

# BRICKWORKS

LIMITED

ABN 17 000 028 526



## 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%
- ▶ **Total full year dividend** of 57 cents fully franked, up 3 cents or 6%

## *Review of* RESULTS

*Full year ended July 2019*

Year ended 31 July 2019

# RESULTS AT A GLANCE



**\$919m**  
Group Revenue  
↑17%

BKW 1 year total shareholder return  
**11.2% p.a.**

BKW 3 year total shareholder return  
**7.4% p.a.**

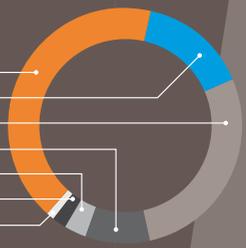
**9,848**  
Shareholders

**\$2,142m**  
Market value of WHSP shareholding

**Building Products Australia**  
– \$755m revenue

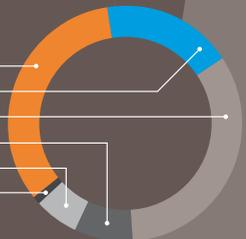
Revenue by State

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



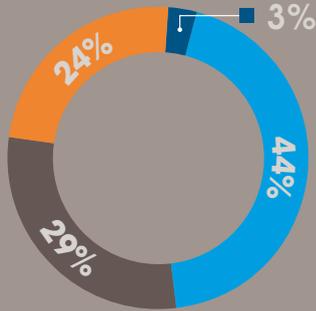
Commencements by State

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



**Note** All underlying profit and earnings measures exclude significant items and discontinued operations.

Overview of Underlying EBITDA



Total EBITDA  
**\$346m** ↑12%

Total EBIT  
**\$310m** ↑10%

Building Products Australia  
**\$88m** ↓18%

Building Products North America  
**\$12m\***

Property  
**\$158m** ↑68%

Investments  
**\$104m** ↓16%

**\$234m**

Underlying Profit

↑4%

**\$155m**

Statutory Profit

↓12%

**\$253m**

Net debt

Gearing

**12%**

**\$633m**

Property Trust net asset value

**156 cents**

Underlying earnings per share

↑4%

**38 cents**

Final ordinary dividend

↑6%

Record date 7 Nov 2019

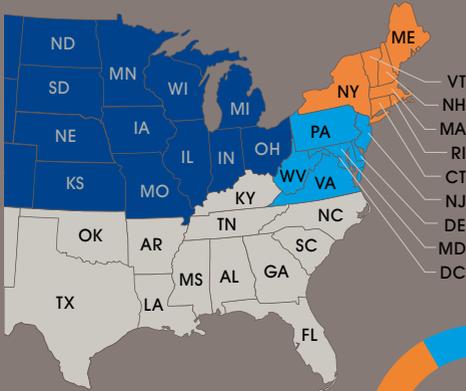
Payment date 27 Nov 2019

**57 cents**

Total full year dividend

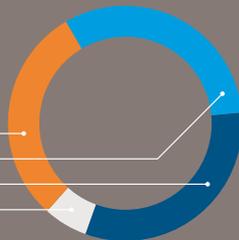
↑6%

Building Products North America – \$121m revenue (~8 months)\*



Revenue by Region

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



Revenue by End Market

Detached Houses	35%
Non Residential	51%
Multi Residential	14%



\* Brickworks Building Products North America was established following the acquisition of Glen-Gery in November 2018

*Five Year*

# SUMMARY

	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000	Growth %
<b>Total revenue</b>	<b>679,045</b>	<b>707,646</b>	<b>803,397</b>	<b>785,238</b>	<b>918,695</b>	<b>17%</b>
<i>Earnings before interest and tax<sup>1</sup></i>						
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%)
<b>Total EBIT</b>	<b>168,061</b>	<b>198,870</b>	<b>251,196</b>	<b>282,367</b>	<b>309,823</b>	<b>10%</b>
<b>Total EBITDA</b>	<b>191,886</b>	<b>224,964</b>	<b>277,814</b>	<b>310,535</b>	<b>346,472</b>	<b>12%</b>
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%)
<b>Underlying net profit after tax<sup>1</sup></b>	<b>121,338</b>	<b>148,265</b>	<b>199,811</b>	<b>225,642</b>	<b>234,228</b>	<b>4%</b>
Significant items net of tax	(35,492)	(61,299)	(8,175)	(46,886)	(37,333)	
Discontinued operations net of tax (inc. sig items)	(7,756)	(8,776)	(5,426)	(3,314)	(42,253)	
<b>Net profit after income tax (inc sig items &amp; discontinued ops)</b>	<b>78,090</b>	<b>78,190</b>	<b>186,210</b>	<b>175,442</b>	<b>154,642</b>	<b>(12%)</b>
<b>Per share earnings and dividends</b>						
Basic earnings per share (cents)	52.6	52.6	124.9	117.5	103.3	(12%)
Underlying earnings per share (cents) <sup>1</sup>	81.7	99.7	134.1	151.1	156.5	4%
<b>Ordinary dividends per share (cents)</b>	<b>45.0</b>	<b>48.0</b>	<b>51.0</b>	<b>54.0</b>	<b>57.0</b>	<b>6%</b>
<b>Ratios</b>						
Net tangible assets per share (\$)	10.59	10.96	11.77	12.42	13.28	7%
Statutory return on shareholders' equity	4.3%	4.3%	9.5%	8.5%	7.1%	(16%)
Underlying return on shareholders' equity <sup>1</sup>	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%)

