

22 October 2018

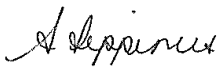
Australian Securities Exchange
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir / Madam

Please find attached the Brickworks Limited 2018 Annual Report, which will be distributed to shareholders today.

Yours faithfully
BRICKWORKS LIMITED



Susan Leppinus
Company Secretary



ANNUAL REPORT
2018

BRICKWORKS
LIMITED

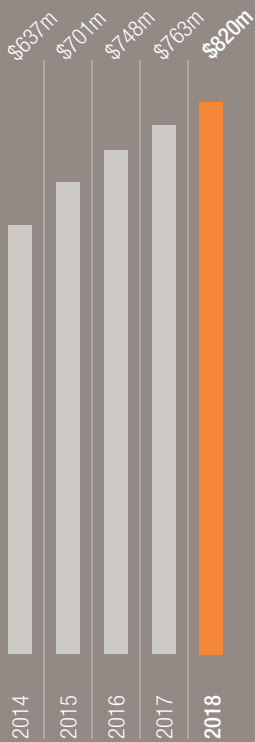
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Five Year SUMMARY

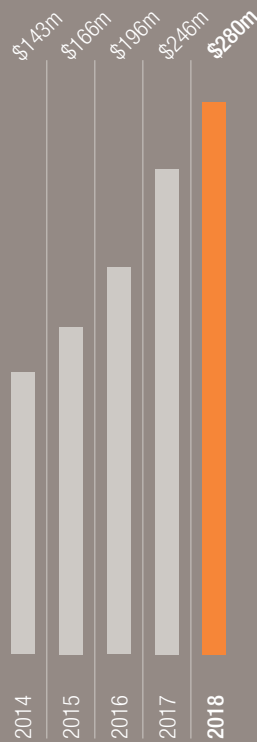
Building Products
revenue



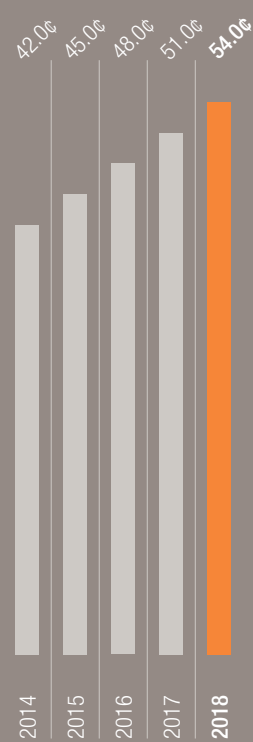
Total Revenue



Total EBIT



Dividends



	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	Growth %
Total revenue	670,268	723,611	750,985	841,816	821,084	(2%)
Building Products revenue	636,895	700,871	748,128	763,338	819,980	7%
Earnings before interest and tax						
Building products	45,081	56,364	75,381	65,036	75,950	17%
Property	61,013	61,735	72,105	90,588	93,979	4%
Waste management	1,414	2,649	1,346	–	–	–
Investments	262	280	442	224	1,053	370%
Associates	44,382	54,574	59,117	102,873	122,445	19%
Head office and other expenses	(8,945)	(9,699)	(12,479)	(12,432)	(13,666)	(10%)
Total EBIT	143,207	165,903	195,912	246,289	279,761	14%
Total EBITDA	168,132	191,133	223,313	274,140	309,163	13%
Finance costs	(18,073)	(19,482)	(14,080)	(12,436)	(14,456)	(16%)
Income tax	(23,845)	(26,122)	(34,753)	(37,428)	(41,575)	(11%)
Net profit after income tax (excluding significant items)¹	101,289	120,299	147,079	196,425	223,730	14%
Significant items net of tax	1,466	(42,209)	(68,889)	(10,215)	(48,288)	
Net profit after income tax (including significant items)	102,755	78,090	78,190	186,210	175,442	(6%)
Per share earnings and dividends						
Basic earnings per share (cents)	69.4	52.6	52.6	124.9	117.5	(6%)
Underlying earnings per share (cents) ¹	68.4	81.1	98.9	131.8	149.8	14%
Ordinary dividends per share (cents)	42.0	45.0	48.0	51.0	54.0	6%
Ratios						
Net tangible assets per share	\$10.32	\$10.59	\$10.95	\$11.77	\$12.42	5%
Return on shareholders equity	5.7%	4.3%	4.3%	9.5%	8.5%	(10%)
Underlying return on shareholders equity ¹	5.6%	6.6%	8.0%	10.0%	10.8%	8%
Interest cover ratio	7.3	9.7	14.4	16.7	18.0	7%
Gearing (net debt to equity)	17.0%	16.6%	14.6%	14.9%	14.7%	(2%)

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

150¢

Underlying earnings
per share ¹

↑14%

36¢

Final fully franked dividend
per share

↑6%

54¢

Total full year dividend
per share

↑6%

Chairman's LETTER

On behalf of your Board of Directors, I am delighted to present Brickworks' Annual Report for the 2018 financial year. The strong financial and operational performance of the Company during the past year is extremely pleasing and another clear indicator that we have the right strategy and corporate structure in place to deliver earnings growth and strong shareholder returns.

2018 HIGHLIGHTS

Brickworks reported a statutory net profit after tax (NPAT) of \$175.4 million, down 5.8% on the previous year. Excluding the impact of significant items, our underlying NPAT was a record \$223.7 million, up 13.9%. This marks the sixth consecutive year of growth in underlying NPAT.

Each of the Company's three segments delivered an increase in earnings compared to the prior year. Building Products earnings before interest and tax (EBIT) was \$76.0 million, up 16.8%. Property delivered another strong result, with EBIT of \$94.0 million, and EBIT from Investments was \$123.5 million.

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

During financial year 2018, net tangible assets held within Building Products increased by \$22 million, Brickworks share of net asset value within the Property Trust² increased by \$58 million, land held for resale increased by \$7 million, and the market value of Brickworks' stake in Washington H. Soul Pattinson (WHSP) increased by \$427 million. After including net debt of \$304 million, the inferred net tangible asset backing of the Group at 31 July 2018 was more than \$3.2 billion.

Since the end of the financial year, the market value of Brickworks' stake in WHSP has increased by a further \$350 million³, bringing total inferred assets to almost \$3.6 billion.

DIVIDENDS AND CAPITAL MANAGEMENT

The Directors have declared a fully franked final dividend of 36 cents per share, up 5.9% on the prior year. This brings total dividends for the year to 54 cents per share, up 3 cents or 5.9% on the prior year.

We recognise the importance of dividends to our shareholders and are proud of our strong and stable dividend history. Brickworks is one of only 9 companies in the ASX All Ordinaries index that have maintained or increased the normal dividend every year since the turn of the century.

Our borrowing level remains conservative, with gearing of 14.7%, reflecting a prudent approach to capital management. Net debt at the end of the year was relatively stable at \$303.8 million.

CORPORATE STRUCTURE

Our strong financial performance during the year again reinforced the benefit of our diversification strategy which has consistently grown net asset value over the long term and helped to deliver solid returns and stability to our shareholders.

As a diversified business, we are less exposed to market volatility and are well placed to ride out the low points of business cycles. We take a long-term view of our operations,

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

2 The Joint Venture Industrial Property Trust is a 50/50% partnership between Brickworks and Goodman Industrial Trust.

3 Based on the WHSP share price of \$25.24 at the close of trading on 18 September 2018.

and our diversification strategy allows us to make investment decisions not for the short term, but across cycles, ensuring we are in the strongest possible position to continue to grow and succeed in the future.

Our Building Products business is the key operational division within the Group and we continue to invest in capital projects and acquisitions to enhance our competitive position and deliver improved returns.

The Property division exists to maximise the value of land that is surplus to the Building Products business, and includes a 50% share in an Industrial Property Trust with the Goodman Group. The Company is focused on continuing to build value in the Property Trust, and has re-invested cash proceeds received from land sales in recent years to support development activity. This has seen total assets within the Trust increase to more than \$1.5 billion – a significant achievement given its inception just 11 years ago.

The 42.7% interest in WHSP, with a current market capitalisation of around \$6.0 billion, provides a stable and diversified earnings stream. This investment has delivered outstanding performance over the long term, recording a total shareholder return of 13.0% per annum over the past 15 years (to 31 July 2018), 3.6% ahead of the benchmark All Ordinaries Accumulation Index.

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 advised to shareholders at the 2016 Annual General Meeting, Mr David Gilham will not seek re-election at the 2018 Annual General Meeting. As part of our succession plan, the Company has engaged external consultants to assist with the appointment of an additional independent non-executive director, and this process is well progressed. On behalf of the Board, I would like to thank David for his 15 years of service on the Brickworks Board.

