee have discretion with regard to the remuneration outcomes wherever and whenever this is considered appropriate. **This discretion also applies in the event of financial misstatement, reputational damage and/or evidence of misconduct.**

Change of Control

If a change of control event occurs in relation to Brickworks Limited then any shares or performance rights held by the employee share plan trust on behalf of a participant will vest immediately upon the announcement to ASX of a change of control event.

Treatment of Dividends

For the equity grant made in October 2018 the employee receives the voting rights and any future dividends immediately upon the granting of shares. This reflects the relatively long-term nature of the 5-year performance period and that the primary purpose of the LTI is one of retention. **For all future allocations dividends will not be paid on unvested performance rights, and will only vest in proportion to the vested grants at the end of the performance period.**

Sources of Shares

The Board has the discretion to either purchase shares on-market or to issue new shares for participants.

During the year shares granted to the MD through the LTI were purchased on market. Shares granted to employees other than the MD were issued as new shares.

Derivatives

Under the Company's Securities Trading Policy Brickworks shares are not permitted to be used to secure any type of financial product such as margin loans or similar. Options, collars and/or other financial derivatives must not be used in respect of any Brickworks shares.

2.7 LTI Outcomes FY2019 MD and CFO

The following represents Brickworks' performance against each TSR measure for allocations made to date.

Brickworks TSR is defined as the change in share price plus dividends (grossed up for associated franking credits). This forms part of the criteria used for assessing the vesting of LTI plan shares and performance rights under the absolute TSR test and relative TSR test.

Absolute TSR performance

For the purposes of the absolute TSR measure under the LTI plan, Brickworks' TSR is calculated using a simple average of Brickworks' 1-year TSR, 2-year TSR, 3-year TSR, 4-year TSR and 5-year TSR. Brickworks' TSR results as at 31 July 2019 are:

Year TSR	Test period from	Test period to	TSR Performance
1-year TSR	1-Aug-2018	31 July 2019	9.1%
2-year TSR	1-Aug-2017		14.0%
3-year TSR	1-Aug-2016		9.1%
4-year TSR	1-Aug-2015		9.5%
5-year TSR	1-Aug-2014		10.6%
Average TSR			**10.8%**

Brickworks' Average TSR of 10.8% has exceeded the performance criteria (being 7%).

Relative TSR performance

Brickworks' (BKW) performance (grossed up for franking credits) versus the S&P ASX 200 Franking Credit Adjusted Total Return Index (**XJOAI Franked**) is:

TSR	XJOAI Franked#	BKW (including Franking)	BKW as % Index	Vesting criteria
1-year	12.8%	9.1%		If Brickworks' TSR as a % of the index's return is between 80% – 120%, then a baseline 50% of the tested shares will vest as well as a portion of the remaining 50% of shares. The additional amount is calculated on a straight-line basis between 80% – 120% TSR performance
2-years	12.6%	14.0%		
3-years	15.2%	9.1%		
4-years	10.9%	9.5%		
5-years	11.7%	10.6%		
Simple average	**12.6%**	**10.8%**	**85.5%**	
Relative vesting in FY 2019			**56.9%**	

\# The Index return has been calculated using the same time periods as the Brickworks absolute TSR above.

2.8 *Other Company wide share plan*

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

2.9 *Market purchases*

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

An employee's right to transact shares in a share plan is governed by the trust deeds for those Plans and the Company's policy regarding trading windows.

At 31 July 2019, there were 759 employees participating in the Brickworks Deferred Employee Share Plan and the Brickworks Exempt Employee Share Plan, holding 1,611,577 shares (1.08% of issued capital).

During the year, all monthly share purchases through the Brickworks Employee Share Plans were performed on market, as were shares granted to the MD through the Deferred Employee Share Plan. Shares granted through the Deferred Employee Share Plan to employees other than the MD were issued as new shares.

3 EMPLOYMENT CONTRACTS

3.1 *Termination payments*

A payment will be made by the Company to an executive upon termination or bona-fide retirement, equivalent to a proportion (ranging from 50% to 100%) of each executive's average base pay for the previous 3 years, and any unvested shares or performance rights held on behalf of the executive will remain within the Brickworks Deferred Employee Share Plan and retain their vesting criteria.

Brickworks does not have fixed term contracts with its executives. It can terminate an executive's employment on 2 months' notice (or payment in lieu of notice) and executives can terminate on 2 months' notice (apart from the CFO who must be given 3 months' notice, and the MD who must be given 6 months' notice).

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

3.2 *Executive Restraint*

All executives gain strategic business knowledge during the course of their employment. Brickworks will use any means available to it by law to ensure that this information is not used to the detriment of the Company by any employee following termination. In order to protect the Group's interests, Brickworks had an enforceable restraint through the executive's employment contract to prevent executives from either going to work for a competitor, or inducing other employees to leave the Company, for a specified period.

The terms of the restraint to prevent employees from going to work for a competitor, customer or supplier are for commensurate periods of between 6 and 12 months. A breach of the restraint conditions by an employee places at risk either any unvested shares held, or a potential monthly restraint payment at the discretion of the Company.

The termination payments referred to above, together with the fact that most executives generally will also have unvested shares with a value in excess of the base remuneration for the restraint period at any time, are intended to discourage executives with deep corporate knowledge and significant capacity to contribute to the profitability of the Company from seeking employment with competitors.

4 NON-EXECUTIVE DIRECTORS

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

The maximum aggregate level of fees which may be paid to non-executive Directors is required to be approved by shareholders in a general meeting. This figure is currently $1,300,000, and was approved by shareholders at the 2017 Annual General Meeting. Brickworks' constitution requires that Directors must own a minimum of 500 shares in the Company within two months of their appointment. All Directors complied with this requirement during the year.

The Directors Fees for FY2019 and FY2020 are as follows:

	FY2019	FY2020
Chair	$256,000	$260,000
NED Base Fee	$128,000	$130,000
Member – Audit & Risk Committee	0	$8,000
Member – Remuneration Committee	0	$6,000
Member – Nomination Committee	0	$4,000
Chair – Audit & Risk Committee	$13,100	$21,000
Chair – Remuneration Committee	$13,100	$15,750
Chair – Nomination Committee	$8,300	$12,750

Under legacy arrangements, non-executive Directors appointed prior to 30 June 2003 were entitled to receive benefits upon their retirement from office. These benefits were frozen with effect from 30 June 2003, and are not indexed. The Company has obtained specific independent legal advice regarding the entitlements of the three non-executive Directors referred to below which has confirmed that the amounts listed in the table will be payable, as they have been grandfathered under the previous legislation relating to the retirement benefits of non-executive Directors. These benefits for the three participating Directors, which have been fully provided for in the Company's financial statements, are as follows:

Name	Benefit as at 30 June 2003
R. Millner	$300,000
M. Millner	$150,000
R. Webster	$93,750

5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

5.1 Table of Remuneration to KMP

The fees payable to non-executive Directors and the remuneration payable to other KMP during the financial year ended 31 July 2019 are disclosed in the following table.

	Year	Base fees/ salary	Non-monetary benefits	Post Employment (Super)	Total fixed remuneration	Short Term Incentive	Long Term Incentive	Retirement benefit	Total
Directors									
R D Millner	**2019**	233,790	–	22,210	256,000	–	–	–	256,000
	2018	228,311	–	21,689	250,000	–	–	–	250,000
M J Millner	**2019**	116,895	–	11,105	128,000	–	–	–	128,000
	2018	114,155	–	10,845	125,000	–	–	–	125,000
B P Crotty	**2019**	128,858	–	12,242	141,100	–	–	–	141,100
	2018	125,845	–	11,955	137,800	–	–	–	137,800
D N Gilham	**2019**	38,965	–	3,702	42,667	–	–	–	42,667
	2018	114,155	–	10,845	125,000	–	–	–	125,000
D R Page	**2019**	128,858	–	12,242	141,100	–	–	–	141,100
	2018	125,845	–	11,955	137,800	–	–	–	137,800
R J Webster	**2019**	124,475	–	11,825	136,300	–	–	–	136,300
	2018	121,580	–	11,550	133,130	–	–	–	133,130
L R Partridge	**2019**	1,503,797	6,000	20,571	1,530,368	931,000	788,448[1]	–	3,249,816
	2018	1,454,911	6,354	20,089	1,481,354	995,625	837,578	–	3,314,557
Total	**2019**	**2,275,638**	**6,000**	**93,897**	**2,375,535**	**931,000**	**788,448**	**–**	**4,094,983**
	2018	2,284,802	6,354	98,928	2,390,084	995,625	837,578	–	4,223,287
Other Key Management Personnel									
R C Bakewell	**2019**	761,034	19,734	20,571	801,339	494,367	106,121[1]	–	1,401,827
	2018	749,911	22,373	20,089	792,373	519,750	59,992	–	1,372,115
M Kublins	**2019**	523,929	5,930	20,571	550,430	272,250	331,390	–	1,154,070
	2018	504,411	6,185	20,089	530,685	262,250	316,086	–	1,109,021
M A Ellenor[2]	**2019**	260,612	4,973	8,555	274,140	107,832	–	–	381,972
	2018	485,911	11,025	20,089	517,025	250,000	177,059	–	944,084
Total	**2019**	**1,545,575**	**30,637**	**49,697**	**1,625,909**	**874,449**	**437,511**	**–**	**2,937,869**
	2018	1,740,233	39,583	60,267	1,840,083	1,032,000	553,137	–	3,425,220

Notes: In addition to the total benefits above, these KMPs accrued leave entitlements during the year as follows:

- L R Partridge: net increase of $55,547 in accrued leave entitlements (2018: $53,651 decrease)
- R C Bakewell: net increase of $43,238 in accrued leave entitlements (2018: $49,965 increase)
- M Kublins: net decrease of $6,001 accrued leave entitlements (2018: $2,502 decrease)
- M A Ellenor: net increase of $53,968 accrued leave entitlements (2018: $11,750 increase)

1 Includes the benefit arising from TSR shares in respect of which the associated hurdles have been met at balance date 31 July. These shares became available subsequent to year-end following approval by the Remuneration Committee.

2 Following his appointment as President of Brickworks North America Mark Ellenor on 1 January 2019 is no longer considered a KMP.

5.2 *Director and Key Management Personnel shareholdings*

	Held 31 July 2018		Granted as Remuneration	Date Granted Remuneration	Purchases	Shares Disposed of	Held 31 July 2019	
Directors								
R D Millner	4,813,098		–	–	–	–	4,813,098	
M J Millner	4,787,141		–	–	–	–	4,787,141	
B P Crotty	30,209		–	–	–	(12,000)	18,209	
D N Gilham[3]	102,268		–	–	–	–	N/A	
D R Page	8,700		–	–	1,110	–	9,810	
R J Webster	15,922		–	–	–	–	15,922	
	DESP*	**Other**					**DESP***	**Other**
L R Partridge	170,895	41,500	34,867	8 October 2018	139,407	(189,814)	145,855	51,000
Other Key Management Personnel								
R C Bakewell	21,762	200	18,203	5 December 2018	3,052	(4,352)	35,613	3,252
M Kublins	101,234	23,509	17,828	5 December 2018	–	(20,255)	98,807	23,509
M A Ellenor	40,932	–	14,775	5 December 2018	–	(12,787)	42,920	–

* These shareholdings are unvested shares held through the Brickworks Deferred Employee Share Plan which may not vest to the employee if they do not satisfy vesting criteria.

3 David Gilham retired from the Board on 27 November 2018

All share transactions by KMP were on normal terms and conditions on the Australian Securities Exchange.

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

AUDITOR'S INDEPENDENCE DECLARATION

The Directors received an independence declaration from the auditor, EY. A copy has been included on page 91 of the report.

PROVISION OF NON-AUDIT SERVICES BY EXTERNAL AUDITOR

During the year the external auditors, EY, provided non-audit services to the Group, totalling $736,323. The non-audit services were for the provision of due diligence, tax and other advisory services in relation to business combinations, other assurance services, and accounting advice of a general nature relating to the interpretation and application of tax laws and accounting standards.

The Directors are satisfied that the provision of non-audit services is compatible with general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and the scope of each type of services provided means that auditor independence was not compromised.

The details of total amounts paid to the external auditors are included in note 7.3 to the financial statements.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

ROUNDING OF AMOUNTS

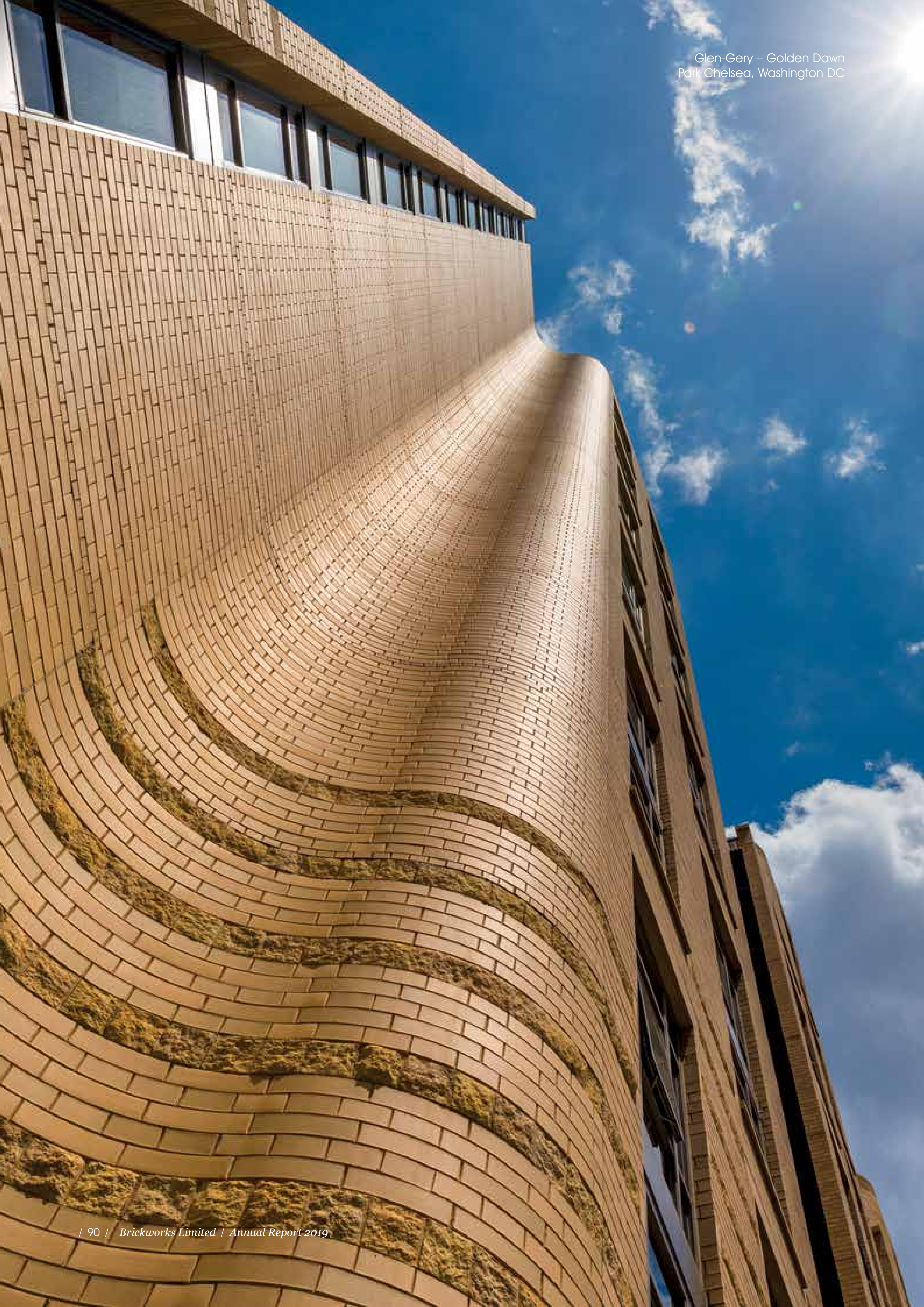
The Company has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest $1,000 where allowed under that instrument.