**Note:** 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.

# 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.

## CHAIRMAN'S LETTER

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<sup>2</sup> (\$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<sup>3</sup>.

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 Bunday 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.

## *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 Bristle 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.

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.

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 66,000m<sup>2</sup> 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 Bristle Roofing businesses in Brisbane, and is expected to deliver solid returns on invested capital.

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

## MANAGING DIRECTOR'S OVERVIEW

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



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

# 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.

## FINANCIAL OVERVIEW

Significant Items	Gross \$m	Tax \$m	Net \$m
Gain on sale of WHSP Shares	110	(38)	71
Bristle 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)
<b>Total (Continuing Ops)</b>	<b>5</b>	<b>(42)</b>	<b>(37)</b>

**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 Bristle 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.

## 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 Bristle 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.

## 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.



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

# 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.*

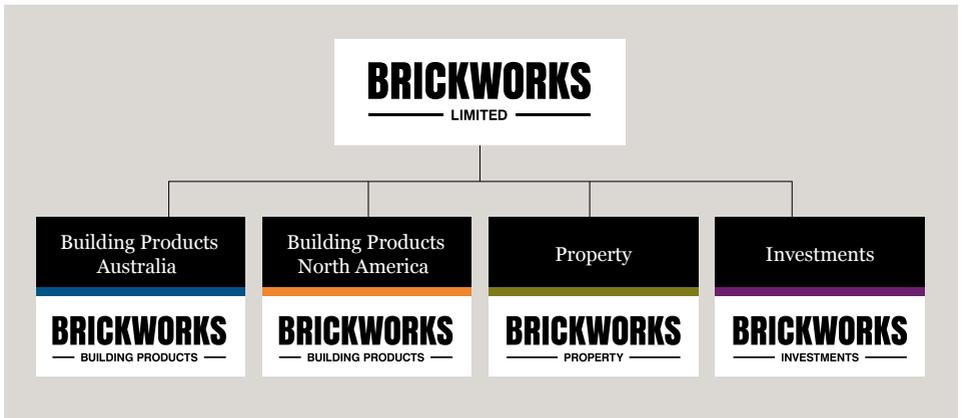
### BUILDING PRODUCTS AUSTRALIA

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.





Urbanstone  
Commercial Natural  
Stone – Brett Whiteley Place,  
North Sydney, NSW

## 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.

*Building products*

# AUSTRALIA

## MARKET CONDITIONS – SUMMARY OF HOUSING COMMENCEMENTS

Estimated Starts <sup>4</sup>	Detached Houses			Other Residential			Total		
	Jun 18	Jun 19	Change	Jun 18	Jun 19	Change	Jun 18	Jun 19	Change
New South Wales <sup>5</sup>	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%
<b>Total Australia<sup>6</sup></b>	<b>121,460</b>	<b>109,690</b>	<b>(10%)</b>	<b>108,270</b>	<b>85,140</b>	<b>(21%)</b>	<b>229,730</b>	<b>194,830</b>	<b>(15%)</b>
New Zealand <sup>7</sup>	21,176	21,438	1%	11,684	13,366	14%	32,860	34,804	6%

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.

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.

## OVERVIEW OF FY2019 RESULT

Year Ended July	2018	2019	Change
	\$m	\$m	%
Revenue	784	755	(4%)
EBITDA	107	88	(18%)
<b>EBIT</b>	<b>79</b>	<b>57</b>	<b>(27%)</b>
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 (Safety) <sup>8</sup>	20.4	19.6	(4%)
LTIFR (Safety) <sup>9</sup>	1.7	1.7	–

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.

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 Bristle 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.

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.

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.