IN CONCLUSION

The continued strong performance of the Company is a credit to our almost 1,500 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



\$175m

Statutory NPAT

↓6%

\$224m

Underlying NPAT

↑14%

LTIFR 1.7

Lost Time Injury
Frequency Rate

↑31%

Managing Director's OVERVIEW

It gives me great pleasure to report that Brickworks has delivered another strong financial result in 2018. During the year we have also made significant progress in the implementation of a range of strategic initiatives to position the Company for further growth.

SAFETY

The health and safety of our people is our number one priority, and the Company has made steady progress in reducing the number of workplace injuries over many years. Despite lost time injuries increasing by one in 2018, to five for the year, injury rates are considerably lower than five years ago.

The Company continues to roll out best practice safety standards across all our operations, including recently acquired businesses. We are also focused 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 PERFORMANCE

Building Products recorded an EBIT of \$76.0 million in 2018, up by 16.8% on the prior year. Strong demand for our products across most operations resulted in record sales revenue of \$820.0 million.

The result was characterised by another strong performance from our east coast divisions, buoyed by continued robust demand in New South Wales and Victoria. In addition, despite a further deterioration in market activity and a wet winter period, performance in Western Australia improved following a range of restructuring initiatives.

Austral Bricks produced another strong result. The key focus of this business continues to be margin growth, including increased sales of premium products.

Close collaboration with architects to develop bespoke and customised brickwork, especially in medium and higher density developments is a key initiative to support this objective. As is the Company's investment in marketing and branding, which was further expanded during the period with a major advertising campaign, and further investment in design studios across the country.

An example of the success of this strategy is the Darling Square project in Sydney. Construction of this mixed-use high-rise development in 2018 was the culmination of over 2 years of design and product development collaboration between Austral Bricks, project architects and developers. Ultimately the project involved the supply of almost 600,000 ultra-premium bricks, with various shapes, sizes and surface finishes.

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.

During the year, upgrade works were completed at the Rochedale plant in Queensland and the Cardup plant in Western Australia. In addition, overdue maintenance was carried out on the Wollert East kiln in Victoria following over a decade of near continuous operation.



This continued investment in our facilities has delivered lower manufacturing costs and allows more flexible production, positioning the business well for sustained performance over the long term.

Bristile Roofing, Austral Precast and Auswest Timbers all delivered improved performance in 2018, whilst Austral Masonry was approximately in line with the prior year.

ENERGY SECURITY

As recently announced to the market, we have executed a new five-year wholesale gas supply agreement with Santos for our New South Wales, Queensland, Victorian and South Australian operations, commencing on 1 January 2020.

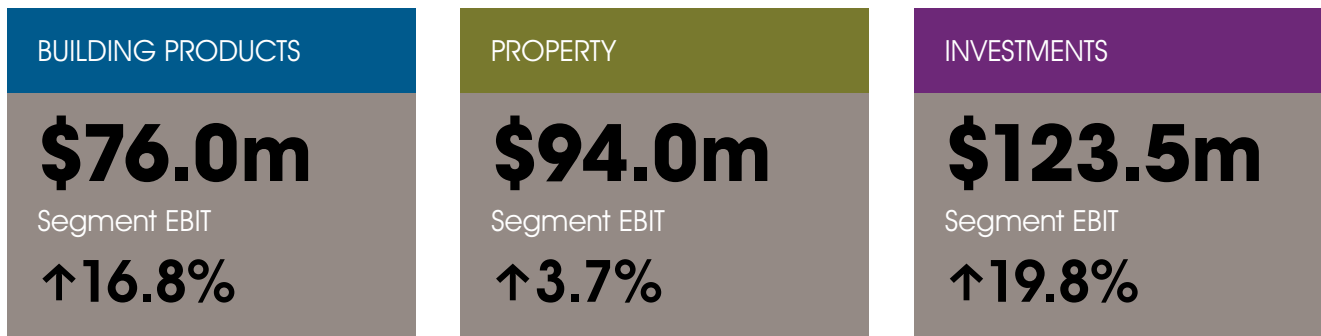
At a time of considerable uncertainty within the Australian energy market, we are pleased to secure this flexible and market competitive long-term deal, that extends until the end of 2024. This will allow Brickworks to continue its focus on operational excellence, including securing the lowest cost manufacturing position in Australia.

Our transition to the wholesale market will deliver significant advantages, particularly in regard to flexibility of supply.

BUILDING PRODUCTS STRATEGY

Our strategy to secure market-leading positions and grow earnings over the long term is supported by three key objectives: strengthen the core business; build growth businesses; and sustain our strong culture. We have made good progress on these strategic objectives during the past 12 months.

Construction of the Southern Cross Cement import terminal in Brisbane is proceeding on schedule and is expected to be fully installed and commissioned in the 2019 financial year. This investment will strengthen Building Products' core business, by securing high quality, low cost raw material supply for our Austral Masonry, Bristile Roofing and Austral Precast operations.



The acquisition of UrbanStone in November 2017 provides additional scale to Austral Masonry and diversifies our product range and geographic exposure. It also enhances our premium product offering in line with our strategy to invest in style and product leadership.

As I have already mentioned, developing industry-leading customer relationships is an ongoing priority for Brickworks. In Sydney, a new design studio was launched in March 2018, with an expanded showroom and event space to cater for the growing demand for speaking events and industry functions. Our studios have now become a focal point for the local architectural and design community.

Sales of imported products continue to increase, allowing us to secure additional earnings growth and offer our customers a wider range of unique and premium products. During the year, new supply agreements were executed with Italian manufacturer S. Anselmo for a unique range of sandstock bricks and with Italian manufacturer Poesia for ultra-premium glass bricks.

The Company continues to actively investigate acquisition opportunities to grow earnings, as well as major capital projects within existing operations to improve production efficiency.

PROPERTY PERFORMANCE

The continued strong performance of our Property division during 2018 was pleasing, delivering an EBIT of \$94.0 million and recording a sixth consecutive year of earnings growth.

Net trust income delivered by the Property Trust was \$22.0 million for 2018, up 20.2% on the prior year.

The key focus during 2018 was the continued development of the Property Trust assets across the country. In April, the Oakdale Central Estate in New South Wales was completed, following the delivery of the final facility to Reckitt Benckiser. At Rochedale in Queensland, the southern section of the estate is now fully occupied with a final 6-hectare mixed use development now under construction.

During the second half, infrastructure works were completed at the Oakdale South Estate. This delivered a significant uplift in the value of this property and also triggered the settlement on the sale of 30 hectares of land. This sale resulted in \$100 million in gross receipts to the Property Trust, and a \$25.9 million profit contribution to Brickworks.

The Property Trust has re-invested the cash proceeds received from this sale to support development activity and reduce debt held within the Trust, with Trust gearing at the end of the year down to 39%.

The Property Division is also focused on opportunities for suitable land sales outside of the Property Trust. In May we announced the sale of the Punchbowl brick site for \$41 million, via a Call Option that has now been exercised. Completion is due to occur in October. This sale includes a leaseback to Austral Bricks for 10 years, with an additional 10-year option.

INVESTMENTS PERFORMANCE

Investments consists primarily of a 42.7% stake in WHSP, 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.

Total EBIT from Investments was up 19.8% to \$123.5 million in 2018, bolstered primarily by improved underlying earnings from New Hope Corporation. In addition, cash dividends of \$56.2 million were received during the year, up 3.8% on the prior year.

GROUP OUTLOOK

As we move into the new financial year, the Building Products division faces mixed market conditions across the country, with the timing and extent of any sustained decline in building materials demand difficult to predict.

Market fundamentals remain supportive for new housing construction, with employment levels healthy, low interest rates and high immigration levels projected to be sustained. External analysis indicates that a housing undersupply still exists in New South Wales and Victoria⁴.

However, tighter bank lending controls have reduced personal borrowing capacity and this is now causing delays and cancellations of dwelling construction.

4 BIS Oxford Economics Building in Australia Report 2018.



As a result, we are currently experiencing patchy sales, despite our strong order book in the major east coast markets. Weakness is evident in businesses exposed to the multi-residential market in Sydney. Elsewhere, demand is being supported by the continued resilience of the detached housing market, and strong activity in regional centres such as Newcastle and Wollongong in New South Wales and Geelong in Victoria.

There are reports of trade shortages in Victoria and South Australia, and in Tasmania housing approvals are at the strongest level for almost a decade.

On the other side of the country in Western Australia, the wet winter period has adversely impacted demand, in an already difficult market. Brick selling prices continue to fall in this state, however we expect margins to be supported by continued manufacturing cost savings, following restructuring initiatives and capital upgrade projects that have been completed.

Meanwhile, despite the positive development in relation to our future gas supply agreement with Santos, current energy costs and contracted price increases to take effect on 1 January 2019, will have a significant adverse impact on Building Products earnings. These increases are likely to exceed our ability to recover them, through price rises in the current market or other initiatives to reduce cost in the short term.