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

Dated: 19 September 2019

R.D. MILLNER
Director

L.R. PARTRIDGE AM
Director



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Auditor's Independence DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BRICKWORKS LIMITED

As lead auditor for the audit of the financial report of Brickworks Limited for the financial year ended 31 July 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Brickworks Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

ANTHONY JONES
Partner

19 September 2019

Consolidated Financial
STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Notes	2019 $000	2018[1] $000
Continuing operations			
Revenue	2.2	918,695	785,238
Cost of sales		(624,143)	(533,899)
Gross profit		**294,552**	**251,339**
Other income	2.2	111,736	2,063
Distribution expenses		(72,189)	(69,877)
Administration expenses		(40,329)	(31,470)
Selling expenses		(89,591)	(81,523)
Impairment of non-current assets	3.2	(55,558)	(124)
Business acquisition costs		(15,072)	(912)
Other expenses		(20,374)	(21,232)
Share of net profits of associates and joint ventures	2.3	201,300	200,798
Profit from continuing operations before finance cost and income tax		**314,475**	**249,062**
Finance costs	2.2	(23,883)	(14,456)
Profit from continuing operations before income tax		**290,592**	**234,606**
Income tax expense	4.1	(93,697)	(55,850)
Profit from continuing operations after tax		**196,895**	**178,756**
Discontinued operations			
Loss from discontinued operations, net of income tax benefit	6.6	(42,253)	(3,314)
Profit after tax		**154,642**	**175,442**
Profit after tax attributable to:			
Shareholders of Brickworks Limited		154,642	175,442

		Cents	Cents
Earnings per share attributable to the shareholders of Brickworks Limited			
Basic (cents per share)	2.4	103.3	117.5
Diluted (cents per share)	2.4	103.3	117.5
Basic (cents per share) from continuing operations	2.4	131.6	119.7
Diluted (cents per share) from continuing operations	2.4	131.6	119.7

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

1 The comparative numbers of the Group have been restated to present the discontinued operations separately from the continuing operations.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	2019 $000	2018 $000
Profit after tax		**154,642**	**175,442**
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to Income Statement			
Net gain on available-for-sale financial assets		–	1,181
Share of decrements in reserves attributable to associates and joint ventures		(4,489)	(1,984)
Foreign currency translation		806	32
Income tax benefit relating to these items	4.1	1,344	241
Net other comprehensive loss that may be reclassified to Income Statement		**(2,339)**	**(530)**
Items not to be subsequently reclassified to Income Statement			
Net gain on financial assets at fair value through other comprehensive income		280	–
Share of increments in reserves attributable to associates and joint ventures		6,842	–
Income tax expense relating to these items	4.1	(2,137)	–
Net other comprehensive income not to be reclassified to Income Statement		**4,985**	**–**
Other comprehensive income/(loss), net of tax		**2,646**	**(530)**
Total comprehensive income		**157,288**	**174,912**
Total comprehensive income, attributable to:			
Shareholders of Brickworks Limited		157,288	174,912

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

CONSOLIDATED BALANCE SHEET

	Notes	2019 $000	2018 $000
Cash and cash equivalents	5.2	74,881	21,167
Receivables	3.1	133,319	122,216
Inventories	3.1	247,106	207,104
Land held for resale	3.3	–	7,383
Derivative financial assets	5.4	–	376
Prepayments		10,588	10,227
Contract assets	3.1	12,781	–
Current income tax asset	4.2	991	–
Assets held for sale	6.6	15,358	–
Total current assets		**495,024**	**368,473**
Inventories	3.1	7,248	7,356
Financial assets at fair value through other comprehensive income	5.3	1,462	1,181
Investments accounted for using the equity method	6.3	1,813,027	1,771,504
Property, plant and equipment	3.2	597,571	510,493
Intangible assets	3.2	178,652	216,130
Total non-current assets		**2,597,960**	**2,506,664**
TOTAL ASSETS		**3,092,984**	**2,875,137**
Payables	3.1	128,276	107,909
Derivative financial liabilities	5.4, 5.7	644	501
Current income tax liability	4.2	68,335	19,577
Post-employment liabilities	3.5	679	–
Contract liabilities	3.1	7,067	–
Liabilities held for sale	6.6	3,302	–
Provisions	3.4	53,495	49,668
Total current liabilities		**261,798**	**177,655**
Borrowings	5.4	324,241	324,105
Derivative financial liabilities	5.4	8,198	1,922
Post-employment liabilities	3.5	19,277	–
Provisions	3.4	12,153	10,494
Deferred income tax liability	4.2	299,959	289,883
Total non-current liability		**663,828**	**626,404**
TOTAL LIABILITIES		**925,626**	**804,059**
NET ASSETS		**2,167,358**	**2,071,078**
Issued capital	5.5	351,229	345,873
Reserves	5.6	283,357	309,094
Retained profits		1,532,772	1,416,111
TOTAL EQUITY		**2,167,358**	**2,071,078**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Issued capital $000	Reserves $000	Retained profits $000	Total $000
For the year ended 31 July 2019					
Balance at 1 August 2018		345,873	309,094	1,416,111	2,071,078
Adjustment on the adoption of AASB 15 (net of tax)		–	–	356	356
Adjustment on the adoption of AASB 9 (net of tax)		–	(16,113)	16,113	–
Restated balance at 1 August 2018		345,873	292,981	1,432,580	2,071,434
Profit after tax		–	–	154,642	154,642
Total other comprehensive income – net of tax		–	2,646	–	2,646
Net dividends paid	2.5	–	–	(66,811)	(66,811)
Issue of shares through employee share plan	5.5	(22)	–	–	(22)
Change in ownership interest in the associate	5.5		(12,265)	12,361	96
Purchase of shares through employee share plan	5.5	(590)	–	–	(590)
Shares vested to employees	5.5	5,968	(5,968)	–	–
Share based payments expense	7.1	–	5,963	–	5,963
Balance at 31 July 2019		**351,229**	**283,357**	**1,532,772**	**2,167,358**
For the year ended 31 July 2018					
Balance at 1 August 2017		340,814	309,782	1,317,244	1,967,840
Profit after tax		–	–	175,442	175,442
Total other comprehensive income – net of tax		–	(530)	–	(530)
Net dividends paid	2.5	–	–	(63,109)	(63,109)
Issue of shares through employee share plan	5.5	(17)	–	–	(17)
Purchase of shares through employee share plan	5.5	(562)	–	–	(562)
Shares vested to employees	5.5	5,638	(5,638)	–	–
Share of associates transferred to outside equity interests		–	–	(13,466)	(13,466)
Share based payments expense	7.1	–	5,480	–	5,480
Balance at 31 July 2018		**345,873**	**309,094**	**1,416,111**	**2,071,078**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		944,999	909,162
Payments to suppliers and employees		(901,838)	(829,130)
Proceeds from land held for resale		41,000	–
Interest received		1,023	303
Interest and other finance costs paid		(20,050)	(14,046)
Dividends and distributions received		81,824	116,152
Income tax paid		(23,878)	(11,493)
Net cash from operating activities		**123,080**	**170,948**
Cash flows from investing activities			
Purchases of property, plant and equipment		(49,099)	(43,467)
Proceeds from sale of property, plant and equipment		3,055	1,260
Purchase of investments in joint ventures		(17,055)	(81,465)
Proceeds from sale or return of investments		223,014	33,250
Purchase of controlled entities, net of cash acquired		(142,804)	(13,308)
Net cash from/(used in) investing activities		**17,111**	**(103,730)**
Cash flows from financing activities			
Proceeds from borrowings		543,642	280,000
Repayments of borrowings		(550,371)	(268,000)
Dividends paid		(82,374)	(77,692)
Net cash used in financing activities		**(89,103)**	**(65,692)**
Net increase in cash held		**51,088**	**1,526**
Effects of exchange rate changes on cash		2,626	–
Cash at the beginning of the financial year		21,167	19,641
Cash at the end of the financial year	5.2	**74,881**	**21,167**
Reconciliation of net profit attributable to shareholders of Brickworks Limited to net cash from operating activities			
Profit after tax		154,642	175,442
Adjustments for non-cash items			
Depreciation and amortisation		37,396	29,402
Non-cash amortisation of borrowing costs		(2,622)	127
Net fair value change on derivatives		6,543	(1,510)
Losses recognised on the measurement of assets held for sale		49,089	–
Impairment of non-current assets		55,558	124
Net losses/(gains) on disposal of property, plant and equipment		(2,192)	185
Net gains on disposal of financial assets		(109,447)	(750)
Non-cash share based payment expense		5,351	4,901
Share of net profit of investments accounted for using the equity method		(119,476)	(84,647)
Net cash provided by operating activities before changes in assets and liabilities		**74,842**	**123,274**
Changes in assets and liabilities net of effects from business combinations			
(Increase)/decrease in receivables		8,572	11,347
(Increase)/decrease in inventories		(12,629)	(7,631)
(Increase)/decrease in net contract assets		(5,714)	–
(Increase)/decrease in land held for resale		7,383	–
(Increase)/decrease in prepayments		1,310	(1,750)
(Decrease)/increase in payables		(421)	(1,815)
(Decrease)/increase in provisions		(4,044)	4,331
(Decrease)/increase in post-employment liabilities		905	–
(Decrease)/increase in current and deferred income tax		52,876	43,192
Net cash provided by operating activities		**123,080**	**170,948**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES
to the Consolidated Financial Statements

1 ABOUT THIS REPORT

This section sets out the basis upon which the financial statements are prepared as a whole. Significant and other accounting policies underpinning the recognition and measurement basis of assets and liabilities are summarised throughout the notes to the financial statements. Other accounting policies are outlined in note 7.6.

1.1 Statement of compliance and basis of preparation

The financial statements comprise Brickworks Limited and its controlled entities (the "Group").

Brickworks Limited (ABN 17 000 028 526) is a for profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX code: BKW).

The nature of the operations and principal activities of the Group are described in note 2.1.

The Group's consolidated financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*;
- comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- incorporate the results of each controlled entity from the date Brickworks Limited obtains control and until such time as it ceases to control an entity;
- have been prepared on a historical cost basis, except for derivative financial instruments, financial assets at fair value through other comprehensive income and investment property, which have been measured at fair value;
- are presented in Australian dollars, which is the Group's functional currency[1];
- adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 August 2018;
- do not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as disclosed in Note 7.6.

The financial statements were authorised for issue in accordance with a resolution of directors on 19 September 2019.

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1 All values are rounded to the nearest thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

1.2 Key estimates or judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the following areas:

Note	Judgement/Estimate
3.2(a)	Property, plant and equipment
3.2(c)	Non-current assets impairment assessment
6.3(b)	Fair value – investment property
6.6	Assets held for sale

1.3 Comparative information

Certain comparative information was amended in these financial statements to conform to the current year presentation. These amendments do not impact the Group's financial result and do not have any significant impact on the Group's statement of financial position.

The notes are organised into the following sections:

2	**Financial Performance**	Provides the information that is considered most relevant to understanding the financial performance of the Group.
3	**Operating Assets and Liabilities**	Provides a breakdown of individual line items in the balance sheet that are considered most relevant to users of the financial report.
4	**Income Tax**	Provides the information considered most relevant to understanding the taxation treatment adopted by the Group during the financial year.
5	**Capital and Risk Management**	Provides information about the capital management practices of the Group and its exposure to various financial risks.
6	**Group Structure**	Explains significant aspects of the Brickworks' group structure, including its controlled entities and equity accounted investments in which the Group has an interest. When applicable, it also provides information on business acquisitions made during the year.
7	**Other**	Provides information on items which require disclosure to comply with AASBs and other regulatory pronouncements and any other information that is considered relevant for the users of the financial report which has not been disclosed in other sections.

2 FINANCIAL PERFORMANCE

This section provides the information that is considered most relevant to understanding the financial performance of the Group, including profitability of its operating segments, significant items, nature of its revenues and expenses and dividends paid to the shareholders.

2.1 Segment reporting

Management identified the following reportable business segments:

Building Products Australia	Manufacture of vitrified clay, concrete and timber products used in the building industry. Major product lines include bricks, masonry blocks, pavers, roof tiles, floor tiles, precast walling and flooring panels, fibre cement walling panels and timber products used in the building industry.
Building Products North America	Manufacture of vitrified clay and concrete products used in the building industry. Major product lines include bricks and masonry blocks used in the building industry.
Property	Utilisation of opportunities associated with land owned by the Group, including the sale of property and investment in Property Trusts.
Investments	Holds investments in the Australian share market, both for dividend income and capital growth, and includes the investment in Washington H. Soul Pattinson and Company Limited (WHSP).

31 July 2019	Building Products Australia $'000	Building Products North America[2] $'000	Property $'000	Investments $'000	Continuing operations $'000	Discontinued operations[3] $'000	Consolidated $'000
REVENUE							
Sale of goods[4]	628,009	120,373	–	–	748,382	31,960	780,342
Revenue from supply and install contracts[5]	126,218	–	–	–	126,218	–	126,218
Sale of land held for resale[4]	–	–	41,000	–	41,000	–	41,000
Interest received	–	–	–	1,023	1,023	–	1,023
Rental revenue	474	4	346	–	824	386	1,210
Other operating revenue	749	467	32	–	1,248	–	1,248
Revenue	**755,450**	**120,844**	**41,378**	**1,023**	**918,695**	**32,346**	**951,041**
RESULT							
Segment EBITDA	87,921	12,046	157,806	103,725	361,498	(9,058)	352,440
Depreciation and amortisation	(30,783)	(5,866)	–	–	(36,649)	(748)	(37,397)
Segment EBIT	**57,138**	**6,180**	**157,806**	**103,725**	**324,849**	**(9,806)**	**315,043**
Unallocated expenses							
Significant items					4,652	(50,611)	(45,959)
Borrowing costs					(23,883)	–	(23,883)
Other unallocated expenses					(15,026)	–	(15,026)
Profit/(loss) before income tax					**290,592**	**(60,417)**	**230,175**
Income tax (expense)/benefit[1]					(93,697)	18,164	(75,533)
Profit/(loss) after income tax					**196,895**	**(42,253)**	**154,642**
ASSETS							
Segment assets	1,021,094	255,977	583,079	1,216,485	3,076,635	13,700	3,090,335
Unallocated assets					991	1,658	2,649
Total assets							**3,092,984**
LIABILITIES							
Segment liabilities	163,995	50,526	1,073	202,751	418,345	3,302	421,647
Borrowings							324,241
Other unallocated liabilities							179,738
Total liabilities							**925,626**
OTHER							
Share of profit of an associate and a joint venture	51	–	126,607	74,642	201,300	–	201,300
Carrying value of investments accounted for by the equity method	17,878	–	583,077	1,212,072	1,813,027	–	1,813,027
Acquisition of non-current segment assets	45,218	148,109	17,055	–	210,382	606	210,988
Non-cash expenses other than depreciation and amortisation	90,213	15,567	–	–	105,780	–	105,780

1 Included in the income tax expense is tax expense related to significant items amounting to $26,802,000.
2 Reflects results in the post-acquisition period commencing 23 November 2018. Refer to Business combinations – Note 6.5. (a).
3 Refer to Discontinued operations and Assets held for sale – Note 6.6.
4 Recognised at a point in time.
5 Recognised over time.

2.1 Segment reporting (continued)

31 July 2018	Building Products Australia $'000	Building Products North America[2] $'000	Property $'000	Investments $'000	Continuing operations $'000	Discontinued operations[3] $'000	Consolidated $'000
REVENUE							
Sale of goods[4]	642,858	–	–	–	642,858	35,418	678,276
Revenue from supply and install contracts[5]	140,489	–	–	–	140,489	–	140,489
Interest received	–	–	–	303	303	–	303
Rental revenue	584	–	736	–	1,320	428	1,748
Other operating revenue	203	–	65	–	268	–	268
Revenue	**784,134**	**–**	**801**	**303**	**785,238**	**35,846**	**821,084**
RESULT							
Segment EBITDA	106,722	–	93,979	123,498	324,199	(1,370)	322,829
Depreciation and amortisation	(28,168)	–	–	–	(28,168)	(1,234)	(29,402)
Segment EBIT	**78,554**	**–**	**93,979**	**123,498**	**296,031**	**(2,604)**	**293,427**
Unallocated expenses							
Significant items					(33,305)	(2,003)	(35,308)
Borrowing costs					(14,456)	–	(14,456)
Other unallocated expenses					(13,664)	–	(13,664)
Profit/ (loss) before income tax					**234,606**	**(4,607)**	**229,999**
Income tax (expense)/benefit[1]					(55,850)	1,293	(54,557)
Profit/ (loss) after income tax					**178,756**	**(3,314)**	**175,442**
ASSETS							
Segment assets	1,045,896	–	493,040	1,271,617	2,810,553	62,345	2,872,898
Unallocated assets					–	2,239	2,239
Total assets							**2,875,137**
LIABILITIES							
Segment liabilities	158,083	–	1,587	208,922	368,592	2,960	371,552
Borrowings							324,105
Other unallocated liabilities							108,402
Total liabilities							**804,059**
OTHER							
Share of profit of an associate and a joint venture	260	–	100,359	100,179	200,798	–	200,798
Carrying value of investments accounted for by the equity method	15,798	–	485,657	1,270,049	1,771,504	–	1,771,504
Acquisition of non-current segment assets	61,240	–	72,965	–	134,205	4,035	138,240
Non-cash expenses other than depreciation and amortisation	43,475	–	–	–	43,475	–	43,475

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

1 Included in the income tax expense is tax expense related to significant items amounting to $12,980,000.

2 Reflects results in the post-acquisition period commencing 23 November 2018. Refer to Business combinations – Note 6.5. (a).