### 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 1920's.

### 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.

### 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 margins. Margins in Queensland were adversely impacted by particularly strong competition in that state.



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

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.

## 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.

## *Building products*

# NORTH AMERICA

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

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.

## MARKET CONDITIONS<sup>10</sup>

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.

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

<sup>10</sup> Market data based on US Census Bureau reports.

## OVERVIEW OF FY2019 RESULT

	<b>\$US</b>	<b>\$AU</b>
<b>23 Nov 18 – 31 Jul 19</b>	\$m	\$m
Revenue	80	121
EBITDA	8	12
<b>EBIT</b>	<b>4</b>	<b>6</b>
EBITDA margin		10%
EBIT margin		5%
Full Time Equivalent Employees (#)		617
TRIFR (Safety)		7.6
LTIFR (Safety)		29.1

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 roll-out 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.

## 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 three modern production lines with a total capacity of around 160 million bricks per year, located at two 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 five 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.



# 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%)
<b>Property Trust</b>	<b>101</b>	<b>127</b>	<b>26%</b>
Land Sales	(3)	35	NA
Property Admin and Other	(4)	(4)	–
<b>Total</b>	<b>94</b>	<b>158</b>	<b>68%</b>

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.

## 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%)
<b>Total Property Trust assets</b>	<b>1,527</b>	<b>1,756</b>	<b>15%</b>
Borrowings on leased assets	(451)	(490)	(9%)
<b>Net Property Trust assets</b>	<b>1,076</b>	<b>1,266</b>	<b>18%</b>
<b>Brickworks 50% share</b>	<b>538</b>	<b>633</b>	<b>18%</b>
Rental return leased assets <sup>11</sup>	6%	6%	(8%)
Reval. return leased assets <sup>12</sup>	7%	15%	129%
Total return on leased assets	13%	21%	62%
Gearing on leased assets <sup>13</sup>	39%	35%	(10%)

## 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 – DEVELOPMENT PIPELINE

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

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

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

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.

## PROPERTY TRUST – LEASED PROPERTIES

Estate	Asset Value \$m	Gross Lettable Area '000m <sup>2</sup>	Gross Rental \$m/year	WALE <sup>14</sup> 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%
<b>Total</b>	<b>1,411</b>	<b>643</b>	<b>78</b>	<b>6</b>	<b>5.4%</b>

Following these developments, there remains up to 45,000m<sup>2</sup> 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 65,000m<sup>2</sup> 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 25,000m<sup>2</sup> 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.



Iron Mountain development  
– Oakdale South

14 Weighted average lease expiry by income.

# 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.

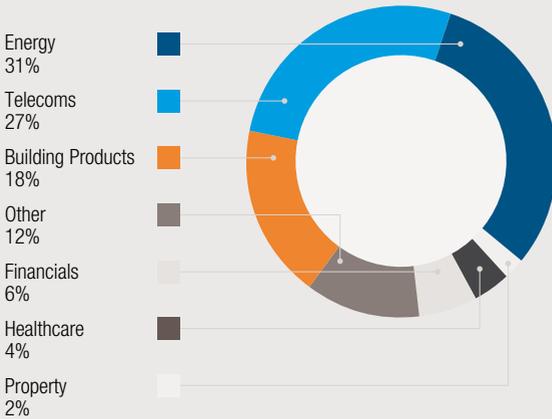
WHSP has delivered outstanding returns over the long term, with fifteen year returns of 11.6% per annum to 31 July 2019 being 2.6% ahead of the All Ordinaries Accumulation Index.

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 year.

## Investment Market Exposure



**NEW HOPE  
GROUP**



**Apex  
Healthcare**  
Service • Quality • Integrity

# 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%.

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 rollout of best practice workplace health and safety programs in the acquired North American operations.

## KEY INITIATIVES

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%.

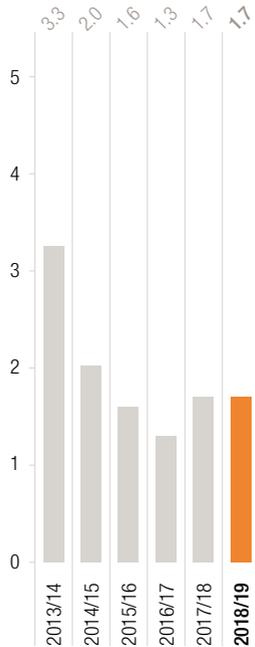
During the year, the Company completed a review of National Transport systems and an audit of the heavy vehicle fleet to evaluate the effectiveness of existing procedures, documentation, and ensure satisfactory compliance with regulations and internal policies. Following this review, a number of recommendations 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.