Turning to Property, development activity within the Trust remains strong. The completion of new facilities at Oakdale South and Rochedale will drive growth in rent and asset value over both the short and longer term.

As I mentioned, the sale of the Punchbowl property is due to complete in October. With a sale price of \$41 million, and total costs of approximately \$8 million, this transaction will deliver a profit of around \$33 million to Brickworks.

In 2019 we expect another solid earnings contribution from Property, but as always, the final outcome will depend on the timing of development activity and transactions, and 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. Their energy and dedication is the key to our success. All of our staff across the country are making the difference. From our sales teams who are willing to go the extra mile, get on the front foot and ensure that Brickworks is an easy Company for our customers to do business with. To our production staff who are constantly striving to improve operational efficiency and product quality.

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.

As you can see, we have achieved a lot in 2018. I would like to take this opportunity to thank the Board of Directors, the executive team, and all our staff for their support and commitment during the year. Without your ongoing efforts, we would not be the successful Company that we are today.

LINDSAY PARTRIDGE AM
Managing Director

\$303.8m

Net debt

↑3.6%

14.7%

Gearing

↓1.6%

\$309m

Total EBITDA

↑12.8%

\$280m

Total EBIT

↑13.6%

\$170.9m

Cashflow from
operating activities

↑48.1%

FINANCIAL

Overview

HIGHLIGHTS

- ▶ **Statutory NPAT** including significant items, down 5.8% to \$175.4 million
- ▶ **Underlying NPAT** before significant items up 13.9% to \$223.7 million
 - ▶ **Building Products EBIT** up 16.8% to \$76.0 million (EBITDA \$105.4 million)
 - ▶ **Property EBIT** up 3.7% to \$94.0 million
 - ▶ **Investments EBIT** up 19.8% to \$123.5 million
- ▶ **Gearing (net debt/equity)** of 14.7%, net debt \$303.8 million
- ▶ **Final dividend** of 36 cents fully franked, up 2 cents or 5.9%
- ▶ **Total full year dividend** of 54 cents fully franked, up 3 cents or 5.9%

EARNINGS

Brickworks posted a statutory **Net Profit After Tax** for the year ended 31 July 2018 of \$175.4 million, down 5.8% on the prior year. Record underlying NPAT of \$223.7 million was up 13.9% from \$196.4 million for the year ended 31 July 2017.

Statutory **Earnings Per Share** was \$1.17, down 6.0% on the prior year, and underlying EPS was \$1.50, up 13.7%.

Building Products EBIT was \$76.0 million, up 16.8% on the prior year. Austral Bricks earnings were significantly higher on the back of a strong performance in New South Wales and Victoria. Performance in Western Australia also improved following a range of restructuring initiatives. Bristle Roofing, Austral Precast and Auswest Timbers earnings also increased whilst Austral Masonry was approximately in line with the prior year.

Property EBIT was \$94.0 million for the 12 months to 31 July 2018, up 3.7% on the prior year. This result was driven by a significant increase in earnings from the Joint Venture Industrial Property Trust ('Property Trust') following continued strong development activity during the year.

Investments EBIT, including the contribution from Washington H. Soul Pattinson Limited ('WHSP'), was up 19.8% to \$123.5 million. This was due primarily to improved earnings from New Hope Coal and TPG Telecom. During the year, the value of Brickworks' stake in WHSP increased by \$427 million to \$2.231 billion.

Total **borrowing costs** were up 16.2% to \$14.5 million, including the mark to market valuation of swaps. Underlying **interest cover** was a conservative 18.0 times at 31 July 2018.

Statutory **income tax** was \$54.6 million for the year. The underlying income tax expense increased to \$41.6 million compared to \$37.4 million for the prior year, due to the higher earnings from the combined Building Products and Property Groups.

FINANCIAL OVERVIEW

Significant items reduced NPAT by \$48.3 million for the year, and included the following:

- ▶ \$7.1 million in after-tax costs relating to restructuring and commissioning within Building Products. This includes the cost associated with commissioning upgraded plants in Western Australia and Queensland (\$3.2 million) and restructuring activities across various operations (\$3.9 million);
- ▶ Business acquisition costs and other legal and advisory costs of \$2.1 million (net);
- ▶ A \$22.3 million cost attributable to Brickworks share of WHSP significant items. This includes a share of impairments booked by WHSP associates of \$28.6 million (primarily a \$19.8 million impact associated with New Hope Corporation's impairment of coal exploration and evaluation assets), \$13.0 million of tax on equity accounted associates and a \$5.4 million share of other significant items in associates and JV entities. Partially offsetting these losses were gains on derecognition of associates of \$21.6 million, and an \$8.0 million profit on investment portfolio sales; and
- ▶ A \$16.9 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 year, and adjusted for the movements in the franking account and the circular dividend impact.



Significant Items	Gross \$m	Tax \$m	Net \$m
Restructuring and commissioning	(10.1)	3.0	(7.1)
Net legal and advisory cost (inc. acquisitions)	(3.0)	0.9	(2.1)
Significant items relating to WHSP	(22.3)	(16.9)	(39.2)
Total	(35.3)	(13.0)	(48.3)

BALANCE SHEET

Gearing (net debt to equity) was 14.7% at 31 July 2018, down from 14.9% at 31 July 2017. Total interest-bearing debt increased to \$325.0 million and net debt was up 3.6% to \$303.8 million at 31 July 2018.

During the second half, Brickworks entered into a \$100 million Institutional Term Loan ('ITL') unsecured syndicated debt facility, with tranches of 8 and 10 years. The ITL (arranged by NAB) comprises 8 institutional investors represented by 3 asset managers, and enables the Group to diversify its funding base at competitive rates and access this developing, longer tenor market.

Net **working capital**, excluding land held for resale, was \$183.4 million at 31 July 2018, down \$13.3 million from the prior year, due primarily to a reduction in debtor days through improved cash collections.

Finished goods inventory was up by \$6.4 million, due largely to the impact of the additional stock associated with the UrbanStone acquisition and higher unit brick costs as a result of energy cost increases. Finished goods units were down across most operations, including a reduction of 5.3% within Austral Bricks. Finished goods inventory across the business represented 3.6 months sales at the end of the period.



Austral Bricks La Paloma in Miro and Gaudi Project: Baptcare Brookview, Westmeadows

Net tangible assets per share was \$12.42 at 31 July 2018, up from \$11.77 at 31 July 2017 and total shareholders' equity was up \$103.2 million to \$2.071 billion.

Return on equity of underlying earnings for the year was 10.8%. 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 \$170.9 million, up from \$115.4 million in the prior year, due primarily to increased earnings from Building Products, distributions received from the Property Trust following the settlement of land at Oakdale South, and lower income tax payments.

Building Products **capital expenditure** decreased to \$43.3 million, from \$60.3 million in the prior year. Stay in business capital expenditure was \$24.3 million, marginally below depreciation. Spend on major upgrade and growth projects totalled \$19.0 million, primarily consisting of upgrades to the Rochedale brick plant in Queensland, the Cardup brick plant in Western Australia, and the installation of a large log line at the Greenbushes timber mill, also in Western Australia.

DIVIDENDS

Directors declared a fully franked final **dividend** of 36 cents per share for the year ended 31 July 2018, up 5.9% from 34 cents. Together with the interim dividend of 18 cents per share, this brings the total dividends paid for the year to 54 cents per share, up 3 cents or 5.9% on the prior year.

BRICKWORKS

LIMITED

Building Products

BRICKWORKS
— BUILDING PRODUCTS —

Property

BRICKWORKS
— PROPERTY —

Investments

BRICKWORKS
— INVESTMENTS —



GROUP

Structure

Brickworks has a diversified corporate structure that has delivered stability of earnings over the long term. There are three divisions within the Brickworks Group structure:

BUILDING PRODUCTS

The Building Products division is a leading Australian manufacturer and distributor of building products. 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 with significant sales and operations in all states.

In total the Building Products Group comprises 33 manufacturing sites and more than 27 display 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
- ▶ **Auswest Timbers:** Operates sawmills and value adding facilities across the country, supplying roof tile battens, structural timber, pre finished flooring and various other timber products.

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 \$1.5 billion. After including debt, Brickworks 50% share of the Property Trust has an equity value of \$538 million.

In addition to the Property Trust, the Company holds around 3,750 hectares of operational land and 370 hectares of development land.

INVESTMENTS

Investments consists primarily of a 42.7% interest in Washington H. Soul Pattinson, an ASX listed Company with market capitalisation of \$5.225 billion as at 31 July 2018 (market value of Brickworks share \$2.231 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

Bricks & Pavers

Timber

austral
bricks®

auswest
timbers®

BOWRAL BRICKS

DANIEL
ROBERTSON

nubrik®
substantive brickwork

MARKET CONDITIONS

Total dwelling commencements for Australia were down 1.6% to 217,120 for the twelve months ended 30 June 2018. Despite the decline, this level of building activity remains elevated compared to historical averages.