3 Refer to Discontinued operations and Assets held for sale – Note 6.6.

4 Recognised at a point in time.

5 Recognised over time.

RECOGNITION AND MEASUREMENT

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to effectively allocate Group resources and assess performance and for which discrete financial information is available.

Management identifies the Group's operating segments based on the internal reports that are reviewed and used by the Board of Directors in their role as the CODM. The operating segments are identified based on the consideration of the nature of products sold and services provided. Discrete information about each of these business divisions is presented to the Board of Directors on a recurring basis. A number of operating segments have been aggregated to form the Building Products segment. The accounting policies used by the Group in reporting segments internally are the same as those disclosed in the significant accounting policies, with the exception that significant items (i.e. those items which by their size and nature or incidence are relevant in explaining financial performance) are excluded from trading profits. This approach is consistent with the manner in which results are reported to the CODM.

Significant items	Note	2019 $000	2018 $000
Gain on sale of 7.9 million WHSP shares[1]		109,447	–
Impairment of goodwill[2]	3.2 (c)	(52,017)	–
Acquisition costs[5]		(15,072)	(912)
Restructuring activities[3]		(9,646)	(5,467)
Net legal & advisory costs[3]		–	(1,304)
Cost on commissioning of manufacturing facilities[4]		–	(3,356)
Significant items from continuing operations before income tax (excluding associates)		**32,712**	**(11,039)**
Income tax expense related to sale of WHSP shares[8]		(38,063)	–
Income tax benefit on other significant items (excluding associates)[8]		4,021	3,312
Significant items from continuing operations after income tax (excluding associates)		**(1,330)**	**(7,727)**
Significant one-off transactions of associate[6]		(28,060)	(22,266)
Income tax expense arising from the carrying value of the investment in the associates (WHSP)[8]		(7,943)	(16,893)
Significant items after income tax (associates)		**(36,003)**	**(39,159)**
Significant items from continuing operations after income tax (including associates)		**(37,333)**	**(46,886)**
Impairment losses recognised on the measurement to fair value less costs to sell[7]	6.6	(49,089)	–
Other significant items[7]		(1,522)	(2,003)
Significant items from discontinued operations before income tax		**(50,611)**	**(2,003)**
Income tax benefit[8]		15,183	601
Significant items from discontinued operations after income tax		**(35,428)**	**(1,402)**

RECOGNITION AND MEASUREMENT

Significant items are those which by their size and nature or incidence are relevant in explaining the financial performance of the Group compared to the prior year.

1 Disclosed in 'Other income' line on the Income Statement.
2 Disclosed in 'Impairment of non-current assets' line on the Income Statement.
3 Disclosed in 'Other expenses' line on the Income Statement.
4 Disclosed in 'Costs of sales' line in the Income Statement.
5 Disclosed in 'Business acquisition costs' line on the Income Statement.
6 Disclosed in 'Share of net profits of associates and joint ventures' line on the Income Statement.
7 Disclosed in the 'Losses from discontinued operations'.
8 Disclosed in the 'Income Tax Expense' line on the Income Statement.

2.2 *Revenues and expenses*

(a) Revenue and other income

	2019 $000	2018 $000
REVENUE		
Revenue from contracts with customers		
Sale of goods	748,382	642,858
Revenue from supply and install contracts	126,218	140,489
Sale of land held for resale	41,000	–
	915,600	**783,347**
Other operating revenue		
Interest received – other corporations	1,023	303
Rental revenue	824	1,320
Other	1,248	268
Total operating revenue from continuing operations	**918,695**	**785,238**
OTHER INCOME		
Gain on sale of 7.9 million WHSP shares (note 6.3 (a))	109,447	–
Net gain on disposal of property, plant and equipment	2,192	–
Profit on disposal of available-for-sale financial assets	–	750
Proceeds from insurance	–	495
Net fair value gain on revaluation of FX derivatives	–	384
Property development income	–	191
Other items	97	243
Total other income from continuing operations	**111,736**	**2,063**

All remaining performance obligations related to supply and install contracts are expected to be recognised within one year.

RECOGNITION AND MEASUREMENT

Revenue is recognised when control of the asset has passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable net of discounts, allowances and goods and services tax (GST). Trade discounts and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

The Group's contracts for the **sale of goods** and associated freight generally include one performance obligation. The revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 60 days from delivery.

Performance obligations arising from **supply and install contracts** are satisfied over time. On that basis, the Group recognise revenue from these contracts over time.

The performance obligation related to supply and install contracts is satisfied over time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

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

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

Rental income from investment properties is accounted for on a straight-line basis over the term of the rental contract.

Net gain/(loss) on disposal of property, plant and equipment is recognised when the risks and rewards have been transferred and the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold. The gain is measured as a difference between the amount receivable under the sale contract and the carrying value of the disposed asset.

(b) Expenses

Specific Expense Disclosures	2019 $000	2018 $000
Wages and salaries	182,908	161,455
Post-employment benefits expense	12,566	12,050
Share based payments expense	5,963	5,480
Other	21,626	9,398
Employee benefits expense from continuing operations	**223,063**	**188,383**
Research and development expenses	2,701	1,777
Operating lease expense	30,200	26,611
Depreciation	36,584	28,116
Amortisation	65	52
Depreciation and amortisation from continuing operations	**36,649**	**28,168**
Net loss on disposal of property, plant and equipment	–	185
Interest and finance charges paid/payable	17,340	15,582
Net fair value change on derivatives	6,543	(1,126)
Total finance costs from continuing operations	**23,883**	**14,456**

RECOGNITION AND MEASUREMENT

Employee benefits expense includes salaries and wages, leave entitlements (refer note 3.4), superannuation and other post-employment benefits (refer note 3.5), share based payments and other employee entitlements. The expense is charged against profit in their respective expense categories when services are provided by employees, except for share based payment expense which is recognised based on the vesting period (refer note 7.1).

Operating lease expense payments made under operating leases (net of any incentives received by the lessor) are expensed on a straight-line basis over the period of the lease. Operating leases are those where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased asset.

Finance costs expense relates primarily to the interest on interest bearing liabilities and is recognised in the period in which they are incurred, except when they are included in the costs of qualifying assets in which they are capitalised up to the point that the asset is ready for its intended use.

2.3 Share of net profits of associates and joint ventures

	Notes	2019 $000	2018 $000
Share of net of profits of associates	6.3 (a)	74,642	100,179
Share of net profits of joint ventures	6.3 (b)	126,658	100,619
		201,300	**200,798**

RECOGNITION AND MEASUREMENT

Share of net profits of associates and joint ventures is accounted for using the equity method. The consolidated income statement reflects the Group's share of the results of associates and joint ventures.

Accounting policies applied with respect to the Group's investments in associates and joint ventures are further outlined in Note 6.3.

2.4 *Earnings per share (EPS)*

	2019	2018
Profit after tax attributable to shareholders of Brickworks Limited ($'000)	154,642	175,442
Weighted average number of ordinary shares used in the calculation of basis and diluted EPS (thousand)[1]	149,671	149,354
Basic EPS (cents per share)	103.3	117.5
Diluted EPS (cents per share)	103.3	117.5
Basic EPS (cents per share) from continuing operations	131.6	119.7
Diluted EPS (cents per share) from continuing operations	131.6	119.7

RECOGNITION AND MEASUREMENT

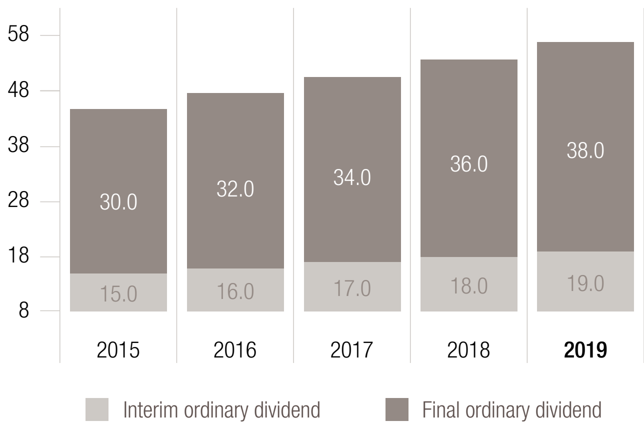
Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders of Brickworks Limited, after eliminating the effect of earnings related to the parent entity's shareholding arrangements and excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS adjusts the figures used in the determination of basic EPS to reflect the after income tax effect of interest and other finance costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to these shares. Diluted earnings per share are shown as being equal to basic earnings per share if potential ordinary shares are non-dilutive to existing ordinary shares.

2.5 *Dividends and franking credits*

Type of dividend (fully franked)	Cents per share	Total amount $'000	Date paid/ payable
2017 Final	34.0	50,799	29 Nov 17
2018 Interim	18.0	26,893	1 May 18
2018 Final	36.0	53,918	28 Nov 18
2019 Interim	19.0	28,457	30 April 19
2019 Final[2]	38.0	56,913	27 Nov 19

Dividends declared in each financial year – cents per share



	2019 $000	2018 $000
2018 Final ordinary dividend (PY: 2017)	53,918	50,799
2019 Interim ordinary dividend (PY: 2018)	28,456	26,893
Group's share of dividend received by associated company	(15,563)	(14,583)
	66,811	**63,109**
Franking account balance on a tax paid basis	158,729	147,412

The impact on the franking account of dividends resolved to be paid after 31 July 2019, but not recognised as a liability, will be a reduction in the franking account of $24.4 million (2018: $23.1 million).

1 There were no dilutive potential ordinary shares as at 31 July 2019 (2018: nil).

2 The final dividend for the 2019 financial year has not been recognised as a liability in this financial report because it was resolved to be paid after 31 July 2019. The amounts disclosed as recognised in 2019 are the final dividend in respect of the 2018 financial year and the interim dividend in respect of the 2019 financial year.

3 OPERATING ASSETS AND LIABILITIES

This section provides further information about the Group's operating assets and liabilities, including its working capital, property, plant and equipment, intangible assets and provisions.

3.1 Working capital

(a) Receivables

	2019 $000	2018 $000
Trade receivables	130,357	102,820
Allowance for expected credit losses	(1,415)	(764)
Net trade receivables	**128,942**	**102,056**
Other debtors	4,377	20,160
	133,319	**122,216**
Movement in allowance for expected credit losses		
Opening balance	764	804
Acquisition of subsidiary	541	–
Trade debts provided	631	1,030
Trade debts written-off	(547)	(1,070)
Foreign currency exchange difference	26	–
Closing balance	**1,415**	**764**
Receivables past due		
Receivables past due but not impaired		
Past due 0–30 days	6,797	3,098
Past due 30+ days	5,013	5,040
	11,810	**8,138**

(b) Inventories

	2019 $000	2018 $000
Current		
Raw materials and stores	54,222	41,802
Work in progress	4,194	21,112
Finished goods	188,690	144,190
Total	**247,106**	**207,104**
Non-current		
Raw materials	7,248	7,356

Write-down of inventories recognised as an expense for the 2019 financial year amounted to $2.548 million (2018: $3.972 million).

(c) Current payables

	2019 $000	2018 $000
Trade payables and accruals	128,276	107,909

Average terms on trade payables are 30 days from statement.

As at 31 July 2019 the contract assets amounted to $12.8 million and contract liabilities to $7.1 million. There has been no allowance for expected credit losses recognised related to the contract assets.

RECOGNITION AND MEASUREMENT

Trade receivables are initially recognised at the value of the invoice issued to the customer and subsequently measured at amortised cost and are subject to impairment.

The Group recognises **an allowance for expected credit losses** (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Inventories are measured at:

- Raw materials: the lower of actual cost and net realisable value
- Finished goods and work in progress: the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are applied on the basis of normal production capacity.

Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

3.1 *Working capital (continued)*

RECOGNITION AND MEASUREMENT CONTINUED

Contract assets are initially recognised for revenue earned from supply and install contracts as receipt of consideration is conditional on successful completion of installation. Upon completion of installation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities include advances received in relation to supply and install contracts as well as transaction price allocated to customer incentive programs.

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at amortised cost.

3.2 *Property, plant and equipment and intangible assets*

(a) Property, plant and equipment

		LAND AND BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	Notes	**2019** $000	**2018** $000	**2019** $000	**2018** $000	**2019** $000	**2018** $000
Cost		356,302	305,818	635,404	587,052	991,706	892,870
Accumulated depreciation and impairment losses		(56,511)	(54,361)	(337,624)	(328,016)	(394,135)	(382,377)
Net carrying amount 31 July		**299,791**	**251,457**	**297,780**	**259,036**	**597,571**	**510,493**
Net carrying amount at 1 August		251,457	262,533	259,036	236,222	510,493	498,755
Additions		7,693	1,823	48,851	41,645	56,544	43,468
Acquisitions through business combinations	6.5	47,865	–	41,594	8,351	89,459	8,351
Disposals of subsidiaries		–	–	–	(1,779)	–	(1,779)
Disposals		(400)	(1,248)	(463)	(197)	(863)	(1,445)
Transfers to land held for resale	3.3	–	(7,383)	–	–	–	(7,383)
Transfer to asset held for sale		(3,238)	–	(18,367)	–	(21,605)	–
Impairment losses		(149)	–	(3,392)	(124)	(3,541)	(124)
Foreign currency exchange difference		2,437	–	1,978	–	4,415	–
Depreciation expense		(5,874)	(4,268)	(31,457)	(25,082)	(37,331)	(29,350)
Net carrying amount 31 July		**299,791**	**251,457**	**297,780**	**259,036**	**597,571**	**510,493**

As at 31 July 2019 capital works in progress, disclosed as part of plant and equipment, amounted to $45.8 million (2018: $36.7 million).

RECOGNITION AND MEASUREMENT

Property, plant and equipment is measured at cost less depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation commences on assets when it is deemed they are capable of operating in the manner intended by management. Assets are depreciated over their estimated useful lives, except for leasehold improvements which are depreciated over the shorter of their estimated useful life and the remaining lease period. Depreciation is charged to the income statement based on the rates indicated below.

Freehold land	not depreciated
Buildings	2.5%-4.0% prime cost
Plant and equipment	4.0%–33.0% prime cost, 7.5%–22.5% diminishing value

Carrying amounts are assessed for **impairment** whenever there is an indication they may be impaired. If the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written down to its recoverable amount.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimation of useful lives of assets has been based on historical experience. The condition of assets is assessed at least annually and considered against the remaining useful lives. Adjustments to useful lives are made when considered necessary.

(b) Intangible assets

	Notes	Goodwill $'000	Timber access rights $'000	Brand names $'000	Other $'000	Total $'000
Cost		287,702	8,656	19,765	1,259	317,382
Accumulated amortisation and impairment losses		(129,759)	(8,656)	–	(315)	(138,730)
Net carrying amount 31 July 2019		**157,943**	**–**	**19,765**	**944**	**178,652**
Net carrying amount 1 August 2018		204,059	–	11,062	1,009	216,130
Acquisitions through business combinations	6.5	5,665	–	8,276	–	13,941
Impairment losses		(52,017)	–	–	–	(52,017)
Foreign currency exchange difference		236	–	427	–	663
Amortisation expense		–	–	–	(65)	(65)
Net carrying amount 31 July 2019		**157,943**	**–**	**19,765**	**944**	**178,652**
Cost		281,801	8,656	11,062	1,259	302,778
Accumulated amortisation and impairment losses		(77,742)	(8,656)	–	(250)	(86,648)
Net carrying amount 31 July 2018		**204,059**	**–**	**11,062**	**1,009**	**216,130**
Net carrying amount 1 August 2017		203,393	–	9,000	447	212,840
Additions		1,166	–	2,062	614	3,842
Disposals		(500)	–	–	–	(500)
Amortisation expense		–	–	–	(52)	(52)
Net carrying amount 31 July 2018		**204,059**	**–**	**11,062**	**1,009**	**216,130**

RECOGNITION AND MEASUREMENT

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is not amortised, but tested annually and whenever there is an indicator of impairment.

Brand names obtained through acquiring businesses are measured at fair value at the date of acquisition. The brand names have been assessed as having an indefinite useful life, as the brands have been part of the building products industry for a long time and the Group intends to continue trading under these brands.

Other intangible assets are valued at cost on acquisition. If the intangible is considered to have an indefinite useful life, it is carried at cost less any impairment write-downs. If the intangible has a definite life, it is amortised on a straight-line basis over the expected future life of that right.

Goodwill and intangible assets with indefinite useful lives are tested for **impairment** annually and whenever there is an indicator of impairment. For impairment testing purposes, these assets are allocated to the Group's Cash Generating Units ('CGUs'). Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates.