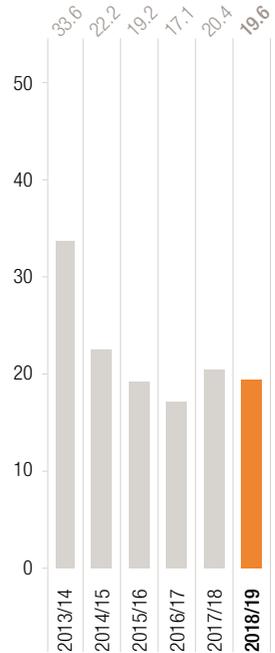
Safe environments and systems alone will not eliminate workplace injuries and having good general health is crucial in reducing injuries in the workplace. As such, employee health and wellbeing is another key focus area for the Company.

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.

### Lost Time Injury Frequency Rate (LTI / million hrs worked)



### Total Recordable Injury Frequency Rate (TRI / million hrs worked)



# 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.*

## 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.



Build for a Cure House

*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

*We create  
BEAUTIFUL  
PRODUCTS  
that last  
forever*



*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

The FY2019 Sustainability Report can be found at [www.brickworks.com.au](http://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.

## 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.

OVERVIEW OF SUSTAINABILITY

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



**19.6**

TRIFR



**1.7**

LTIFR



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%



OUR PEOPLE

### 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



ENVIRONMENT

### COMMUNITY

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



COMMUNITY

### 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.



RESPONSIBLE  
BUSINESS

# 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.

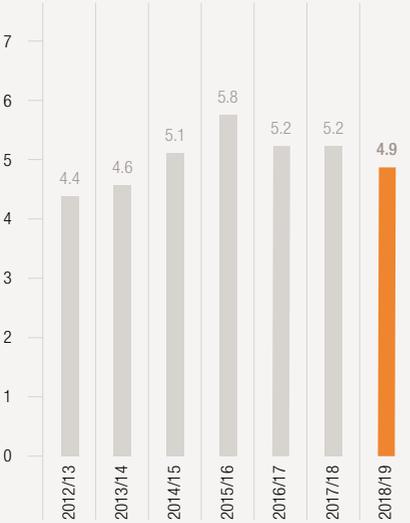
Our FY2019 Sustainability Report shares more on our product innovation achievements, such as high void bricks manufactured in Queensland, reducing raw material requirements by 11%. During FY2020, Brickworks will continue to focus on product design, waste re-use and material substitution initiatives.

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.

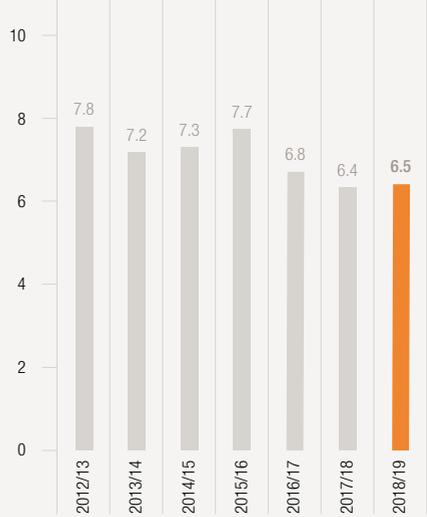
Over the last 12 months, a National Quality Initiative has been implemented across all divisions. This initiative examines waste data tracked across the last 3 years. Improved monitoring and management have led to continued improvement, reducing waste costs by a total of \$1.6 million over the last 24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

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

**Brickworks Ltd**  
**Energy Consumption (PJ)**



**Brickworks Ltd**  
**Energy Intensity (TJ/\$M Revenue)**



**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.

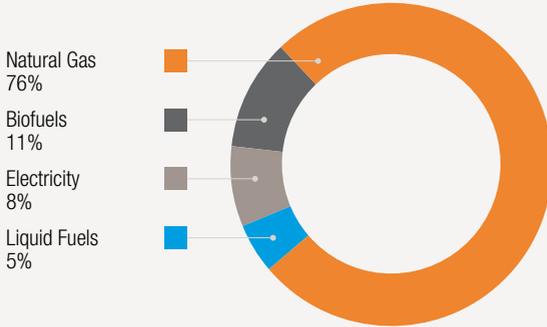
In FY2019, Brickworks total energy usage within Australian operations was 4.9PJ, a 5.7% reduction from 5.2PJ the previous year.