The decline in activity was caused by a 4.7% reduction in other residential commencements, following unprecedented growth in this segment in recent years. In detached housing, where Brickworks' products have the greatest exposure, construction activity has remained near historical peak levels for around four years. A small increase of 1.2% was recorded in the twelve months to 30 June 2018, with further increases limited by trade availability, construction bottlenecks and materials supply constraints in some areas.

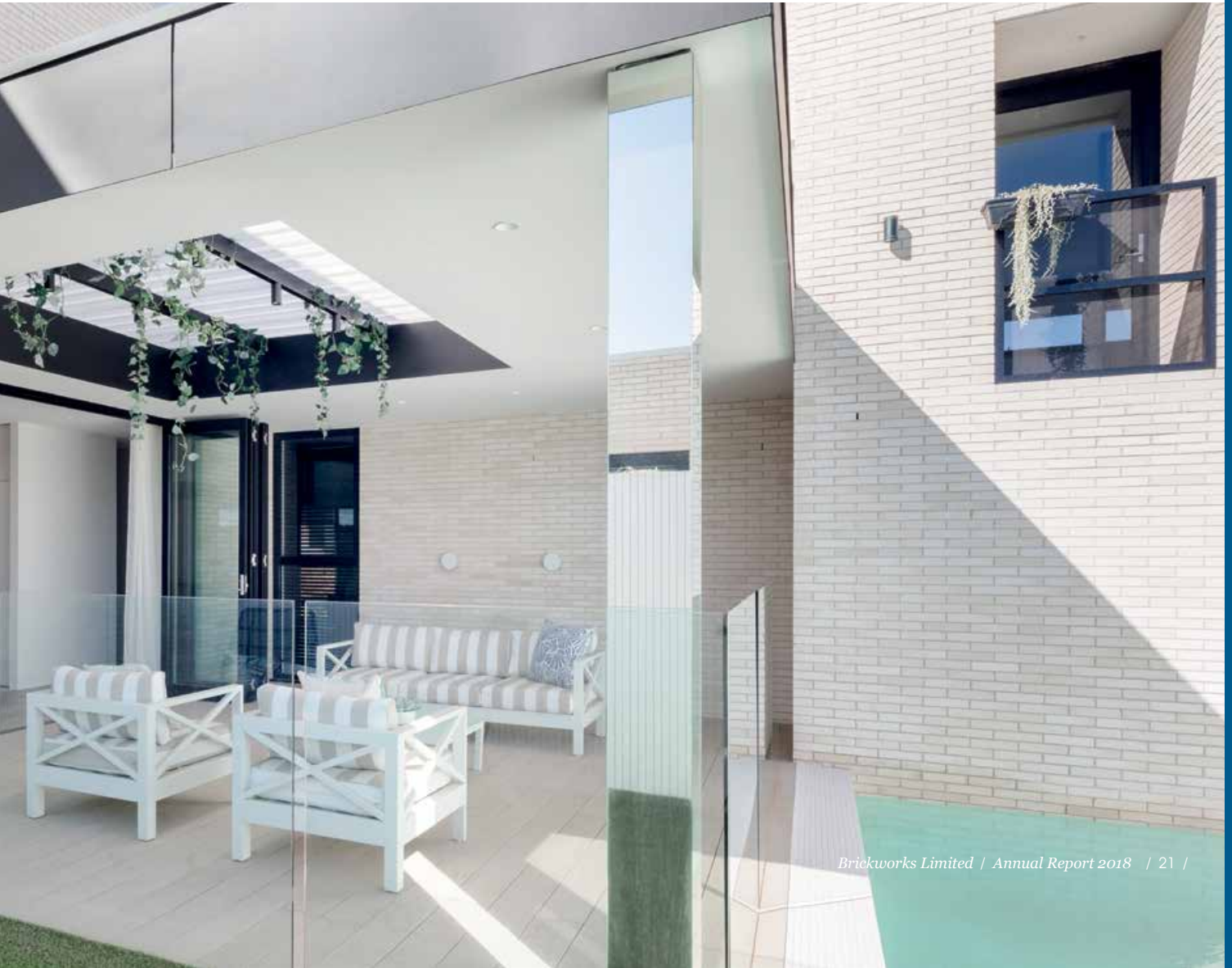
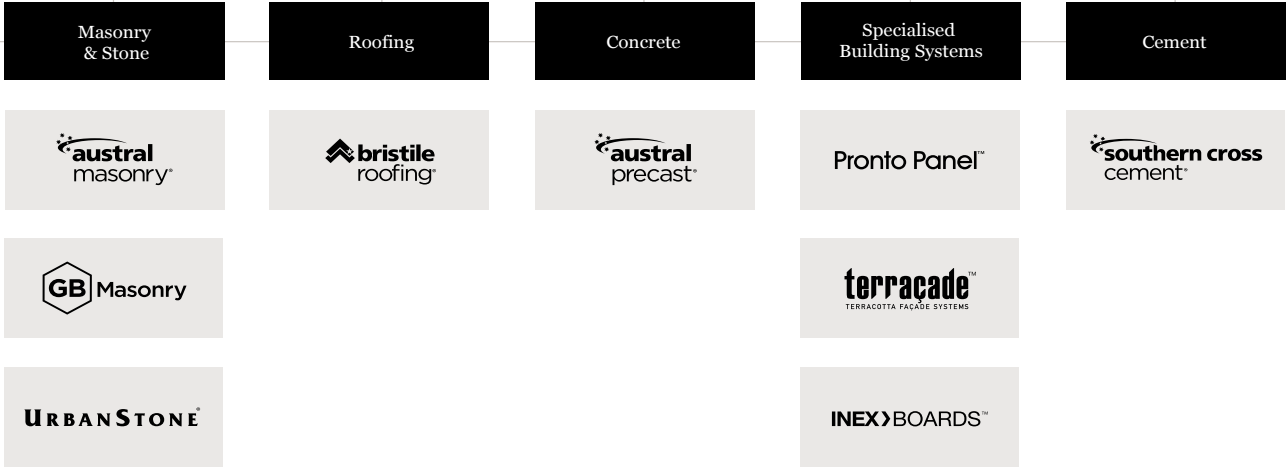
Detached housing commencements in **New South Wales** (including ACT) remain strong, albeit down slightly on the record high level of one year ago. However, following many years of strong growth, other residential construction activity appears to have passed the peak, with a decline of 10.3% recorded for the twelve months to 30 June 2018.

Queensland continues to experience steady growth in detached housing activity since the low point in 2011, with almost 25,000 starts for the year. However other residential commencements recorded another sharp decline, having now fallen by over 40% from the peak level experienced in 2016.

In **Victoria** residential building remains extremely strong. Both detached housing and other residential activity increased during the year, pushing total starts in this state to a new record.

Bowral Chillingham White – OP9 House





SUMMARY OF HOUSING COMMENCEMENTS

Estimated Starts ⁵	Detached Houses			Other Residential			Total		
	Jun 17	Jun 18	Change	Jun 17	Jun 18	Change	Jun 17	Jun 18	Change
New South Wales ⁶	30,260	29,990	(0.9%)	48,440	43,470	(10.3%)	78,700	73,460	(6.7%)
Queensland	24,190	24,870	2.8%	19,730	14,540	(26.3%)	43,920	39,410	(10.3%)
Victoria	35,690	37,170	4.1%	28,490	33,080	16.1%	64,180	70,250	9.5%
Western Australia	14,460	13,850	(4.2%)	5,410	5,040	(6.8%)	19,870	18,890	(4.9%)
South Australia	7,640	7,700	0.8%	3,230	4,000	23.8%	10,870	11,700	7.6%
Tasmania	1,750	1,980	13.1%	420	600	42.9%	2,170	2,580	18.9%
Total Australia⁷	114,730	116,120	1.2%	106,000	101,000	(4.7%)	220,730	217,120	(1.6%)
New Zealand ⁸	27,540	28,940	5.1%	2,913	3,922	34.6%	30,453	32,860	7.9%

Weakness in **Western Australia** persisted during the period, with both detached houses and other residential activity continuing to decline, albeit at a slower rate. Building activity in this state is now down by over 40% in the past three years, and detached house commencements are at their lowest level for over 15 years.

The value of approvals in the **non-residential** sector in Australia increased by 3.6% to \$46.5 billion for the twelve months to 31 July 2018. Within the non-residential sector, Commercial building approvals decreased by 9.0% to \$16.7 billion for the period and Industrial building approvals increased 20.0% to \$6.6 billion. The Educational sub-sector, an important driver for bricks and masonry demand, was up 5.9% to \$6.8 billion.