3.2 Property, plant and equipment and intangible assets (continued)

(c) Impairment assessment

In the current year market conditions in the Australian building sector have deteriorated compared to 31 July 2018. Furthermore, the recent acquisition of Glen-Gery Corporation in North America has led to a reassessment of the Group's capital allocation priorities.

Based on management's assessment these circumstances are considered to represent indicators of impairment in respect of the Austral Masonry and Bristile Roofing CGU's.

Based on a goodwill impairment assessment at 31 January 2019, the Group recognised an impairment loss of $52,017,000 which represented the carrying value of goodwill for those CGUs. The impairment charge is recorded within 'Impairment of non-current assets' in the consolidated income statement.

(i) Allocation of goodwill and intangible assets with indefinite useful lives to cash generating units

Goodwill is allocated to the Group's CGUs for impairment testing purposes. Building Products North America and national divisions within the Building Products Australia operating segment are CGUs which represent the lowest level at which the results are monitored for internal reporting purposes. At 31 July 2019 the following CGUs representing business operations have allocations of goodwill:

- Austral Bricks: $152.0 million (2018: $152.0 million)
- Bristile Roofing: $nil (2018: $32.1 million)
- Austral Masonry: $1.1 million (2018: $20.0 million)
- Building Products North America: $4.8 million (2018: $nil)

For the purpose of impairment assessment outlined below brand names with indefinite useful lives with a carrying value of $19.7 million (2018: $11.1 million) have been allocated to the following CGUs, which form part of the Building Products Australia and North America segment:

- Austral Bricks: $9.0 million (2018: $9.0 million)
- Building Products North America: $8.7 million (2018: $nil)
- Austral Masonry: $2.1 million (2018: $2.1 million)

There are no indicators of impairment identified in respect of the Building Products North America CGU. The North America CGU consists of the newly acquired Glen-Gery business. The carrying amount of assets within this CGU is supported by the fair value assessment conducted as part of the acquisition accounting of the Glen-Gery business in the current financial year (refer note 6.5 (a)). As a result, management did not carry out a goodwill and other intangible assets impairment assessment at 31 July 2019.

Each CGU tested for impairment has been valued based on value-in-use methodology, using the assumptions outlined in point (ii) below.

(ii) Austral Bricks, Austral Masonry and Bristile Roofing impairment assessment – key assumptions

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management is required to make significant estimates and judgements in assessing the carrying amount of non-financial assets for impairment. The valuations used to support the carrying amounts of each CGU (including goodwill, other intangible assets and property, plant and equipment) are based on forward-looking assumptions that are by their nature uncertain. The nature and basis of the key assumptions used to estimate the future cash flows and discount rates, and on which the Group has based its projections when determining the recoverable value of each CGU, are set out below .

Calculation method	The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost to sell. VIU calculations use cash flows projections, inclusive of working capital movements, and are based on financial projections approved by the Board covering a five-year period. Estimates beyond five years are calculated with a growth rate that reflects the long-term growth rate.
Sales volumes	Sales volumes are management forecasts reflecting independent external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates. A major driver of sales volumes is the level of activity in the relevant segment in the building sector. Management has assessed the reported forecast housing construction activity data from sources such as BIS Shrapnel and Housing Industry Association (HIA) over the budget period.
Sales prices	Management expects to obtain price growth over the forecast period. This assumption takes into account the deterioration of market conditions compared to 31 July 2018. The assumed increases differ by CGU and between different states where the CGU operates.
Costs	Costs are calculated taking into account historical gross margins, known cost increases, and estimated inflation rates over the period that are consistent with the locations in which the CGUs operate.

Terminal value earnings	Terminal value earnings are based on average historical earnings (6-7 years) moderated to reflect structural changes to the market in which the CGU operates.
Long-term growth rates	Long-term growth rates used in cash flow valuation reflect 2.5% (2018: 2.5%).
Discount rate	Management uses an independent external advisor to calculate the appropriate discount rate applied consistently across all CGUs. For 2019, the pre-tax discount rate was 12.20% (2018: 12.13%).

(iii) Sensitivity to changes in assumptions

The table below illustrates the impact of key assumptions on the non-financial assets (goodwill, other intangible assets and property) impairment assessment for those CGUs, where the carrying amount approximates the recoverable amount.

	Bristile Roofing CGU	Austral Masonry CGU
The excess of CGUs recoverable amount over its carrying value ($ millions)	8.2	10.6
	Change in the assumption required for the model to break even	
Reduction in average EBIT growth FY20-FY24 required for the model to break even	185 basis points	162 basis points
Reduction in long-term growth rate (LTGR) for the model to break even	176 basis points	89 basis points
Increase in post-tax WACC required for the model to break even	132 basis points	69 basis points

There are no other CGUs where a reasonably possible change in a key assumption would result in an impairment to the carrying value of goodwill or other indefinite useful life intangibles.

3.3 Land held for resale

	2019 $000	**2018** $000
Current		
Land held for resale	–	7,383

RECOGNITION AND MEASUREMENT

Land is classified as **land held for resale** when properties have been identified and incorporated into specific developments that have been approved by relevant planning authorities and commenced. These properties are valued at the lower of cost and net realisable value. Cost includes cost of acquisition and development.

3.4 Provisions

	Notes	Employee benefits $'000	Remediation $'000	Infrastructure costs $'000	Workers compensation $'000	Other $'000	Total $'000
Opening balance 1 August 2018		45,846	7,225	904	3,396	2,791	60,162
Recognised/(reversed)		42,677	4,744	(29)	2,937	587	50,916
Business combinations	6.5	6,652	2,282	–	–	2,237	11,171
Foreign currency exchange difference		749	111	–	72	116	1,048
Transferred to liabilities held for sale		(1,844)	–	–	(347)	(1,000)	(3,191)
Settled		(44,259)	(4,014)	–	(3,902)	(2,283)	(54,458)
Closing balance 31 July 2019		**49,821**	**10,348**	**875**	**2,156**	**2,448**	**65,648**
Current		45,939	2,077	875	2,156	2,448	53,495
Non-current		3,882	8,271	–	–	–	12,153
Total		**49,821**	**10,348**	**875**	**2,156**	**2,448**	**65,648**
Opening balance 1 August 2017		40,425	7,361	1,561	2,646	1,859	53,852
Recognised/(reversed)		35,081	188	–	2,804	1,430	39,503
Business combinations	6.5	1,778	–	–	–	200	1,978
Settled		(31,438)	(324)	(657)	(2,054)	(698)	(35,171)
Closing balance 31 July 2018		**45,846**	**7,225**	**904**	**3,396**	**2,791**	**60,162**
Current		41,296	1,281	904	3,396	2,791	49,668
Non-current		4,550	5,944	–	–	–	10,494
Total		**45,846**	**7,225**	**904**	**3,396**	**2,791**	**60,162**

RECOGNITION AND MEASUREMENT

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will be required and the obligation can be reliably measured. The amount recognised as a provision represents the best estimate of the consideration required to settle the present obligation at reporting date and uncertainties surrounding the obligation.

Provision for employee benefits is recognised in respect of the benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Estimated future payments include related on-costs, reflect assumptions regarding future wage and salary levels, employee departures and periods of service, and have been discounted using market yields on Australian high quality corporate bond rates.

Provision for remediation is recognised for the estimated costs of restoring operational and quarry sites to their original state in accordance with relevant approvals. The settlement of this provision will occur as the operational site nears the end of its useful life, or once the resource allocation within the quarry is exhausted, which varies based on the size of the resource and the usage rate of the extracted material. The landfill opportunities created through the extraction of clay and shale is considered to be a valuable future resource. No provision is made for future rehabilitation costs when the rehabilitation process is expected to be cash flow positive.

Provision for infrastructure costs is recognised for the Group's obligation for the estimated costs of completed infrastructure works in relation to certain properties. The timing of the future outflows is expected to occur within the next financial year.

Provision for workers compensation relates to the Group's self insurance for workers compensation program. The subsidiaries of the Group are licensed self insurers in New South Wales, Victoria, Western Australia and Australian Capital Territory for workers compensation insurance. The provision is determined with reference to independent actuarial calculations provided annually based on incidents reported before year end. The timing of the future outflows is dependent upon the notification and acceptance of relevant claims, and would be satisfied over a number of future financial periods.

3.5 Post-employment liabilities

Following the acquisition of Glen-Gery in November 2018, the Group participates in two multi-employer defined benefit pension schemes, being Aluminium, Brick and Glass Workers International Union ("AB&GW") and National Integrated Group Pension Plan ("NIGPP"), which are both held in the United States.

As the Group is unable to identify its share of the assets and liabilities for these schemes as insufficient information is available on which to calculate this split (as confirmed with the schemes actuaries), they are accounted for on a defined contribution basis.

Unfunded vested benefits are allocated among active employer participating groups. This allows multi-employer plans to assess employers who withdraw from a plan with a share of the plan's total unfunded vested liability. That share of unfunded liability is not determined with reference of the employer's participants nor the assets that were accumulated by that employer's contributions. When an employer withdraws, it may be required to pay the entire withdrawal liability over time, or a lesser amount based on certain limitations related to the period of payments and the net worth of the employer.

The minimum contribution requirements for the AB&GW scheme are based on a minimum monthly charge per active employee, with the minimum contribution requirements for the NIGPP scheme being based on a minimum charge per hour worked.

In total, the AB&GW plan has a deficit as at 31 July 2019 of $18,023,000. With respect to this scheme based on the total contributions made during 2019, the level of participation the Group made compared to other participating entities was 82% and the Group has circa 60% of all members (active, deferred and retired). Management currently does not have any plans on withdrawing from this scheme.

In respect of the NIGPP scheme, based on the proportion of the withdrawal liability against total plan liabilities, the level of participation the Group made compared to other participating entities was less than 1%.

The contribution rates agreed to be paid by the Group include an element of rehabilitation funding with respect to the total plan deficit. In total, in respect of both schemes, the arrangements give rise to a present obligation and as such a liability of $19,956,000 has been recognised at a present value of future committed contribution amounts required in respect of both schemes.

Total expected contributions to the plans, including an element of rehabilitation funding, for the next annual reporting year, being the year ending July 2020, amount to $1,188,000.

	Notes	**Post-employment liabilities** $'000
Opening balance 1 August 2018		–
Business combinations	6.5	19,052
Recognised		299
Settled		(385)
Foreign currency exchange difference		990
Closing balance 31 July 2019		**19,956**
Current		679
Non-current		19,277
Total		**19,956**

RECOGNITION AND MEASUREMENT

Multi-employer plans

Multi-employer plans are defined contribution plans or defined benefit plans that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Where a multi-employer plan is a defined benefit plan, an entity shall account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan as if it were a defined contribution plan.

Contributions payable to a defined contribution plan are recognised as a liability, after deducting any contribution already paid. Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the period in which the employees render the related service, they shall be discounted using the rate applicable to high quality corporate bonds.

4 INCOME TAX

This section provides the information considered most relevant to understanding the taxation treatment adopted by the Group during the financial year.

The Group is subject to income taxes in Australia and Unites States of America. The entities incorporated in the United States of America are not part of the Australian tax consolidated group and therefore taxed separately.

TAX CONSOLIDATION

Brickworks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group (Tax Group) under the Australian Tax Consolidation regime. Brickworks Limited is the head entity of that group.

The Tax Group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable based on the current tax liability (or current tax asset) of the entity. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Such amounts are reflected in amounts receivable from or payable to other entities in the Tax Group. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is considered remote.

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

4.1 Income tax expense

	Notes	**2019** $000	**2018** $000
Profit from continuing operations before income tax		290,592	234,606
Loss from discontinued operations before income tax benefit		(60,417)	(4,607)
Profit before income tax		**230,175**	**229,999**
Prima facie tax expense calculated at 30%		69,053	69,000
(Decrease)/increase in income tax expense due to:			
Franked dividend income		(16,914)	(16,873)
Goodwill and intangibles impairment losses		15,605	–
Share of net profits of associates		2,464	3,712
Sale of 7.9 million WHSP shares		5,229	–
Business acquisition costs		2,919	–
Other non-allowable items		1,589	1,484
R&D tax incentive		(2,221)	(2,302)
Overprovided in prior years		478	(463)
Utilisation of carried forward capital losses		(2,669)	(1)
Income tax expense attributable to profit		**75,533**	**54,557**
Current tax expense		71,385	25,698
Deferred tax expense relating to movements in deferred tax balances	4.2	6,339	29,321
Overprovided in prior years		478	(463)
Utilisation of carried forward capital losses		(2,669)	1
Total income tax expense on profit		**75,533**	**54,557**
Income tax expense/(benefit) attributable to:			
Profit from continuing operations		93,697	55,850
(Loss) from discontinued operations	6.6	(18,164)	(1,293)
Income tax expense attributable to profit		**75,533**	**54,557**

	2019 $000	2018 $000
Income tax expense/(benefit) recognised directly in equity		
Tax effect on movements in reserves attributable to equity accounted investments	709	(170)
Tax effect on movements in reserves attributable to financial instruments	84	(71)
Income tax expense/(benefit) recognised in other comprehensive income	**793**	**(241)**
Tax effect on the adoption of AASB 15 by associate	152	–
Tax effect on the share of associates transferred to outside equity interests	–	(5,771)
Total income tax expense/(benefit) recognised directly in equity	**945**	**(6,012)**

4.2 *Income tax assets and liabilities*

(a) Current income tax liability/(asset)

	2019 $000	2018 $000
Current income tax liability	68,335	19,577
Current income tax asset	(991)	–

RECOGNITION AND MEASUREMENT

Current tax represents the amount expected to be paid or recovered in relation to taxable income for the financial year measured using rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

(b) Deferred income tax liability

	BALANCE SHEET		MOVEMENT THROUGH INCOME STATEMENT	
	2019 $000	2018 $000	2019 $000	2018 $000
Equity accounted investments in associated and joint ventures	317,360	296,635	20,706	30,048
Property, plant and equipment	25,225	6,790	1,307	(257)
Assets held for sale	(14,727)	–	(14,727)	–
Provisions	(27,305)	(17,946)	(1,148)	(1,910)
Tax losses and rebates	(5,419)	(159)	664	–
Intangibles	5,068	3,921	(376)	31
Other	(1,901)	642	(87)	1,409
Net deferred income tax liability	**298,301**	**289,883**	**6,339**	**29,321**

4.2 Income tax assets and liabilities (continued)

	Notes	2019 $000	2018 $000
Net deferred income tax liability related to continuing operations		299,959	289,883
Net deferred income tax asset classified as held for sale	6.6	(1,658)	–
Net deferred income tax liability		**298,301**	**289,883**

RECOGNITION AND MEASUREMENT

Deferred tax is recognised based on the amounts calculated using the balance sheet liability method in respect of temporary differences between the carrying values of assets and liabilities for financial reporting and tax purposes. The tax cost base of assets is determined based on management's intention for that asset on either use or sale as appropriate. No deferred income tax is recognised for a taxable temporary difference arising from an investment in a subsidiary, associate or a joint venture where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

5 CAPITAL AND RISK MANAGEMENT

This section provides information about the Group's capital management and its exposure to various financial risks.

The Group's activities expose it to a variety of financial risks: liquidity risk, market risk (including interest rate risk and foreign exchange risk) and credit risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance where the Group's exposure is material.

The Board approves written principles for overall risk management, as well as policies covering specific areas such as interest rate risk, foreign exchange risk, credit risk and the use of derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial assets and liabilities at balance date:

	Notes	2019 $000	2018 $000
Financial assets			
Cash and cash equivalents	5.2	74,881	21,167
Receivables	3.1(a)	133,319	122,216
Financial assets at fair value through other comprehensive income	5.3	1,462	1,181
Derivative financial assets	5.7(a)	–	376
Total financial assets		**209,662**	**144,940**
Financial liabilities			
Trade and other payables	3.1(c)	128,276	107,909
Borrowings	5.4(a)	327,768	325,000
Derivative financial liabilities	5.4(c), 5.7(a)	8,842	2,423
Total financial liabilities		**464,886**	**435,332**

RECOGNITION AND MEASUREMENT

Assets and liabilities of the Group that are measured at **fair value** are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

All assets and liabilities measured at fair value are identified in the relevant notes to the financial statements, and are either categorised as Level 1 or Level 2 with the exception of assets held for sale categorised as Level 3. There were no transfers between category levels during the current or prior financial year.

A financial liability is derecognised when the obligation under the liability has been discharged, cancelled or expires, with any resulting gain recognised in the income statement.

5.1 Capital management

The Group manages its capital to ensure that all entities in the Group can continue as going concerns while maximising the return to shareholders through an appropriate balance of net debt and total equity.

The Group's capital structure consists of debt disclosed in note 5.4, cash and cash equivalents (refer note 5.2), issued capital (note 5.5), reserves (note 5.6) and retained profits. The capital structure can be influenced by the level of dividends paid, issuance of new shares, returns of capital to shareholders, or adjustments in the level of borrowings through the acquisition or sale of assets.