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

## ENVIRONMENTAL SUSTAINABILITY

### 2019 Energy Mix

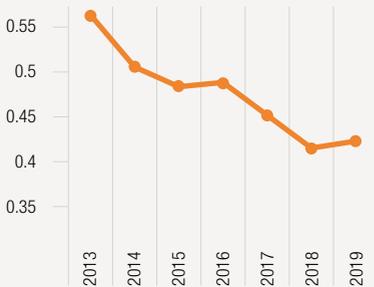


Plant 3 both continue to substitute natural gas with landfill gas, sourced from neighbouring landfills. Use of these fuels at Plant 3 was interrupted in FY2019, due to a required blower replacement at the landfill site.

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.

### Brickworks Ltd Carbon Intensity (ktCO<sub>2</sub>-e/\$M Revenue)



### Brickworks Ltd Carbon Emissions Since 2005 (ktCO<sub>2</sub>-e)



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<sub>2</sub>-e (Scope 1) and 87,486 tCO<sub>2</sub>-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 Bricks 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.

## ENVIRONMENTAL SUSTAINABILITY

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<sup>2</sup> of rehabilitation projects commenced.



Successful Hydroseeding  
at Rochedale, Queensland

# 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).

### 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.

# Review of RESULTS

## CONSOLIDATED INCOME STATEMENT

	2019 \$000	2018 <sup>15</sup> \$000
<b>Continuing operations</b>		
Revenue	918,695	785,238
Cost of sales	(624,143)	(533,899)
<b>Gross profit</b>	<b>294,552</b>	<b>251,339</b>
Other income	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	(55,558)	(124)
Business acquisition costs	(15,072)	(912)
Other expenses	(20,374)	(21,232)
Share of net profits of associates and joint ventures	201,300	200,798
<b>Profit from continuing operations before finance cost and income tax</b>	<b>314,475</b>	<b>249,062</b>
Finance costs	(23,883)	(14,456)
<b>Profit from continuing operations before income tax</b>	<b>290,592</b>	<b>234,606</b>
Income tax expense	(93,697)	(55,850)
<b>Profit from continuing operations after tax</b>	<b>196,895</b>	<b>178,756</b>
<b>Discontinued operations</b>		
Loss from discontinued operations, net of income tax benefit	(42,253)	(3,314)
<b>Profit after tax</b>	<b>154,642</b>	<b>175,442</b>
<b>Profit after tax attributable to:</b>		
Shareholders of Brickworks Limited	154,642	175,442
	Cents	Cents
<b>Earnings per share attributable to the shareholders of Brickworks</b>		
Basic (cents per share)	103.3	117.5
Diluted (cents per share)	103.3	117.5
Basic (cents per share) from continuing operations	131.6	119.7
Diluted (cents per share) from continuing operations	131.6	119.7

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

## CONSOLIDATED BALANCE SHEET

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

## REVIEW OF RESULTS

### CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>2019</b>	<b>2018</b>
	\$000	\$000
<b>Cash flows from operating activities</b>		
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)
<b>Net cash from operating activities</b>	<b>123,080</b>	<b>170,948</b>
<b>Cash flows from investing activities</b>		
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)
<b>Net cash from / (used in) investing activities</b>	<b>17,111</b>	<b>(103,730)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	543,642	280,000
Repayments of borrowings	(550,371)	(268,000)
Dividends paid	(82,374)	(77,692)
<b>Net cash used in financing activities</b>	<b>(89,103)</b>	<b>(65,692)</b>
<b>Net increase in cash held</b>	<b>51,088</b>	<b>1,526</b>
Effects of exchange rate changes on cash	2,626	–
Cash at the beginning of the financial year	21,167	19,641
<b>Cash at the end of the financial year</b>	<b>74,881</b>	<b>21,167</b>

# CORPORATE

*information*

## REGISTERED OFFICE

738–780 Wallgrove Road  
Horsley Park NSW 2175  
Telephone: (02) 9830 7800  
Website: [www.brickworks.com.au](http://www.brickworks.com.au)  
Email: [info@brickworks.com.au](mailto:info@brickworks.com.au)

## AUDITORS

**EY**

## BANKERS

**National Australia Bank**

## SHARE REGISTER

**Computershare Investor Services Pty Limited**

GPO Box 2975  
Melbourne Victoria 3001  
Telephone: 1300 855 080 (within Australia)  
+61 3 9415 4000 (International)

## PRINCIPAL ADMINISTRATIVE OFFICE

738–780 Wallgrove Road  
Horsley Park NSW 2175  
Telephone: (02) 9830 7800  
Email: [info@brickworks.com.au](mailto: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.*

**BRICKWORKS**  
LIMITED