OVERVIEW OF FY2018 RESULTS

Revenue for the year ended 31 July 2018 was up 7.4% to a record \$820.0 million, compared to \$763.3 million for the prior year. Continued strong demand for building materials in the major East Coast markets of New South Wales and Victoria, and the impact of the acquired UrbanStone operations was partially offset by a further decline in demand from Western Australia.

EBIT was \$76.0 million, up 16.8% on the prior year, and **EBITDA** was \$105.4 million. The uplift in earnings was primarily due to another strong performance from Austral Bricks, including an improvement in Western Australia following a range of restructuring activities.

Improved earnings were achieved despite the impact of new gas and electricity contracts on the East Coast that took effect from 1 January 2018, resulting in higher energy costs of around \$7 million compared to the prior year.

The Company's investment in marketing and branding was further expanded during the year, with direct marketing costs increasing compared to the prior year. This includes a major advertising campaign, together with the Company's successful investment in design studios across the country. This sustained investment over many years to position Brickworks as the leading style brand in the industry has supported the growth of premium, higher priced products across all divisions.

5 Based on Housing Industry Association May 2018 Forecast.

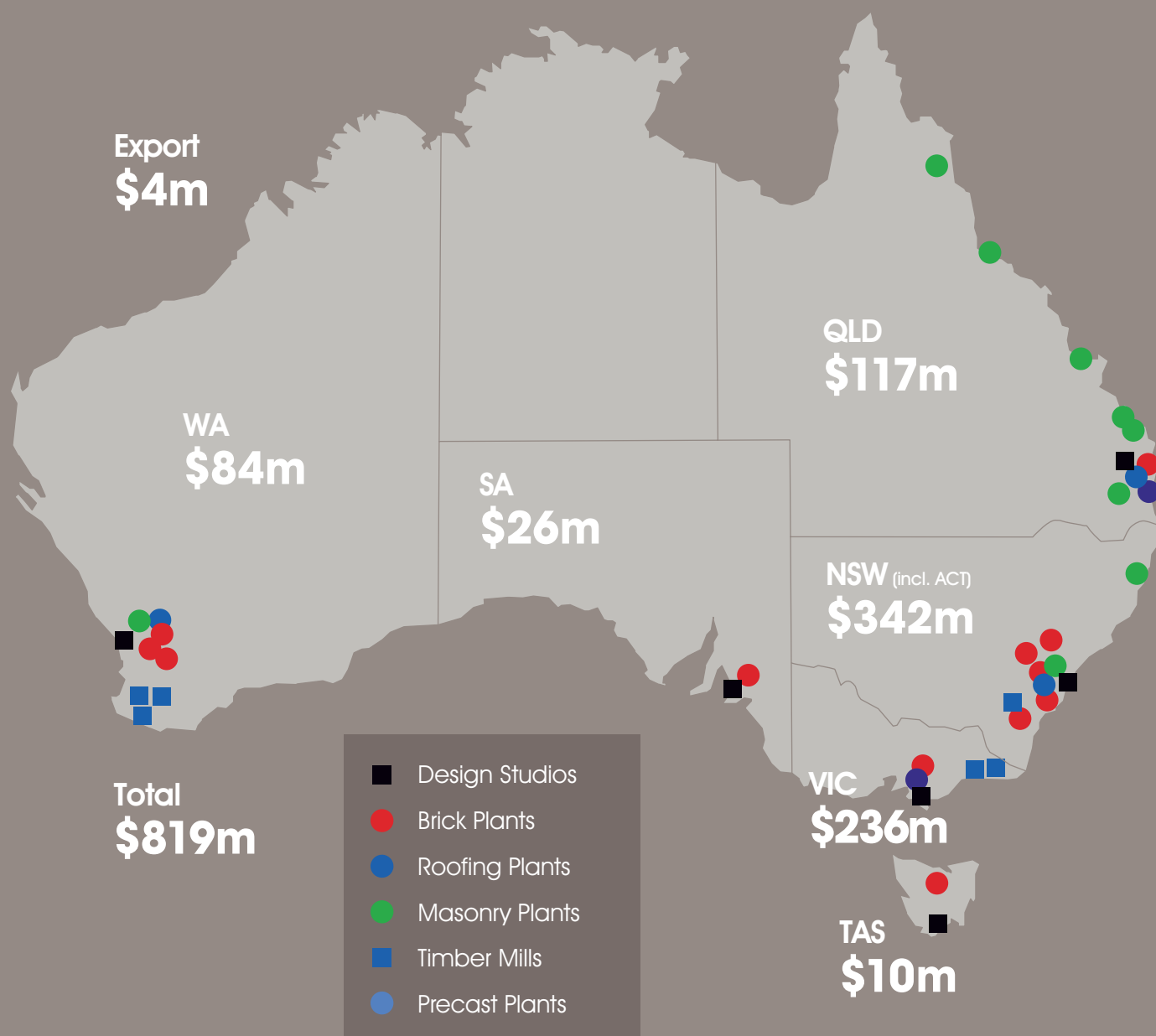
6 Includes ACT, to align with Brickworks divisional regions.

7 Includes Northern Territory, not shown separately on table.

8 Building Consents data sourced from Statistics New Zealand – Building Consents.

BUILDING PRODUCTS REVENUE BY STATE

and location map



FY2018 RESULTS

Year Ended July	2017 \$m	2018 \$m	Change %
Revenue	763.3	820.0	7.4%
EBITDA	92.9	105.4	13.4%
EBIT	65.0	76.0	16.8%
EBITDA margin	12.2%	12.8%	5.6%
EBIT margin	8.5%	9.3%	8.8%
Net Tangible Assets	711.6	733.3	3.0%
Return on Net Tangible Assets ⁹	12.6%	14.3%	13.9%
Full Time Equivalent Employees (#)	1,511	1,485	(1.7%)
Safety (TRIFR) ¹⁰	17.1	20.4	(19.3)
Safety (LTIFR) ¹¹	1.3	1.7	(30.8)

Full time equivalent **employees** decreased by 26 during the year, taking the total number to 1,485 at 31 July 2018. The addition of 66 employees following the acquisition of UrbanStone was more than offset by a reduction in Austral Precast, following the closure of the Dandenong facility in Victoria, and a decrease in Austral Bricks Western Australia following restructuring initiatives.

There were 5 Lost Time Injuries ('LTIs') during the year, up from 4 in the prior year. This translated into an increase in the Lost Time Injury Frequency Rate ('LTIFR') to 1.7, compared to 1.3 in the 2017 financial year. The Total Reportable Injury Frequency Rate ('TRIFR') increased to 20.4 from 17.1 in the prior financial year.

Whilst disappointing, the increase in workplace injuries in 2018 follows 4 straight years of decreasing injury rates, and has reinforced the Company's commitment to rolling out best practice safety standards across all operations.

⁹ Assumes all Brickworks net debt and interest charges are allocated to Building Products.

¹⁰ Total Reportable Injury Frequency Rate (TRIFR) measures the total number of reportable injuries per million hours worked.

¹¹ Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked.

BUILDING PRODUCTS

Highlights

\$820m

Building Products Revenue

↑7%

1,485

Full Time Employees

↓2%

LTIFR 1.7

Safety

↑31%

Revenue by division

Austral Bricks

\$447m ↑8%

Austral Masonry

\$110m ↑23%

Bristle Roofing

\$136m ↑7%

Austral Precast

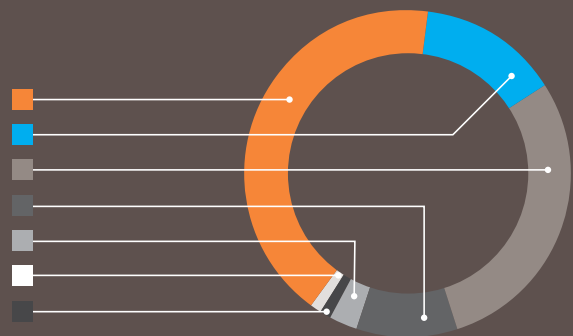
\$73m ↓9%

Auswest Timbers

\$45m ↓4%

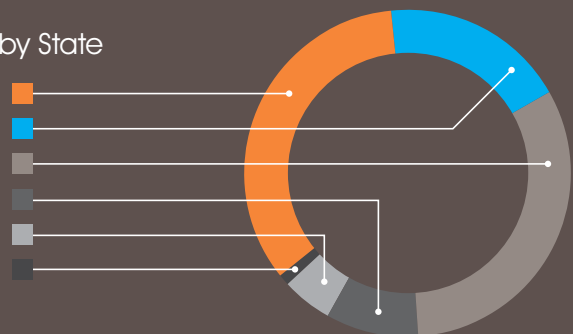
Revenue by State

NSW	40%
QLD	14%
VIC	29%
WA	10%
SA	3%
TAS	1%
Export	1%



Commencements by State

NSW	34%
QLD	18%
VIC	32%
WA	9%
SA	5%
TAS	1%





AUSTRAL BRICKS

Austral Bricks delivered a 12.8% increase in earnings for the twelve months ended 31 July 2018, with sales revenue up 8.1% to \$447.3 million.