The Group's capital structure is regularly measured using net debt to equity, calculated as net debt divided by a sum of net debt and total equity. Net debt represents total drawn at the reporting date (refer note 5.4) less cash and cash equivalents (note 5.2) and total equity includes contributed equity (note 5.5), reserves (note 5.6) and retained earnings.

The Group's strategy during the year was to maintain the total debt to capital employed (at a consolidated level) below a loan facilities banking covenant limit of 40% imposed per the syndicated loan facility agreement disclosed in note 5.4 (2018: 40%).

5.1 *Capital management (continued)*

	2019 $000	2018 $000
Net debt	252,887	303,833
Total equity	2,167,358	2,071,078
Capital employed	**2,420,245**	**2,374,911**
Net debt to equity	11.7%	14.7%

5.2 *Cash and cash equivalents*

	2019 $000	2018 $000
Cash on hand	74,881	21,167

RECOGNITION AND MEASUREMENT

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. For the purpose of the statement of cash flows, cash and cash equivalents is equal to the balance disclosed in the balance sheet.

5.3 *Financial assets at fair value through other comprehensive income*

The Group's financial assets at fair value through other comprehensive income represent listed equities publicly traded on the Australian Stock Exchange. The fair value of these investments is based on quoted market prices, being the last sale price, at the reporting date. These are categorised as "Level 1" in the fair value hierarchy.

	Market value	
	2019 $000	**2018** $000
Equities – Listed	1,462	1,181
Total	**1,462**	**1,181**

5.4 *Borrowings*

(a) Available loan facilities

	2019 $000	2018 $000
Current		
Interest-bearing loans	–	–
Unamortised borrowing costs	–	–
	–	**–**
Non-current		
Interest-bearing loans	327,768	325,000
Unamortised borrowing costs	(3,527)	(895)
	324,241	**324,105**

In May 2019, the Group refinanced its Syndicated and Bridge debt facilities and established an unsecured multi-currency facility as follows:

- Tranches A, B and C – Multi-currency with a limit of an AUD equivalent of $355 million, floating interest rate. As at 31 July 2019 the facility was drawn to $38 million.
- Tranches A1 and B1 – USD $200 million, floating interest rate. As at 31 July 2019 the facility was drawn to USD $126 million, equivalent to AUD $183 million using the spot rate at the end of the year.

Upon completion of the refinancing the Syndicated and Bridge facilities were fully repaid and terminated.

The Group designated its USD unsecured debt facilities as a hedging instrument to hedge the currency risk associated with translation of Group's net investment in the newly acquired US operations into the Group's functional currency (AUD). Further information on management of foreign exchange risk is disclosed in Note 5.7(a).

In the prior year the Group entered into a $100 million syndicated Institutional Term Loan (ITL) facility. The ITL facility was fully drawn as at 31 July 2019 and consists of 3 Tranches as follows:

- Tranche A – $25.0 million, fixed interest rate
- Tranche B – $35.0 million, fixed interest rate
- Tranche C – $40.0 million, floating interest rate

The ITL facility is guaranteed by all members of the cross-guarantor group and includes financial covenants consistent with the existing Syndicated Debt Facility.

In addition, the Group has a $100.0 million working capital facility which at 31 July 2019 was drawn to $7.0 million (2018: $17.0 million).

Except for Tranche A and B of the ITL facility, interest on the Group's loan facilities is payable based on floating rates determined with reference to the US LIBOR[2] (USD) and BBSY[1] (AUD) bid rate at each maturity. Further information with regards to management of the Group's interest rate risk is disclosed in Note 5.4(c).

The fair value of interest-bearing loans at 31 July 2019 approximated their carrying amount (2018: carrying amount).

RECOGNITION AND MEASUREMENT

Borrowings are recorded initially at fair value of the consideration received, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. When the Group expects that it will continue to satisfy the criteria under its banking agreement that ensures the financier is not entitled to call on the outstanding borrowings, and the term is greater than 12 months, the borrowings are classified as non-current.

(b) Management of liquidity risk

The Group manages liquidity risk by maintaining a combination of adequate cash reserves, bank facilities and reserve borrowing facilities, continuously monitored through forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. At 31 July 2019 the Group had AUD $410.0 million and USD $74.0 million of unused bank facilities (2018: $230.0 million).

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

1 The Bank Bill Swap Bid Rate (BBSY) is a benchmark interest rate quoted by Reuters Information Service.

2 US Libor is benchmark interest as referenced by the London Inter-bank Offered Rate (LIBOR).

5.4 Borrowings (continued)

The maturity profile of the Group's loan facilities at 31 July 2019 is outlined below.

Facility	Currency	Limit ($m)	Drawn ($m)	Available ($m)	Maturity date
Tranche A	AUD	100	–	100	August 2023
Tranche B	AUD	175	–	175	August 2024
Tranche C	AUD	80	38	42	August 2022
Syndicated loan facility	AUD	**355**	**38**	**317**	
Tranche A1	USD	100	100	–	August 2023
Tranche B1	USD	100	26	74	August 2024
Syndicated loan facility	USD	**200**	**126**	**74**	
Facility A-ITL	AUD	25	25	–	February 2028
Facility B-ITL	AUD	35	35	–	February 2026
Facility C-ITL	AUD	40	40	–	February 2026
Syndicated ITL facility	AUD	**100**	**100**	**–**	
Working capital facility	AUD	**100**	**7**	**93**	December 2020

The table below analyses the undiscounted value of the Group's financial liabilities and derivatives based on the remaining period at the reporting date to maturity. For bank facilities the cash flows have been estimated using interest rates applicable at the end of the reporting period.

	1 year or less $'000	1 to 5 years $'000	5 to 10 years $'000	Total $'000
31 July 2019				
Trade and other payables	128,276	–	–	128,276
Borrowings	14,088	280,624	106,173	400,885
Derivatives	644	8,198	–	8,842
	143,008	**288,822**	**106,173**	**538,003**
31 July 2018				
Trade and other payables	107,909	–	–	107,909
Borrowings	13,544	258,792	110,996	383,332
Derivatives	501	1,491	431	2,423
	121,954	**260,283**	**111,427**	**493,664**

(c) Management of interest rate risk

The Group's main interest rate risk arises from fluctuations in the BBSY bid rate and US Libor relating to bank borrowings. Where appropriate, the Group uses interest rate derivatives to eliminate some of the risk of movements in interest rates on borrowings, and increase certainty around the cost of borrowed funds.

Interest rate swaps

The Group has entered into interest rate swaps contracts which allow the Group to swap floating rates into an average fixed rate of 2.88% (2018: 3.06%). The contracts require settlement of net interest receivable or payable usually around every 90 days. The settlement dates are aligned with the dates on which interest is payable on the underlying bank borrowings and are brought to account as an adjustment to borrowing costs.

The fair value of interest rate swaps is outlined below. During the financial year ended 31 July 2019 the Group entered into new interest swaps arrangements with a notional value of $150.0 million. These swaps will replace the existing arrangements due to expire over the next 12 months.

	NOTIONAL PRINCIPAL AMOUNT		AVERAGE INTEREST RATE		FAIR VALUE	
	2019 $000	**2018** $000	**2019** %	**2018** %	**2019** $000	**2018** $000
Less than 1 year	50,000	75,000	3.43	3.49	642	501
1 to 3 years	25,000	125,000	2.27	2.89	8,198	1,491
3 to 5 years	100,000	50,000	2.76	2.86	–	431
Total	**175,000**	**250,000**	**2.88**	**3.06**	**8,840**	**2,423**

The fair value of these derivatives is calculated using market observable inputs, including projected forward interest rates for the period of the derivative. These are categorised as "Level 2" in the fair value hierarchy.

RECOGNITION AND MEASUREMENT

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. The Group designates certain derivatives as either fair value or cash flow hedges.

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

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

Changes in the fair value of **derivatives which do not qualify for hedge accounting** are recognised immediately in the income statement.

Sensitivity analysis

At 31 July 2019, if interest rates had been +/- 1% per annum throughout the year, with all other variables being held constant, the profit after income tax for the year would have been $2.0 million higher or lower respectively (2018: $1.54 million higher/lower). There would not have been any other significant impacts on equity.

5.5 Contributed equity

	2019 Number of shares	**2018** Number of shares	**2019** $'000	**2018** $'000
Contributed equity				
Ordinary shares, fully paid	149,771,794	149,408,331	363,515	357,387
Treasury shares	(810,821)	(823,552)	(12,286)	(11,514)
			351,229	**345,873**
Movement in ordinary issued capital				
Opening balance 1 August	149,408,331	149,105,838	357,387	353,234
Issue of shares through employee share plan	363,463	302,493	6,150	4,170
Share issue costs	–	–	(22)	(17)
Closing balance 31 July	**149,771,794**	**149,408,331**	**363,515**	**357,387**
Movement in treasury shares				
Opening balance 1 August	(823,552)	(869,044)	(11,514)	(12,420)
Issue of shares through employee share plan	(363,463)	(302,493)	(6,150)	(4,170)
Purchase of shares through employee share plan	(34,867)	(40,798)	(590)	(562)
Shares vested to employees	411,061	388,783	5,968	5,638
Closing balance 31 July	**(810,821)**	**(823,552)**	**(12,286)**	**(11,514)**

5.5 Contributed equity (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares represent own equity instruments which are issued or acquired for later payment as part of employee share-based payment arrangements and deducted from equity. These shares are held in trust by the trustee of the Brickworks Deferred Employee Share Plan and vest in accordance with the conditions attached to the granting of the shares. The accounting policy applied in respect of share-based payments is disclosed in Note 7.1.

5.6 Reserves

	Notes	Capital Profits Reserve $'000	Equity Adjust-ments Reserve $'000	General Reserve $'000	Foreign Currency Translation Reserve $'000	Share-based Payments Reserve $'000	Invest-ments revaluation reserve $'000	Associates and JVs Reserve $'000	Total $'000
Balance at 1 August 2018		88,102	(18,779)	36,125	(1,463)	5,537	1,181	198,391	309,094
Adjustment on the adoption of AASB 9 (net of tax)		–	6,906	–	–	–	–	(23,019)	(16,113)
Restated balance at 1 August 2018		**88,102**	**(11,873)**	**36,125**	**(1,463)**	**5,537**	**1,181**	**175,372**	**292,981**
Other comprehensive income for the year		–	(793)	–	806	–	280	2,353	2,646
Change in ownership interest in the associate		–	1,063	–	–	–	–	(13,328)	(12,265)
Shares vested to employees		–	–	–	–	(5,968)	–	–	(5,968)
Share based payments expense	7.1	–	–	–	–	5,963	–	–	5,963
Balance at 31 July 2019		**88,102**	**(11,603)**	**36,125**	**(657)**	**5,532**	**1,461**	**164,397**	**283,357**
Balance at 1 August 2017		88,102	(19,020)	36,125	(1,495)	5,695	–	200,375	309,782
Other comprehensive income for the year		–	241	–	32	–	1,181	(1,984)	(530)
Shares vested to employees		–	–	–	–	(5,638)	–	–	(5,638)
Share based payments expense	7.1	–	–	–	–	5,480	–	–	5,480
Balance at 31 July 2018		**88,102**	**(18,779)**	**36,125**	**(1,463)**	**5,537**	**1,181**	**198,391**	**309,094**

NATURE AND PURPOSE OF RESERVES

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

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

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

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

Share-based payments reserve represents the value of bonus shares granted to employees that have been recognised as an expense in the income statement but are yet to vest to employees.

Investment revaluation reserve represents amounts arising on the remeasurement of financial assets at fair value through other comprehensive income.

Associates and JVs reserve represents the Group's share of its associates and joint ventures reserves balances. The Company is unable to control this reserve in any way, and does not have any ability or entitlement to distribute this reserve, unless it is received from its associates or joint ventures in the form of dividends or trust distributions.

5.7 Management of other risks

(a) Foreign exchange risk

Translation risk

Following the acquisition of the Glen-Gery business in the USA the Group is exposed to fluctuations in US dollars (USD) related to translation of investments in overseas subsidiaries. Foreign currency translation risk is the risk that upon consolidation for financial reporting the value of investment in foreign domiciled entities will fluctuate due to changes in foreign currency rates.

The Group uses USD denominated borrowings to the hedge the Group's net investment in overseas subsidiaries. The related exchange gains/losses on foreign currency movements are recognised in the Foreign Exchange Currency Translation Reserve. As at 31 July 2019 the net investment in the US subsidiaries of the Group of USD $139.6 million (2018: $nil) was hedged with USD denominated borrowings of USD 126.0 million (2018: $nil).

Transaction risk

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

The Group has a limited exposure to foreign currency fluctuations due to its importation of goods. The main exposure is to USD and Euros (EUR). It is the policy of the Group to enter into forward foreign exchange contracts to cover specific currency payments, as well as covering anticipated purchases for up to 12 months in advance.

The fair value of foreign currency forward contracts is outlined below:

	FAIR VALUE	
	2019 $000	**2018** $000
USD forward contracts	–	378
EUR forward contracts	(2)	(2)
Net derivative asset /(liability)	**(2)**	**376**

The overall level of exposure to foreign currency purchases is not material to the Group. Accordingly, any reasonably foreseeable fluctuation in the exchange rate of the USD and EUR resulting in changes to foreign currency receivables and payables would not have a material impact on either profit after tax or equity of the Group.

(b) Credit risk

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

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

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

(c) Equity price risk

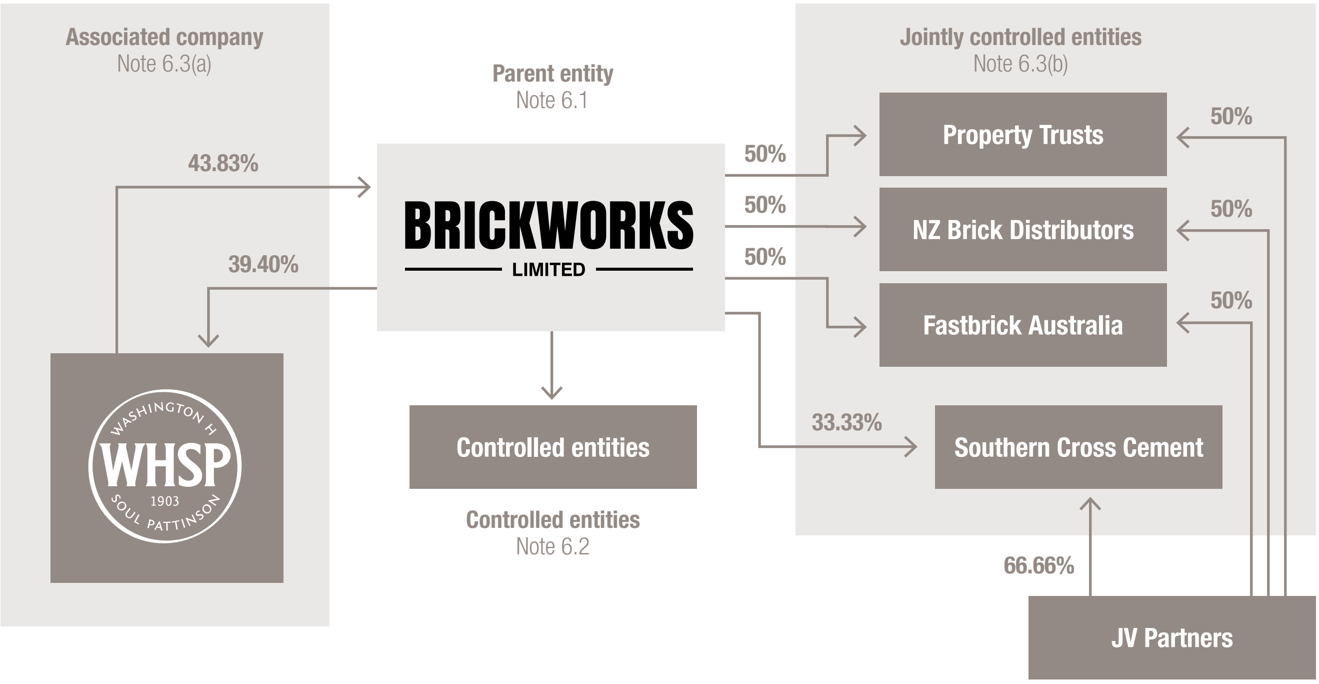
The Group does not have material direct exposure to equity price risk, as the value of its share trading portfolio is insignificant, and hence any fluctuations in equity prices would not be material to either profit after tax or equity of the Group.

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

At the time of preparing this report, there was no publicly available information regarding the effects of any reasonably foreseeable fluctuations in equity values on net profit or equity of WHSP at 31 July 2019 or subsequently.

6 GROUP STRUCTURE

This section explains significant aspects of Brickworks' group structure, including equity accounted investments that the Group has an interest in and its controlled entities. When applicable, it also provides information on business acquisitions made during the financial year.



6.1 Parent entity disclosures

	2019 $000	2018 $000
Statement of financial position		
Current assets	2,931	511
Non-current assets	1,270,898	1,141,518
Current liabilities	(74,371)	(23,930)
Non-current liabilities	(595,448)	(611,864)
Net assets	**604,010**	**506,235**
Equity		
Issued capital	351,229	345,873
Reserves	92,555	101,661
Retained earnings	160,226	58,701
Total equity	**604,010**	**506,235**
Statement of financial performance		
Profit after tax	183,900	48,973
Total comprehensive income	174,800	48,973

Parent entity's contingent liabilities of $9.3 million (2018: $9.1 million) were associated with bank guarantees issued in the ordinary course of business.

There are no contractual commitments for the acquisition of property, plant and equipment of the parent entity (2018: nil).

6.2 *Controlled entities*

Details of wholly owned entities within the Brickworks Group of companies are as follows.

Entity	% GROUP'S INTEREST 2019	% GROUP'S INTEREST 2018
Incorporated in Australia		
A.C.N. 000 012 340 Pty Ltd[1]	100	100
A.C.N. 074 202 592 Pty Ltd[1]	100	100
AP Installations (NSW) Pty Ltd[1]	100	100
AP Installations (Qld) Pty Ltd[1]	100	100
Austral Bricks (NSW) Pty Ltd[1]	100	100
Austral Bricks (Qld) Pty Ltd[1]	100	100
Austral Bricks (SA) Pty Ltd[1]	100	100
Austral Bricks (Tas) Pty Ltd[1]	100	100
Austral Bricks (Tasmania) Pty Ltd[1]	100	100
Austral Bricks (Vic) Pty Ltd[1]	100	100
Austral Bricks (WA) Pty Ltd[1]	100	100
Austral Bricks Holdings Pty Ltd[1]	100	100
Austral Facades Pty Ltd[1]	100	100
Austral Masonry (NSW) Pty Ltd[1]	100	100
Austral Masonry (Qld) Pty Ltd[1]	100	100
Austral Masonry (Vic) Pty Ltd[1]	100	100
Austral Masonry Holdings Pty Ltd[1]	100	100
Austral Precast (NSW) Pty Ltd[1]	100	100
Austral Precast (Qld) Pty Ltd[1]	100	100
Austral Precast (Vic) Pty Ltd[1]	100	100
Austral Precast (WA) Pty Ltd[1]	100	100
Austral Precast Holdings Pty Ltd[1]	100	100
Austral Roof Tiles Pty Ltd[1]	100	100
Auswest Timbers (ACT) Pty Ltd[1]	100	100
Auswest Timbers Holdings Pty Ltd[1]	100	100
Auswest Timbers Pty Ltd[1]	100	100
Bowral Brickworks Pty Ltd[1]	100	100
Brickworks Building Products Pty Ltd[1]	100	100
Brickworks Building Products (NZ) Pty Ltd[1]	100	100
Brickworks Cement Pty Limited[1]	100	100
Brickworks Construction Materials Pty Limited[1]	100	100
Brickworks Head Holding Co Pty Ltd[1]	100	100
Brickworks Industrial Developments Pty Ltd[1]	100	100
Brickworks Properties Pty Ltd[1]	100	100
Brickworks Property Finance Co Pty Ltd	100	100
Brickworks Specialised Building Systems Pty Ltd[1]	100	100
Brickworks Sub Holding Co No. 1 Pty Ltd[1]	100	100
Brickworks Sub Holding Co No. 2 Pty Ltd[1]	100	100
Brickworks Sub Holding Co No. 3 Pty Ltd[1]	100	100

Entity	% GROUP'S INTEREST 2019	% GROUP'S INTEREST 2018
Incorporated in Australia		
Brickworks Sub Holding Co No. 4 Pty Ltd[1]	100	100
Brickworks Sub Holding Co No. 5 Pty Ltd[1]	100	100
Brickworks Sub Holding Co No. 6 Pty Ltd[1]	100	100
Brickworks Sub Holding Co No. 7 Pty Ltd[1]	100	100
Brickworks Sub Holding Co No. 8 Pty Ltd[1]	100	100
Bristile Guardians Pty Ltd[1]	100	100
Bristile Holdings Pty Ltd[1]	100	100
Bristile Pty Ltd[1]	100	100
Bristile Roofing (East Coast) Pty Ltd[1]	100	100
Bristile Roofing Holdings Pty Ltd[1]	100	100
Christies Sands Pty Ltd[1]	100	100
Clifton Brick Holdings Pty Ltd[1]	100	100
Clifton Brick Manufacturers Pty Ltd[1]	100	100
Daniel Robertson Australia Pty Ltd[1]	100	100
Davman Builders Pty Ltd[1]	100	100
Brickworks Building Products North America Pty Ltd (formerly Dry Press Publishing Pty Ltd)[1]	100	100
Hallett Brick Pty Ltd[1]	100	100
Hallett Roofing Services Pty Ltd[1]	100	100
Horsley Park Holdings Pty Ltd[1]	100	100
International Brick & Tile Pty Ltd[1]	100	100
J. Hallett & Son Pty Ltd[1]	100	100
Lumetum Pty Ltd[1]	100	100
Metropolitan Brick Company Pty Ltd[1]	100	100
Nubrik Concrete Masonry Pty Ltd[1]	100	100
Nubrik Pty Ltd[1]	100	100
Pilsley Investments Pty Ltd[1]	100	100
Prestige Brick Pty Ltd[1]	100	100
Prestige Equipment Pty Ltd[1]	100	100
Southern Bricks Pty Ltd[1]	100	100
Terra Timbers Pty Ltd[1]	100	100
The Austral Brick Co Pty Ltd[1]	100	100
The Warren Brick Co Pty Ltd[1]	100	100
Visigoth Pty Ltd[1]	100	100
Incorporated in the United States of America		
Brickworks North America Corporation	100	–
Glen-Gery Corporation	100	–
Landmark Stone Products, LLC	100	–
Redfield Quarry, LLC	100	–

RECOGNITION AND MEASUREMENT

Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements have been prepared by consolidating the financial statements of Brickworks Limited and its controlled entities. All inter-entity balances and transactions are eliminated. All wholly owned entities within the Group have been consolidated in these financial statements.

1 The entity is party to a deed of cross guarantee (refer note 6.4).

6.3 *Investments accounted for using the equity method*

	Notes	2019 $000	2018 $000
Associated companies	6.3(a)	1,212,072	1,270,049
Joint ventures	6.3(b)	600,955	501,455
Total investments accounted for using the equity method		**1,813,027**	**1,771,504**

RECOGNITION AND MEASUREMENT

Under the **equity method**, the investments are carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of an associate or a joint venture.

After applying the equity method of accounting, the Group determines whether it is necessary to recognise an additional impairment loss with respect to its investment in an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment is impaired. If there is such evidence, the Group calculates the amount of impairment as a difference between the recoverable amount of the associate or joint venture and its carrying amount, and the recognises the loss as 'Share of net profits of associates and joint ventures' in the income statement.

The consolidated income statement reflects the Group's share of the results of operations of the associate/jointly controlled entity.

(a) Associated company

	GROUP'S INTEREST		CONTRIBUTION TO GROUP PROFIT BEFORE TAX		CARRYING VALUE		MARKET VALUE OF SHARES	
	2019 %	2018 %	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Washington H. Soul Pattinson and Company Limited	39.40	42.72	74,642	100,179	1,212,072	1,270,049	2,141,890	2,231,266

Washington H. Soul Pattinson and Company Limited's (WHSP) shares are publicly traded on the Australian Stock Exchange (ASX code: SOL). The nature of WHSP's activities is outlined below:

Investing	Investments in cash, term deposits and equity investments (including investments in telecommunications, pharmaceutical, property and agriculture businesses listed on the Australian Stock Exchange)
Energy	Coal, oil and gas activities
Copper and gold operations	Copper and gold mining activities

In addition to the Group owning 39.40% (2018: 42.72%) of issued ordinary shares of WHSP, at 31 July 2019 WHSP owned 43.83% (2018: 43.94%) of issued ordinary shares of Brickworks Limited.

During the year ended 31 July 2019, the Group sold 7.9 million WHSP shares, representing 7.77% of its holding in this entity. The gain on sale (before income tax expense) amounted to $109,447,000 (Refer to Significant items – Note 2.1). Following the sale, the Group holds 94.3 million WHSP shares representing a 39.40% interest (42.72% prior to the sale) and continues to account for this investment using the equity method.

The information disclosed below reflects the total amounts reported in the financial statements of WHSP amended to reflect adjustments made by the Group in applying the equity method of accounting.

	2019 $000	**2018** $000
Current assets	486,845	926,489
Non-current assets	4,856,858	3,913,778
Current liabilities	(301,981)	(307,945)
Non-current liabilities	(975,377)	(584,907)
Outside equity interest (OEI)	(989,805)	(974,453)
Net assets	**3,076,540**	**2,972,962**
Equity accounted carrying value	**1,212,064**	**1,270,049**
Revenue	1,616,615	1,174,882
Profit after tax attributable to members	470,815	266,846
Other comprehensive income	16,361	(3,635)
Total comprehensive income	**487,176**	**263,211**
Dividends received by Brickworks Limited from the associate	**56,381**	**56,242**

WHSP's lease commitments and contractual commitments for the acquisition of property, plant and equipment were not publicly available at the time of preparation of this report (2018: $68.6 million and $144.2 million, respectively). The Group has no legal liability for any expenditure commitments incurred by associates.

RECOGNITION AND MEASUREMENT

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

The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The consolidated financial statements include eliminations related to the cross share-holding arrangement between the Group and the associate.

6.3 Investments accounted for using the equity method (continued)

(b) Joint ventures

Information relating to joint ventures is outlined below.

	GROUP'S INTEREST		CONTRIBUTION TO GROUP PROFIT BEFORE TAX		CARRYING VALUE		PRINCIPAL ACTIVITY
	2019 %	2018 %	2019 $'000	2018 $'000	2019 $'000	2018 $'000	
Domiciled in Australia							
BGAI CDC Trust	50.00	50.00	–	–	267	277	Property development, management and leasing
BGAI Erskine Trust	50.00	50.00	21,951	9,524	123,725	113,473	
BGAI1 Capicure Trust	50.00	50.00	1,777	1,645	12,383	11,281	
BGAI1 Heritage Trust	50.00	50.00	9,057	4,202	40,528	33,704	
BGAI1 Oakdale Trust	50.00	50.00	51,753	33,435	188,012	146,488	
BGAI2 Wacol Trust	50.00	50.00	–	29	–	–	
BGMG1 Oakdale South Trust	50.00	50.00	30,165	14,677	68,810	52,167	
BGMG2 Rochedale Trust	50.00	50.00	9,398	13,434	67,117	60,784	
BGMG1 Oakdale West Trust	50.00	50.00	–	–	82,235	67,483	
Gain recognised on recognition as investment property and sale to third parties	–	–	2,506	23,413	–	–	
Property trusts	**–**	**–**	**126,607**	**100,359**	**583,077**	**485,657**	
Southern Cross Cement	33.33	33.33	5	61	10,926	9,061	Import of cement
Fastbrick Australia	50.00	–	–	–	169	–	Construction services
Domiciled in NZ							
NZ Brick Distributors	50.00	50.00	46	199	6,783	6,737	Import and distribution of building products
Total	**–**	**–**	**126,658**	**100,619**	**600,955**	**501,455**	

Property Trusts and Southern Cross Cement have balance dates of 30 June. The balance date for NZ Brick Distributors is 31 March.

Contribution to Group profit before tax from Property Trusts is set out below.

	2019 $000	2018 $000
Share of fair value adjustment of properties held by joint venture	88,865	40,330
Share of joint venture property rental profits	25,612	21,939
Gain recognised on recognition as investment property and sale to third parties	2,506	23,413
Share of profit on disposal of assets held by joint venture	9,624	14,677
Total equity accounted profit from Property Trusts	**126,607**	**100,359**

The information disclosed below reflects the total amounts reported in the financial statements of joint ventures amended to reflect adjustments made by the Group in applying the equity method of accounting. This information has been aggregated due to the similarity of the risk and return characteristics.

	2019 $000	2018 $000
Current assets	55,242	44,856
Non-current assets	1,685,903	1,429,840
Current liabilities	(32,198)	(13,355)
Non-current liabilities	(494,758)	(449,370)
Net assets	**1,214,189**	**1,011,971**
Equity accounted carrying value	**600,955**	**501,455**
Other balance sheet disclosures		
Cash and cash equivalents	27,992	24,796
Current financial liabilities	(32,198)	(10,297)
Non-current financial liabilities	(494,758)	(449,370)
Revenue	83,713	73,042
Depreciation and amortisation	(31)	(24)
Interest income	221	344
Interest expense	(18,863)	(19,339)
Profit after tax	248,309	201,300
Other comprehensive income	(8,033)	879
Total comprehensive income	**240,276**	**202,179**
Distributions received by Brickworks Limited from the joint ventures	**25,441**	**59,910**
Joint ventures' expenditure commitments		
Capital commitments	150,888	89,029
Lease commitments	–	–
Contingent liabilities of joint ventures		
Contingent liabilities incurred jointly with other investors	–	–
The entity has no legal liability for any contingent liabilities incurred by joint ventures		

RECOGNITION AND MEASUREMENT

A **joint venture** is a type of arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint venture. Joint control is the contractually agreed sharing of control arrangement, which exists only when the decisions about relevant activities require unanimous consent of the parties sharing control.

The joint venture's accounting policies conform to those used by the Group. When reporting dates of joint ventures are not identical to the Group and the joint venture is not a disclosing entity, the financial information used is internal management reports for the same period as the Group's financial year.

Profits or losses on transactions with the joint venture are deferred to the extent of the Group's ownership interest where properties remain classified as inventory by the joint venture until such time as they realised by the joint venture on sale. During the prior financial year 50% of the gain on sale of the Oakdale West land was eliminated. Total unrealised eliminated profits as at 31 July 2019 amounted to $50.1 million (2018: $52.6 million).

Investment property held by the joint venture, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in the equity accounted share of the joint venture's profit and recognised in the income statement of the Group in the period in which they arise.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management is required to make significant estimates and judgements in assessing the fair value of investment property. An independent valuation specialist was engaged to assess the fair value of investment properties held by the joint venture. The fair value of investment properties is determined using recognised valuation techniques such as the capitalisation of net income method and discounted cash flow method.

6.4 *Deed of cross guarantee*

Brickworks Limited and a number of its subsidiaries ("Closed Group") are parties to a deed of cross guarantee under which each company, including Brickworks Limited, supports liabilities and obligations of other members of the Closed Group. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785. The entities covered in the deed are listed in Note 6.2. Members of the Closed Group and parties to the deed of cross guarantee are identical.

Set out below is a consolidated balance sheet, consolidated income statement and a summary of movements in consolidated retained profits of the Closed Group.

	2019 $000	**2018** $000
Consolidated Balance Sheet		
Current assets		
Cash and cash equivalents	18,253	21,167
Receivables	109,604	121,591
Inventories	180,833	202,435
Land held for resale	–	7,383
Derivative financial assets	–	376
Prepayments	8,763	10,058
Contract assets	12,781	–
Assets classified as held for sale	15,358	–
Total current assets	**345,592**	**363,010**
Non-current assets		
Receivables	176,737	193,280
Other financial assets	202,572	11,181
Inventories	7,248	7,356
Investments accounted for using the equity method	1,229,949	1,285,847
Property, plant and equipment	495,317	504,653
Intangibles	165,178	216,130
Total non-current assets	**2,277,001**	**2,218,447**
Total assets	**2,622,593**	**2,581,457**
Current liabilities		
Trade and other payables	105,533	106,495
Derivative financial liabilities	644	501
Income tax payable	68,477	20,099
Contract liabilities	6,379	–
Liabilities directly associated with assets classified as held for sale	3,302	–
Provisions	47,356	49,103
Total current liabilities	**231,691**	**176,198**
Non-current liabilities		
Borrowings	324,241	324,105
Derivative financial liabilities	8,198	1,922
Provisions	10,291	10,494
Deferred income tax liabilities	181,589	202,445
Total non-current liabilities	**524,319**	**538,966**
Total liabilities	**756,010**	**715,164**
Net assets	**1,866,583**	**1,866,293**
Equity		
Contributed equity	351,229	345,873
Reserves	279,559	312,363
Retained profits	1,235,795	1,208,057
Total equity	**1,866,583**	**1,866,293**

	2019 $000	2018 $000
Consolidated Income Statement		
Profit before income tax	102,014	131,188
Income tax expense	(36,292)	(25,268)
Profit after income tax expense	**65,722**	**105,920**
Movement in Consolidated Retained Earnings		
Retained profits at the beginning of the year	1,208,057	1,178,712
Profit after income tax expense	65,722	105,920
Dividends paid	(66,811)	(63,109)
Share of associate's transferred to outside equity interests	28,828	(13,466)
Retained profits at the end of the year	**1,235,796**	**1,208,057**

6.5 Business combinations

(a) Acquisition of Glen-Gery Corporation

During the financial year ended 31 July 2019 the Group acquired Glen-Gery Corporation, the fourth-largest brick manufacturer in the United States. Glen-Gery has leading positions in the Midwest, Northeast and Mid-Atlantic states.