Buoyant market conditions supported an increase in sales volume in New South Wales and Victoria. The increase in these states was offset by a decline in sales volume in Western Australia.

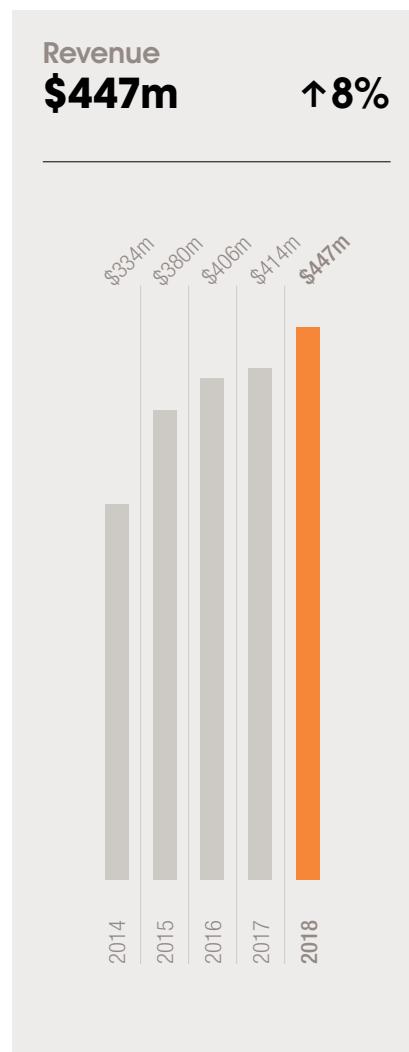
The improved earnings were driven primarily by continued strong performance in New South Wales and a significant turn-around in Western Australia, despite the difficult market conditions.

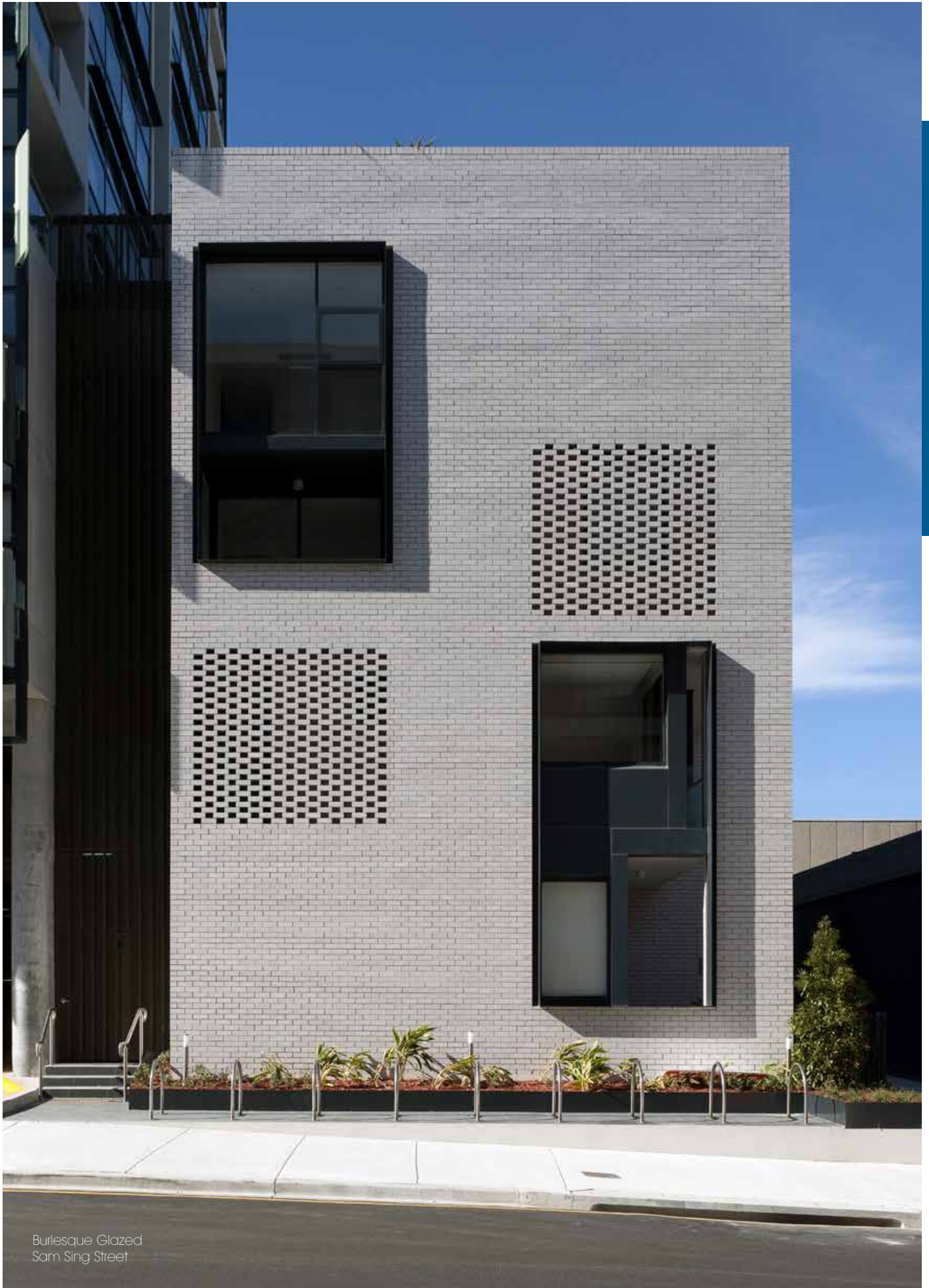
Earnings were higher in Victoria, despite the impact of a six-week shut-down during January and February to complete necessary maintenance and upgrade works. This was the first plant shutdown at the Wollert “East” kiln since its commissioning a decade ago and this facility continues to operate ahead of original expectations.

In Queensland, the final phase of upgrades at the Rochedale plant was completed during the year. Work included the installation of a new packaging line and the re-commissioning of the west kiln (previously mothballed) to replace the older east kiln. These upgrades complete a multi-year refit program to significantly improve product quality and lower unit production costs.

Following the completion of upgrades in Queensland and Western Australia in recent years, the focus for capital investment has now turned to New South Wales, where there has been limited major capital expenditure for over twenty years. A review of the future operational footprint within the Horsley Park precinct is underway, where Austral Bricks currently has 3 plants in operation. Planning and capital works in this precinct will be phased over a number of years.