The purchase consideration was fully paid in cash and has been provisionally allocated as follows.

Business acquired	**Glen-Gery**
Date acquired	23 November 2018
Consideration	
Cash paid ($'000)	**140,790**
Assets acquired	
Cash ($'000)	2,587
Receivables ($'000)	18,317
Inventories ($'000)	62,857
Prepayments ($'000)	1,312
Property, plant and equipment ($'000)	88,241
Brand names ($'000)	8,276
Liabilities assumed	
Payables ($'000)	(12,045)
Current income tax liability ($'000)	(14)
Deferred tax liabilities ($'000)	(3,247)
Post-employment liabilities ($'000)	(19,052)
Provisions ($'000)	(10,977)
Fair value of net assets ($'000)	**136,255**
Goodwill arising on acquisition ($'000)	**4,535**
Direct costs relating to acquisition ($'000)	11,756

6.5 Business combinations (continued)

Acquisition costs of $11,756,000 were expensed and are included in Business acquisition costs.

Analysis of cash flows on acquisition	Glen-Gery
Net cash acquired with the subsidiary (included in cash flows from investing activities) ($'000)	2,587
Cash paid in the year ($'000)	(140,790)
Net cash flow on acquisition ($'000)	**(138,203)**

(b) Acquisition of Aussie Concrete Products (ACP)

During the financial year ended 31 July 2019 the Group acquired Aussie Concrete Products (ACP). ACP has a market leading position in the concrete sleeper segment. The business has manufacturing operations based in Brisbane, complemented by a national sales and distribution network. The purchase consideration was fully paid in cash and has been provisionally allocated as follows.

Business acquired	ACP
Date acquired	24 May 2019
Consideration	
Cash paid ($'000)	**4,601**
Assets acquired	
Inventories ($'000)	2,274
Property, plant and equipment ($'000)	1,218
Other assets ($'000)	173
Liabilities assumed	
Provisions ($'000)	(194)
Fair value of net assets ($'000)	**3,471**
Goodwill arising on acquisition ($'000)	**1,130**
Direct costs relating to acquisition ($'000)	359

Acquisition costs of $359,000 were expensed and are included in Business acquisition costs.

Analysis of cash flows on acquisition	ACP
Net cash acquired with the subsidiary (included in cash flows from investing activities) ($'000)	–
Cash paid in the year ($'000)	(4,601)
Net cash flow on acquisition ($'000)	**(4,601)**

(c) Information on prior year acquisition

During the financial year ended 31 July 2018 the Group acquired the assets and business of UrbanStone, a market leading manufacturer and distributor of premium paving and masonry block products. The business has manufacturing operations based in Perth, complemented by a national sales and distribution network. The purchase consideration was fully paid in cash and was allocated as follows.

Business acquired	**UrbanStone**
Date acquired	22 November 2017
Consideration	
Cash paid ($'000)	**13,314**
Assets acquired	
Cash ($'000)	6
Inventory ($'000)	3,550
Other assets ($'000)	342
Property, plant and equipment ($'000)	8,351
Brand names ($'000)	2,062
Customer relationships ($'000)	614
Liabilities assumed	
Provisions ($'000)	(1,978)
Other payables ($'000)	(590)
Deferred tax liabilities ($'000)	(209)
Fair value of net assets ($'000)	**12,148**
Goodwill arising on acquisition ($'000)	**1,166**
Direct costs relating to acquisition ($'000)	912

Acquisition costs of $912,000 were expensed and are included in Business acquisition costs.

RECOGNITION AND MEASUREMENT

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

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

6.6 *Discontinued operations and Assets held for sale*

During the current year, following a strategic review, the Group decided to exit the Auswest Timbers hardwood operations and initiated an active program to locate a buyer for its Auswest Timbers division.

As a result, as at 31 July 2019 the assets and liabilities associated with the hardwood operations of Auswest Timbers have been classified as held for sale. Their results for the year ended 31 July 2019 have been presented as discontinued operations (net of tax) including a restatement to comparative year.

	2019 $000	**2018** $000
Results of discontinued operations		
Revenue	32,346	35,846
Expenses	(43,674)	(40,453)
Operating loss	**(11,328)**	**(4,607)**
Impairment losses recognised on the measurement to fair value less costs to sell	(49,089)	–
Loss before tax	**(60,417)**	**(4,607)**
Income tax benefit	18,164	1,293
Loss after tax	**(42,253)**	**(3,314)**
Income tax benefit related to operating loss	3,437	1,293
Income tax benefit on losses recognised on the measurement to fair value less costs to sell	14,727	–
Income tax benefit	**18,164**	**1,293**
Cash flows from discontinued operations		
Net cash used in operating activities	(6,201)	(6,491)
Net cash used in investing activities	(606)	(4,035)
Net cash from financing activities	–	–
Net cash outflow	**(6,807)**	**(10,526)**
Basic (cents per share) from discontinued operations	**(28.23)**	**(2.22)**
Diluted (cents per share) from discontinued operations	**(28.23)**	**(2.22)**

	2019 $000
Assets and liabilities classified as held for sale	
Inventories	13,049
Property, plant and equipment	651
Deferred tax assets	1,658
Assets classified as held for sale	**15,358**
Provisions	(3,191)
Other liabilities	(111)
Liabilities held for sale	**(3,302)**
Net assets held for sale	**12,056**

During the financial year, an impairment charge before tax of $49,089,000 was recognised against the Auswest Timbers' inventory ($28,062,000) and property, plant and equipment ($21,027,000). This was to reflect the losses on measurement of assets held for sale at the lower of cost and fair value less cost to sell.

The fair value of the assets held for sale was calculated based on valuation techniques that include inputs that are not based on observable market data. These are categorised as "Level 3" in the fair value hierarchy.

RECOGNITION AND MEASUREMENT

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and sales is considered highly probable. They are measured at the lower of the their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from the employee benefits and financial assets.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in the excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets classified as held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is component of the entity that has been disposed of or is classified as held for sale and that represents a cash-generating unit or a group of cash-generating units and is part of a single co-ordinated plan to dispose of such line of business or area of operations. The results of discontinued operations are presented separately in the consolidated income statement.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management is required to make significant estimates and judgements in assessing the fair value of assets held for sale. The fair value of these assets is determined based on management's assessment on the values that would be recovered through a sale rather than through continuing use of assets.

7 OTHER DISCLOSURES

This section provides information on items which require disclosure to comply with AASBs and other regulatory pronouncements and any other information that is considered relevant for the users of the financial report which has not been disclosed in other sections.

7.1 Share based payments

At 31 July 2019, the Brickworks Employee Share Plans had 759 members taking part who owned a combined 1,611,577 shares or 1.08% of issued ordinary share capital (2018: 739 members, 1,713,363 shares, 1.15%). These figures exclude shares held by employees outside the Brickworks Employee Share Plans. This represented shares purchased under the salary sacrifice arrangements, as well as shares held as part of the Brickworks equity compensation plan shown below.

(a) Salary sacrifice arrangements

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

(b) Equity-based compensation plans

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

	Unvested No. of shares	**Vested** No. of shares	**Total** No. of shares
Opening balance	795,783	795,544	1,591,327
Granted	411,315	–	411,315
Vested	(411,061)	411,061	–
Forfeited / withdrawn	(25,809)	(478,875)	(504,684)
Closing balance	**770,228**	**727,730**	**1,497,958**

The unvested shares vest to employees at 20% per year for each of the following 5 years, provided ongoing employment is maintained. In addition, a performance hurdle related to the Group's Total Shareholder Return (TSR) is applicable to the unvested shares granted to the Managing Director and Chief Financial Officer. Unvested shares are unavailable for trading by the employees. All shares granted to employees provide dividend and voting rights to the employee.

A fair value of shares with a TSR performance hurdle has been determined with reference to an independent valuation. A summary of key valuation assumptions is outlined below.

	2019	**2018**
Grant date	12 September 2018	11 September 2017
Valuation method	Monte-Carlo simulation	Monte-Carlo simulation
Tranche 1 performance period	1–6 years	1–6 years
Tranche 2 performance period	2–6 years	2–6 years
Tranche 3 performance period	3–6 years	3–6 years
Tranche 4 performance period	4–6 years	4–6 years
Tranche 5 performance period	5 and 6 years	5 and 6 years
Grant date share price	$17.14	$13.78
Estimated volatility	18.30%	18.75%
Dividend yield	3.20%	3.40%
Risk free rate (forward rates 1–6 years)	1.5%–2.3%	1.72%–2.8%

(b) Equity-based compensation plans (continued)

	2019 $	2018 $
Expense arising from share-based payment transactions	5,962,848	5,480,783
Fair value of vested shares held by the plan at the end of the year (based on 31 July share price)	14,092,956	12,398,299
Fair value of shares granted during the year	6,959,450	6,145,780

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

RECOGNITION AND MEASUREMENT

The fair value determined at the grant date of the equity-settled **share based payments** is expensed over the vesting period, with a corresponding increase to the employee share reserve.

Unvested shares are included in the Contributed Equity as Treasury Shares (refer note 5.5).

7.2 Related party transactions

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

- Property transactions with various trusts (listed in note 6.3) which are jointly owned by the Group and Goodman Australia Industrial Fund, an unlisted property trust. There was no land sold into the Property during the financial year ended 31 July 2019. All transactions with the property trusts are at arm's length values.
- During the year the Group engaged Korn/Ferry International and Korn Ferry Hay Group Pty Limited, entities which employ The Hon. Robert Webster, to provide consulting services regarding executive evaluation and development. The total value of services provided was $31,156 (2018: $4,438).
- Directors and their direct-related entities are able, with all staff members, to purchase goods produced by the Group on terms and conditions no more favourable than those available to other customers.
- There were no other transactions with key management personnel during the period (2018: Nil).

7.3 Auditor's remuneration

	2019 $	2018 $
Audit of the financial report	929,000	570,000
Due diligence, tax and other advisory services in relation to business combinations	605,327	–
Other regulatory audits	12,350	30,900
Taxation services	63,146	–
Accounting advice	–	19,000
Other assurance services	55,500	22,500
Total	**1,665,323**	**642,400**

The financial statements of the Group are audited by EY. Details of non-audit services provided by EY are outlined in the Directors' Report.

7.4 *Commitments and contingencies*

(a) Commitments

	2019 $'000	2018 $'000
Contracted capital expenditure		
Within one year	24,869	7,167
Operating lease commitments		
Within one year	30,498	26,257
Between one year and five years	56,439	61,330
Later than five years	5,430	6,257
Total	**92,367**	**93,844**

Contracted capital expenditure relates to contracts to supply or construct buildings or various items of plant and equipment for use in the Building Products operating segment. These have not been provided for at balance date.

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

Leases for properties are on terms between 3 and 10 years, with renewal options of similar lengths.

(b) Contingencies

	2019 $'000	2018 $'000
Bank guarantees issued in the ordinary course of business	36,530	34,874

The Group does not anticipate that any of the bank guarantees issued on its behalf will be called upon.

The entities forming the Group are parties to various legal actions against them that are not provided for in the financial statements. These actions are being defended and the Group does not anticipate that any of these actions will result in material adverse consequences for the Group.

Associates

As noted in note 6.3(a) the Group owns 39.40% of Washington H. Soul Pattinson and Company Limited's (WHSP), a separately listed public company, which has a contingent liability with respect to one of its subsidiary companies, New Hope Corporation Limited (New Hope).

During the year two subsidiaries of New Hope, NEC and Colton, were placed into voluntary administration and New Hope has recorded a provision of $16.0 million which it considers is the best estimate of the probably future economic outflows associated with the liquidation process. There are a number of legal matters, or potential legal disputes, ongoing in relation to the administration and liquidation process of these companies and also the deed of cross guarantee proceedings.

The deed of cross guarantee proceedings relates to a claim lodged by Wiggins Island Coal Export Terminal Pty Ltd (WICET) to the Supreme Court of New South Wales in relation to the application of the deed of cross guarantee to the companies placed into voluntary administration. On 12 July 2019, the Supreme Court of NSW concluded that New Hope has not guaranteed the debts of the subsidiaries and on 20 August 2019 WICET filed an appeal with the Court of Appeal in New South Wales in relation to the court's decision. If WICET's claim is upheld New Hope will be exposed to a liability of approximately $155,000,000, New Hope continue to deny the claim.

With respect to the administration and liquidation process, the administrators appointed to NEC and Colton issued a Voluntary Administrators Report that identified a number of alleged claims that may be available to any liquidators appointed to NEC and Colton, subject to the liquidators obtaining funding and performing further investigation. The report identified potential exposure to New Hope of between nil and $48.1 million. New Hope denies these alleged claims and does not consider it has any obligations with respect to them.

The matters referred to above are on a 100% equity basis for New Hope of which WHSP owns 49.98%. The Group is not a party to any of these matters and has no direct legal liability for these matters. Should any additional liabilities be recorded by WHSP on finalisation of these matters the financial impacts will be equity accounted using the Group's 39.40% ownership interest in WHSP in accordance with the Group's equity accounting policy.

7.5 *Events occurring after balance date*

On 27 August 2019 Brickworks completed the acquisition of Sioux City Brick for US$32 million (AU$47 million). The transaction included acquisition of 100% of shares in Sioux City Brick & Tile Company as well as land assets related to the Sioux City Brick operations. Sioux City Brick has two modern manufacturing plants in Iowa, and has a leading position in the Midwest of the United States, where it has built a strong reputation for premium architectural products.

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

7.6 *Other accounting policies*

(a) Other accounting policies

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

Revenues, expenses and assets are recognised net of **goods and services tax (GST)**, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable to the taxation authority is included as a current asset or liability.

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

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Grants relating to costs are deferred and recognised in income statement over the period necessary to match them with the costs that they intend to compensate. Grants relating to the purchase of fixed assets are deducted from the carrying amount of the asset, and recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(b) New standards, interpretations and amendments adopted by the Group

The Group has adopted all amendments to Australian Accounting Standards which became applicable from 1 August 2018.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaced AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 establishes a principle-based approach for goods, services, and construction contracts, which requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to those obligations.

(i) Impact on the financial statements

The Group adopted AASB 15 during the current year, using the modified retrospective approach, which requires a cumulative catch-up adjustment to retained earnings and no restatement of comparative amounts. The Group performed a detailed assessment of the impact of AASB 15 in accordance with the five-step model. The timing and amount of revenue recognised was consistent with existing accounting standards as majority of the transactions are for sales of goods, where limited judgement is required in assessing when the performance obligation is satisfied and transfer of control occurs.

The following table shows the adjustment recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

	31 July 2018 as originally presented $'000	**Effects of the adoption of AASB 15** $'000	**1 August 2018 restated** $'000
Current assets			
Receivables	122,216	(18,254)	103,962
Contract assets	–	16,025	16,025
Current liabilities			
Payables	(107,909)	11,361	(96,548)
Provisions	(49,668)	1,101	(48,567)
Contract liabilities	–	(10,233)	(10,233)

Presentation of assets and liabilities related to contracts with customers

The Group has changed the presentation of certain amounts in the consolidated balance sheet to reflect the terminology of AASB 15:

- Contract liabilities in relation to Customer incentive programs of $1,990,000 were previously presented as part of payables.
- Contract assets recognised in relation to costs to fulfil supply and install contracts such as work in progress inventory and labour costs of $16,025,000 were previously presented as part of receivables.
- Contract liabilities in relation to advances received from customers (supply and install contracts) of $8,243,000 were previously presented as part of payables ($9,371,000), provisions ($1,101,000) or as a reduction of receivables ($2,229,000).

7.6 Other accounting policies (continued)

(ii) Building Products

Sale of goods
The Group's contracts for the sale of goods and associated freight generally include one performance obligation. The Group has concluded that revenue should be recognised at point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of AASB 15 did not result in an impact on the timing of recognition.

Revenue from supply and install contracts
Performance obligations arising from supply and install contracts have been assessed to be satisfied over time. On that basis, the Group continues to recognise revenue from these contracts over time.

Variable consideration
The Group continues to recognise revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Under AASB 15, trade discounts and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Some contracts with customers offer variable consideration such as trade discounts and volume rebates. The Group's assessment did not identify any material impact on the recognition of such arrangements on adoption of AASB 15.

Warranties
Warranties currently offered by the Group will continue to be accounted for under AASB 137 Provisions, Contingent liabilities and Contingent Assets.

(iii) Property

The revenue from leases is specifically excluded from the scope of the new revenue standard.

(iv) Investment

The share of profit or loss from its associate and joint ventures are scoped out from the new revenue standard.

In the current period the Group recognised its share of the impact on the initial adoption of AASB 15 by its associate (WHSP). The amount of $356,000 (net of tax) has been reflected in the statement of changes in equity as an adjustment to the opening balance of retained earnings.

(v) Presentation and disclosure requirements

The Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 2.2. Revenue and expenses for the disclosure on disaggregated revenue.

AASB 9 *Financial instruments*

(i) Impact on the financial statements

The Group adopted the standard using the modified retrospective approach which means that the cumulative impact of adoption has been recognised in retained earnings as of 1 August 2018 and that comparatives have not been restated.

AASB 9 replaces the classification and measurement model in AASB 139 *Financial instruments: Recognition and Measurement* with a new model that classifies financial instruments based on the business model within which the financial instruments are managed, whether the contractual cash flows under the instrument solely represent the payment of principal and interest.

Receivables
The receivables are measured at amortised cost. The new guidance under AASB 9 has not resulted in any significant changes to the classification and measurement of its financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9.

Financial assets at fair value through other comprehensive income (previously "available-for-sale financial assets")
The change in classification from available-for-sale to financial assets at fair value through other comprehensive income did not have a significant impact, as the fair value movements continue to be recognised within the other comprehensive income. However, the accounting at derecognition has changed, where all increments and decrements are no longer recycled to the profit or loss, and instead, are recognised within the other comprehensive income.

Financial liabilities
The accounting for the Group's financial liabilities under AASB 9 remains largely the same as it was under AASB 139.

Hedging accounting
AASB 9 introduces changes to hedge effectiveness and eligibility requirement to align more closely with an entity's risk management framework. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's current relationships qualify as continuing hedges upon adoption of AASB 9. Management has therefore assessed there is no material impact on hedged amounts reported with the adoption of AASB 9.

Impairment model – Receivables
An assessment was performed on the impact of the expected credit loss impairment model. Based on the assessment, the Group concluded that the impact on transition was not material. Accordingly, no adjustment to retained earnings has been made.

Associates
In the current year the Group recognised the impact on the initial adoption of AASB 9 by its associate (WHSP). The amount of $16,113,000 (net of tax) has been reflected in the statement of changes in equity as an adjustment to the opening balance of retained earnings and reserves. This amount relates primarily to long-term equity classified as Fair Value Through Other Comprehensive Income (FVTOCI) that have been previously impaired through profit or loss under AASB 139.

(ii) Changes in accounting policies

Impairment – Trade receivables
The Group applies the simplified approach to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(c) New standard not yet applicable

AASB 16 *Leases*

The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for new lease contracts. The Group is a lessee under a number of arrangements currently classified as operating leases. These arrangements relate predominantly to major plant and equipment, property and mobile plant.

The Group has selected and implemented a system solution to keep a record of leases in scope and perform the accounting entries in compliance with all aspects of AASB 16.

The standard will be first applicable for the year commencing 1 August 2019 and the Group is currently in the final stages of determining the final impact on the consolidated financial statements.

The Group plans to adopt AASB 16 Leases using the modified retrospective approach. Therefore, the net effect of the new lease labilities and right-to-use assets, adjusted deferred tax, will be recognised in retained earnings, with no restatement of comparative information.

The Group plans to apply practical expedients including: low-value and short-term lease exemptions (i.e. continue to recognise operating lease expense for low-value and short-term leases), portfolio application (i.e. use of a single discount rate to leases in the same portfolio), exclusion of initial direct costs and outgoings on all lease portfolios.

The estimated impact on the Group's consolidated statement of financial position as at 1 August 2019 and on the consolidated statement of financial performance for the year ended 31 July 2020 is set out below:

	$000
Consolidated statement of position 1 August 2019	
Recognition of right-of-use (ROU) assets	109,300
Additional deferred tax assets	1,500
Recognition of lease liabilities	114,400
Decrease in retained earnings	(3,600)
Consolidated income statement financial year 2020	
Increase in Building Products EBITDA	31,200
Increase in Building Products EBIT	4,200
Increase in net profit after tax	300
Consolidated cash flow statement financial year 2020	
Increase in operating cash flows	27,500
Reduction in finance cash flows	(27,500)

Bowral Bricks in Chillingham White

Directors'

DECLARATION

In the opinion of the Directors:

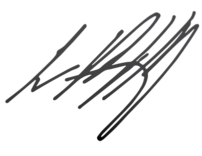
1. the complete set of the financial statements and notes of the consolidated entity, as set out on pages 93 to 141, and the additional disclosures included in the Remuneration Report section of the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*:
   (a) comply with *Australian Accounting Standards* (including the Australian Accounting Interpretations) and the *Corporations Regulati ons 2001*; and
   (b) give a true and fair view of the financial position as at 31 July 2019 and of the performance for the year ended on that date of the consolidated entity;
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
4. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.4 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

This declaration is made after receiving the declaration required to be made to the Directors in accordance with s295A of the *Corporations Act 2001* for the financial year ended 31 July 2019.

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

Dated 19 September 2019

R.D. MILLNER
Director



L.R. PARTRIDGE AM
Director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Independent AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRICKWORKS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Brickworks Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 July 2019, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including

a) giving a true and fair view of the consolidated financial position of the Group as at 31 July 2019 and of its consolidated financial performance for the year ended on that date; a

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Valuation of investment properties held within joint venture property trusts

Why significant	How our audit addressed the key audit matter

During the year the Group recorded a gain of $88.9 million relating to its share of changes in the fair value of investment properties held within the joint venture property trusts.
As disclosed in Note 6.3(b) of the financial report, investment properties are accounted for in accordance with Australian Accounting Standards, with changes in fair value recorded in the income statement.
Fair values of properties held within the joint venture property trusts are determined by the directors at the end of each reporting period with reference to external independent property valuations, with changes in fair value recognised in the consolidated statement of comprehensive income.
This was considered a key audit matter due to the judgments required in determining fair value. These judgments include determining the capitalisation rate, discount rate, market rent, re-leasing costs and forecast occupancy levels. Minor changes in certain assumptions can lead to significant changes in valuations and reported results.
	Our audit procedures included the following:
	◗ We assessed the competence, capabilities, and the objectivity of the Group's independent property valuation experts.
	◗ For independent property valuations, we:
	  ◗ Assessed the appropriateness of the valuation methodology;
	  ◗ Assessed the key assumptions and inputs including the net passing rent, operating expenses, occupancy rates, lease terms, and capital expenditure; and
	  ◗ Evaluated the capitalisation rates adopted, and movement in the year, based on our knowledge of the property portfolio, published industry reports and comparable property valuations.
	◗ Our real estate valuation specialists assisted with the assessment of a sample of independent valuations by evaluating the valuation methodology and key inputs and assumptions highlighted above.
	◗ We have evaluated the Group's assessment that property valuations conducted during the year appropriately reflect the fair value as at the Balance Sheet date by reviewing available market data and assessing whether there are any material changes in the key inputs to the valuation calculation such as rental yields and lease terms.

Gain on reclassification of inventory to investment property and other unrealised gains for property held within joint ventures

Why significant	How our audit addressed the key audit matter
As set out in Note 6.3(b) of the financial report, the Group is required to defer the profit on the sale of land to the joint venture property trusts in which it maintains an interest. This unrealised profit is recognised as income at the earlier of the property being classified as an investment property within the property trusts or sold externally. $50.1 million of gains on properties within the joint venture property trusts remain deferred on the basis that the properties continue to be classified as inventory in accordance with Australian Accounting Standards. During the year, the Group recognised a gain of $2.5 million, which had been previously deferred, attached to the last precinct of Oakdale South Lot 6 following the sale of the property by the joint venture property trust to a third party. This was a key audit matter due to the value of the gains recorded and the deferral of those gains based on the application of judgment related to the classification of the properties.	Our audit procedures included the following: ◗ We evaluated the Group's assessment that properties met the definition of investment property as set out in Australian Accounting Standards by enquiring as to the group's intentions for the property, reading board minutes and contractual agreements supporting the change in intention. ◗ Assessing the accuracy of the Group's calculation of, and accounting for, the amount of the gain recognised during the year and the amount of the gain deferred. ◗ We evaluated the adequacy of the financial report disclosures made in respect to this transaction.

Impairment of tangible and intangible assets

Why significant	How our audit addressed the key audit matter
During the year the Group fully impaired goodwill in the roofing and masonry cash generating units totalling $52 million and recognised an additional impairment charge of $49.1 million on reclassification of the Auswest Timber business to Assets Held for Sale. We considered these impairment charges to represent a key audit matter given the significant judgements and assumptions involved in the impairment conclusions.	Our audit procedures included the following: ◗ Assessment of the mathematical accuracy of the value in use cash flow models prepared by the Group to assess recoverable amount. ◗ Assessment of the underlying assumptions regarding future cash flows and agreeing the forecast used in the models to the Board approved business plans. ◗ Consideration of the historical accuracy of the Group's cash flow forecasting. ◗ Assessment of the discount rates and growth rates (including terminal growth rates) applied in the models, with involvement from our valuation specialists. ◗ Consideration of the sensitivity analysis performed by the Group, focusing on the areas in the models where a reasonably possible change in assumptions could cause the carrying amount to differ from its recoverable amount and therefore indicate further impairment on the assets. ◗ Assessing the adequacy of the disclosures relating to impairment in the financial report, including those made with respect to judgements and estimates. ◗ Consideration of offers received during the current Auswest Timber business sale process.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 73 to 88 of the directors' report for the year ended 31 July 2019.

In our opinion, the Remuneration Report of Brickworks Limited for the year ended 31 July 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

ANTHONY JONES
Partner

Sydney, 19 September 2019

Statement of

SHAREHOLDERS

ORDINARY SHARES

at 31 August 2019

Shareholders

Number of holders	**9,880**
Voting entitlement is one vote per fully paid ordinary share % of total holdings by or on behalf of 20 largest shareholders	79.24%
Distribution of shareholdings:	
1 – 1,000	5,160
1,001 – 5,000	3,630
5,001 – 10,000	584
10,001 – 100,000	456
100,001 and over	50
	9,880
Holdings of less than marketable parcel of 32 shares	615

Substantial Shareholders

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

Shareholder	Number of Shares
Washington H Soul Pattinson and Company Limited	65,645,140

20 LARGEST SHAREHOLDERS

as disclosed on the Share Register as at 31 August 2019

		Number of Shares	%
1	WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	65,645,140	43.83
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,504,169	11.69
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,032,052	5.36
4	CITICORP NOMINEES PTY LIMITED	7,834,610	5.23
5	MILTON CORPORATION LIMITED	3,234,567	2.16
6	NATIONAL NOMINEES LIMITED	3,204,330	2.14
7	J S MILLNER HOLDINGS PTY LIMITED	3,018,836	2.02
8	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,853,619	1.24
9	MRS MARGARET DOROTHY STONIER	1,498,743	1.00
10	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	937,552	0.63
11	CPU SHARE PLANS PTY LTD	840,896	0.56
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	752,478	0.50
13	CPU SHARE PLANS PTY LTD <BKW DF2 CONTROL A/C>	731,041	0.49
14	BNP PARIBAS NOMS PTY LTD <DRP>	701,118	0.47
15	T G MILLNER HOLDINGS PTY LIMITED	698,509	0.47
16	ARGO INVESTMENTS LIMITED	584,009	0.39
17	MIRRABOOKA INVESTMENTS LIMITED	454,454	0.30
18	BKI INVESTMENT COMPANY LIMITED	436,209	0.29
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	358,428	0.24
20	MILLANE PTY LIMITED	341,349	0.23
		118,662,109	**79.24**

CORPORATE
information

REGISTERED OFFICE

738–780 Wallgrove Road
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Telephone: (02) 9830 7800
Website: www.brickworks.com.au
Email: info@brickworks.com.au

AUDITORS

EY

BANKERS

National Australia Bank

SHARE REGISTER

Computershare Investor Services Pty Limited

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Telephone: 1300 855 080 (within Australia)
+61 3 9415 4000 (International)

PRINCIPAL ADMINISTRATIVE OFFICE

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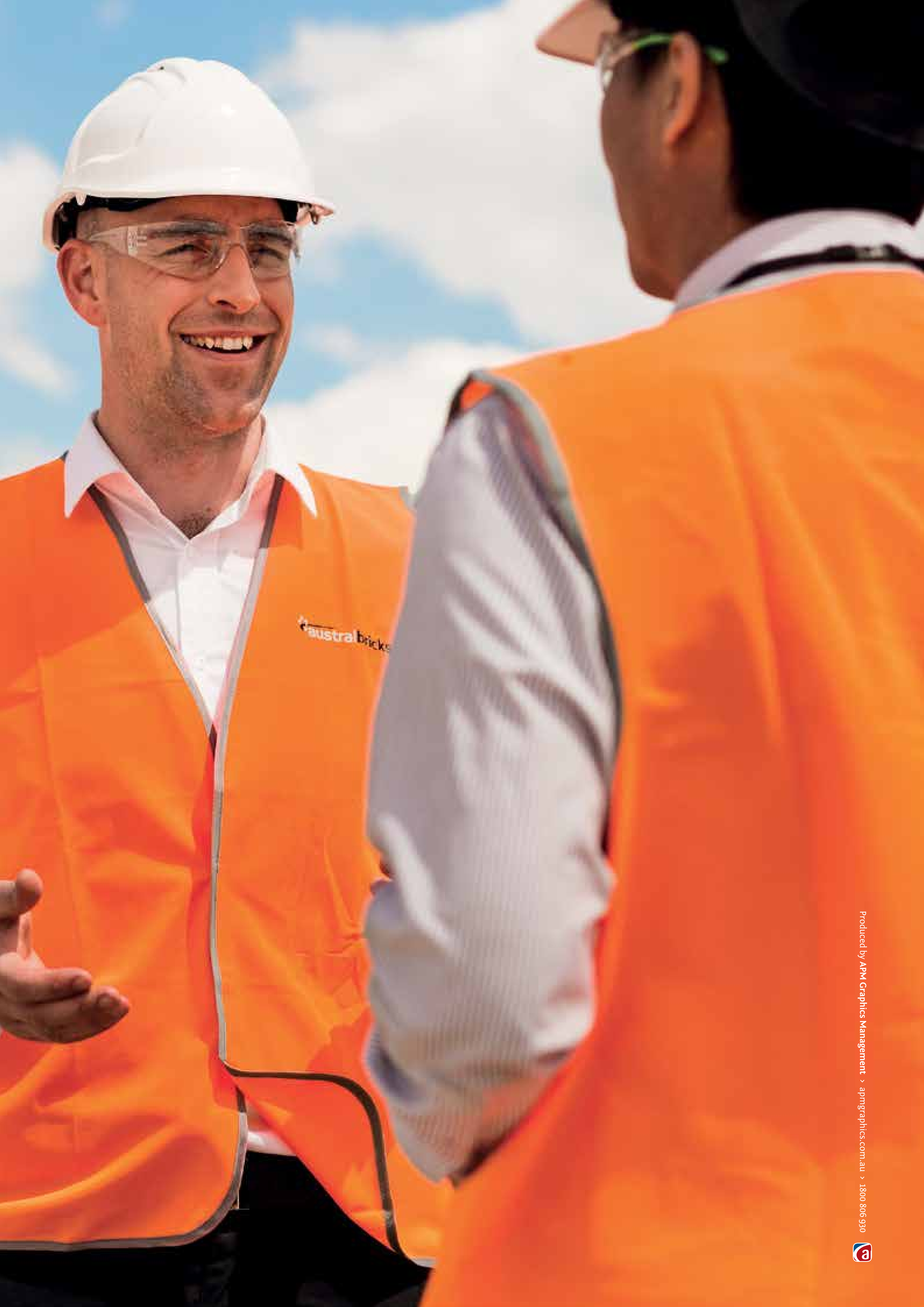
Email: info@brickworks.com.au

IMPORTANT DATES

2019 annual result released	19 September 2019
Record date for final ordinary dividend	7 November 2019
Annual General Meeting	26 November 2019
Payment date for final ordinary dividend	27 November 2019
2020 half-year end	31 January 2020
2020 half-year result announced	26 March 2020
Record date for interim ordinary dividend	14 April 2020
Payment date for interim ordinary dividend	5 May 2020
2020 financial year end	31 July 2020
2020 annual result released	24 September 2020

The above dates are indicative only and are subject to change



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BRICKWORKS

LIMITED