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





Burlesque Glazed
Sam Sing Street



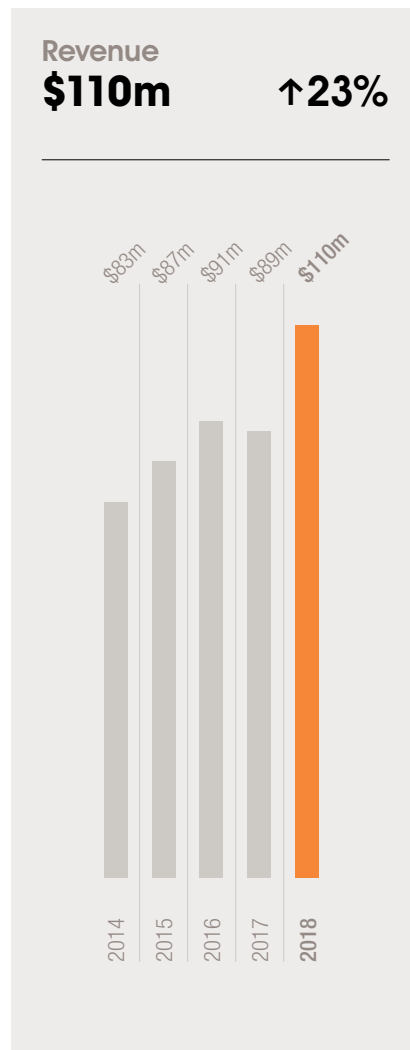
AUSTRAL MASONRY

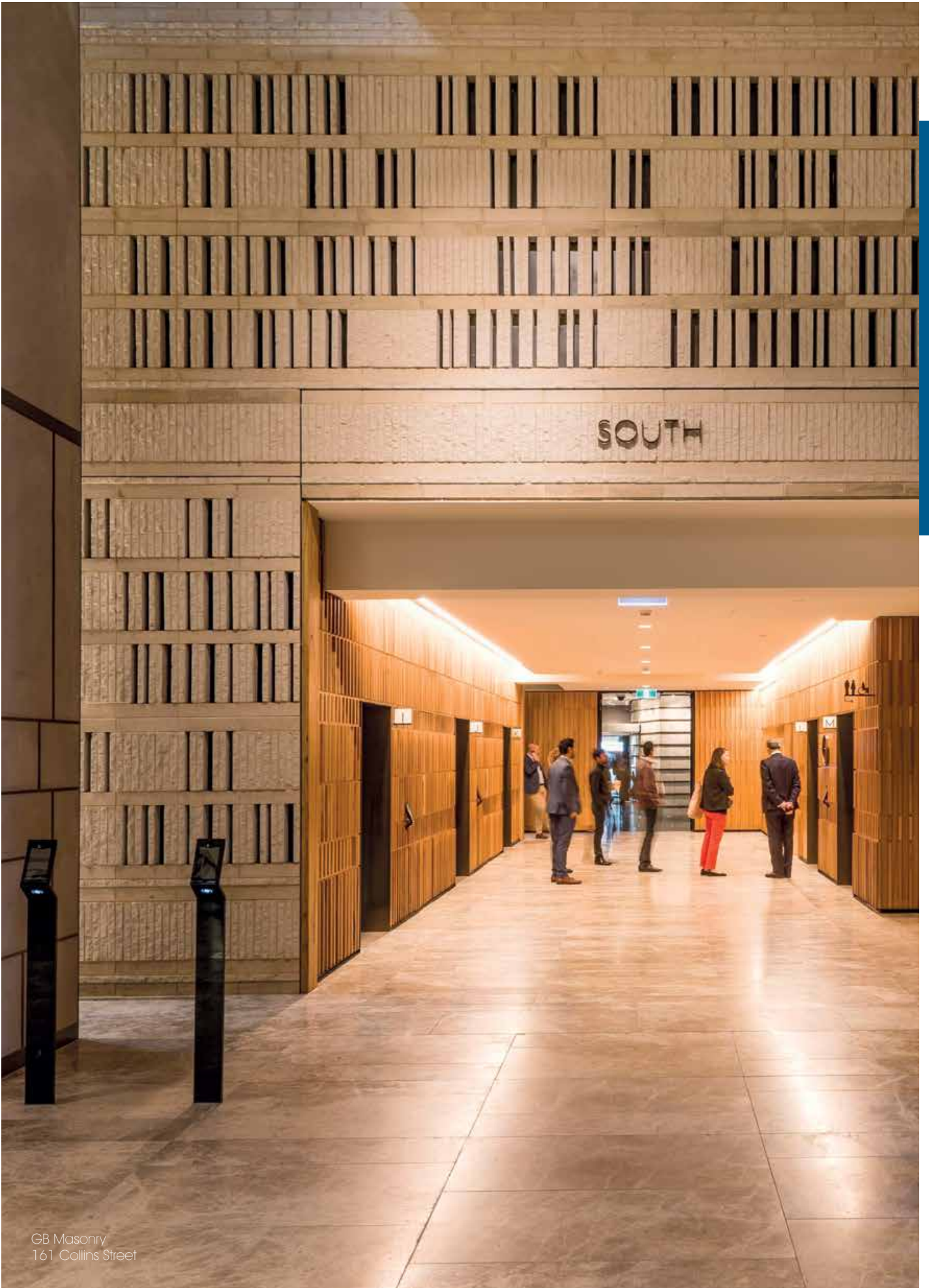
Austral Masonry earnings were in line with the prior year, on a 23.2% increase in sales revenue to \$109.7 million. Excluding UrbanStone, revenue was up 5.5% on alike-for-like basis.

Earnings and sales in New South Wales were significantly higher than the prior year, on the back of strong demand across all product categories from grey block to premium products such as retaining walls. In this market demand in the residential and commercial sectors remain robust, including a major project with approximately four kilometres of Keystone walling at Oakdale South.

Sales of UrbanStone products have been strong since the acquisition of the business in November 2017, underpinned by an order book comprising several large commercial projects in major capital cities across Australia. UrbanStone's range of premium paving products have now been rolled out into Brickworks' network of display centres and design studios across the country, positioning the business to deliver further sales growth of these high margin products.

Earnings in Queensland were down, due to the slowdown in apartment construction in Brisbane and difficult conditions in Central Queensland.





GB Masonry
161 Collins Street



BRISTILE ROOFING

Bristile Roofing earnings increased on the prior year, with sales revenue up 6.7% to \$136.4 million.

Earnings were higher in New South Wales and Victoria, driven by increased sales of both roof tiles and metal products. Despite the increased demand, margins on the East Coast are under pressure due to strong competition.

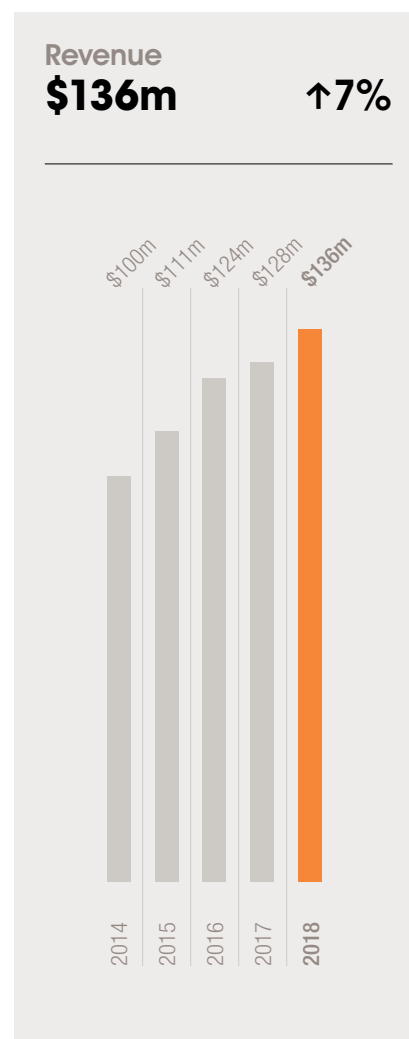
The continued difficult conditions in Western Australia resulted in decreased sales and earnings in this state.

Sales of premium imported terracotta tiles from La Escandella in Spain continue to increase, and supplement the sales of locally produced concrete tiles.

Metal roofing and fascia and gutter sales now make up a significant portion of total Bristile Roofing revenue and these products delivered increased earnings compared to the prior year.

Bristile Solar was launched in August 2017, offering premium solar roof-tiles and conventional bolt-on systems for existing homes or new residential builds. Through an exclusive agreement in place with Sonnen, the world's largest producer of battery and solar energy storage systems, Bristile Solar is able to offer home owners a full energy management system.

The Bristile Solar package is offered in conjunction with Bristile tiles and is expected to attract new customers and support increased roof tile sales volume.





La Escandella Planum by Bristle Roofing



AUSTRAL PRECAST

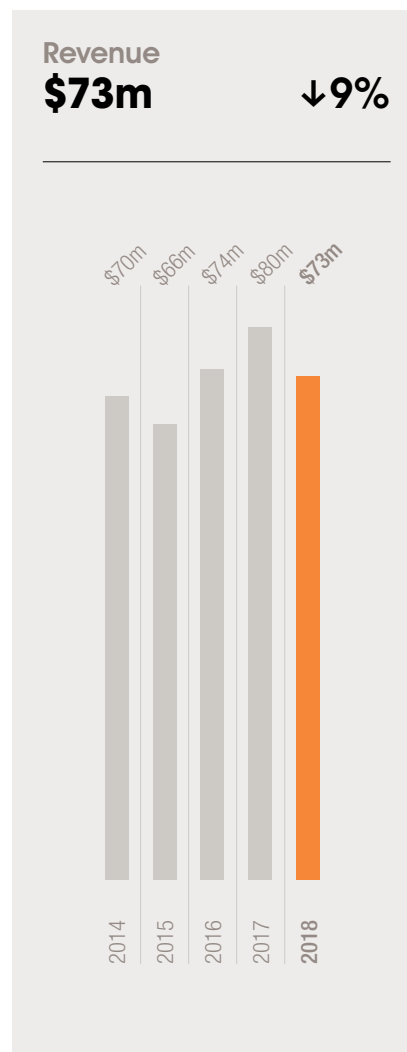
Austral Precast earnings were higher, despite a 9.1% decrease in revenue to \$73.2 million for the year.

The decline in revenue was primarily due to the closure of the Victorian facility, a highly unionised operation that resulted in this business being uncompetitive. In addition, the slowdown in high rise multi-residential development in Brisbane significantly impacted sales in this market.

Demand in New South Wales is particularly strong, resulting in a significant increase in earnings in this state. Increased utilisation at the highly automated Wetherill Park facility resulted in improved manufacturing efficiencies and lower production costs. During the year, further investments in automation were completed at this plant with the successful commissioning of a new shuttering robot.

At the end of the financial year the order book was extremely strong, with over \$50 million of work in the pipeline across the country, predominantly in New South Wales and Queensland.

To meet demand and maintain plant efficiency, construction of a second production line to cater for specialised panels in New South Wales has commenced. This line will assist the business to meet the large backlog of work in this state.





Austral Precast



AUSWEST TIMBERS

Auswest Timbers earnings were higher than the prior year, despite a 4.2% decrease in revenue to \$44.6 million.

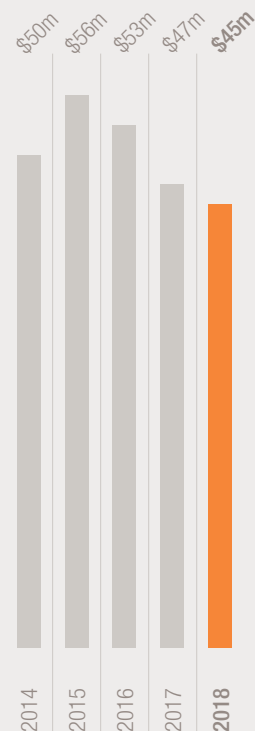
In Western Australia, improved earnings were delivered following the commencement of restructuring activities in the prior year. During the year, the restructuring process continued, with the installation of a large log line at Greenbushes, currently being commissioned. This restructuring program allows the consolidation of operations to one site at Greenbushes, positioning this business for continued improvement in the years ahead.

Earnings also improved in Victoria, due primarily to operational improvements that delivered manufacturing cost savings. Despite ongoing challenges with log supply quality, adjustments to manufacturing processes, as well as the end customer mix allowed improved production efficiencies, particularly in the second half of the year. Further improvements rely on investment in processing equipment and investment planning is well advanced.

Operationally the Fyshwick roof tile batten mill continues to set new performance benchmarks. Auswest Timbers is currently seeking additional log supply volume beyond the existing term to ensure the mill can continue to meet the strong demand for structural pine across the country.

Revenue
\$45m

↓4%





Auswest Timbers

PROPERTY

Property delivered an EBIT before significant items of \$94.0 million for the year ended 31 July 2018, up 3.8% from \$90.6 million for the prior year.

OVERVIEW OF FY2018 RESULT

Year Ended July	2017 \$m	2018 \$m	Change %
Net Trust Income	18.3	22.0	20.2
Revaluation of properties	14.3	23.8	66.4
Development Profit	10.8	28.9	167.6
Sale of assets	1.0	25.9	>500
Property Trust	44.4	100.6	126.6
Land Sales	50.3	(3.0)	N/A
Property Admin and Other	(4.1)	(3.6)	(12.2)
Total	90.6	94.0	3.8

The improved result was due to higher earnings from the Property Trust, which generated an EBIT of \$100.6 million, up 126.6% from \$44.4 million in the prior period. Property Trust earnings were primarily driven by the sale of land at Oakdale South, (\$25.9 million contribution) and development profits from the completion of assets at Oakdale Central and Rochedale (\$28.9 million contribution).

Net property income distributed from the Trust was \$22.0 million, up 20.2% from \$18.3 million in financial year 2017. Revaluations on existing properties provided an additional \$23.8 million profit, up 66.4% from \$14.3 million in the prior year.



Artist's impression of the proposed development of Oakdale West

No land sales were completed in financial year 2018, however the preparation of the Punchbowl site for sale resulted in \$3.0 million in costs during the period. In May a call option for the sale of this site was granted, at a sale price of \$41 million, and this option has now been exercised. The settlement of this site is expected to occur in October 2018, and will include a lease back to Austral Bricks for 10 years, with an additional 10-year option.

Property administration expenses totalled \$3.6 million, down 12.2% from \$4.1 million in the prior year. These expenses include holding costs such as rates and taxes on properties awaiting development. The decrease resulted from the sale of Oakdale West into the Property Trust in financial year 2017.

PROPERTY TRUST ASSET VALUE

The total value of assets held within the Property Trust at 31 July 2018 was \$1.527 billion. This includes a 33% increase in the value of leased assets, to \$1.168 billion, due primarily to the completion of the Oakdale Central Estate in the second half. The Property Trust also holds a further \$360 million in land to be developed.

Borrowings of \$451 million are held within the Property Trust, giving a total net asset value of \$1.076 billion. Brickworks' 50% share of net asset value was \$538 million, up \$58 million from \$480 million at 31 July 2017.

The settlement on the sale of land at Oakdale South provided the Property Trust with \$100 million in cash receipts in June. These proceeds were re-invested into the Trust to repay borrowings and fund additional developments at Oakdale South.

This has contributed to a significant reduction in gearing within the Property Trust, with gearing on leased assets decreasing to 39% at 31 July 2018, from 46% twelve months earlier.

PROPERTY TRUST – LEASED PROPERTIES

The entire Property Trust portfolio consists of "A grade" facilities, each less than eight years old, with long lease terms and stable tenants. The annualised gross rent exceeds \$70 million, and the average capitalisation rate is 5.9%. At the end of July 2018 there was one vacancy, a 10,400m² facility at the Rochedale Estate, and this facility has since been leased.

PROPERTY

PROPERTY TRUST ASSET VALUE

Year Ended July	2017 \$m	2018 \$m	Change %
Leased properties	878	1,168	33
Land to be developed	523	360	(31)
Total Property Trust assets	1,401	1,527	9
Borrowings on leased assets	(408)	(451)	11
Borrowings on developments	(34)	–	–
Net Property Trust assets	960	1,076	12
Brickworks 50% share	480	538	12
Rental return on leased assets ¹²	7.8%	6.1%	(21)
Reval return on leased assets ¹³	6.1%	6.6%	9
Total return on leased assets	13.9%	12.8%	(8)
Gearing on leased assets ¹⁴	46%	39%	(17)

PROPERTY TRUST – LEASED PROPERTIES

Estate	Asset Value \$m	Gross Lettable Area m ²	Gross Rental \$m/year	WALE ¹⁵ years	Capitalisation Rate %
M7 Hub	133	64,125	8.3	3.4	6.0
Interlink	384	192,207	24.3	4.6	6.0
Oakdale	481	245,205	29.0	5.8	5.7
Rochedale	169	95,636	10.2	12.8	5.9
Total	1,168	597,173	71.8	6.1	5.9

PROPERTY TRUST – DEVELOPMENT PIPELINE

	Asset Value \$m	Gross Lettable Area m ²	Gross Rental \$m/year	Capitalisation Rate %
Current Leased Assets	1,168	597,173	71.8	5.9
New – Oakdale Central	148	79,745	8.8	6.0
Future Leased Assets	1,315	676,918	80.6	6.0

¹² Based on Net Trust Income, divided by Brickworks share of leased properties less associated borrowings.

¹³ As above, but using revaluation profit.

¹⁴ Borrowings on leased assets / total leased assets.

¹⁵ Weighted average lease expiry.

Progress on Oakdale South facilities development



PROPERTY TRUST – DEVELOPMENT PIPELINE

A significant milestone for the Property Trust was achieved in financial year 2018, with the completion of all assets at Oakdale Central. Assets completed over the year at this Estate included a 32,000m² facility for Yusen Logistics and Petbarn, a 38,000m² facility for Reckitt Benckiser and a 14,000m² small unit development.

Following the completion of the Oakdale Central Estate, development activity is now focused on Oakdale South, which has 24 hectares of land available for development. Assets under construction include a 20,000m² facility for Iron Mountain and a 15,000m² warehouse for Briggs and Stratton, both due for completion in October 2018. In addition, a 33,000m² facility for DHL will commence construction in the coming months and be completed during financial year 2019.

Once completed, these new developments will contribute in excess of \$8.8 million¹⁶ in gross rental income to the Property Trust, taking the forecast gross rental income to over \$80 million at the end of financial year 2019.

A conditional contract for the sale of Lot 6, a 52,000m² developable lot at the rear of Oakdale South has also been signed during the period. The sale is conditional on development approval for a 24-hour logistics facility on the land, which is expected to be secured in late financial year 2019. No further land sales are expected to occur at Oakdale South.

Looking further ahead, the State Significant Development Application for the 100-hectare (developable area) Oakdale West property has been put on public exhibition. Approval is expected to be achieved in early 2019.

BRICKWORKS OPERATIONAL AND DEVELOPMENT LAND

Operational land is utilised in the day to day activities of the Building Products Group. The total value of operational land remained stable during the period at around \$357 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.

¹⁶ This increase in gross Trust rent equates to around \$2.5–3.0 million in net trust income to Brickworks, based on current gearing.

INVESTMENTS

The EBIT from total investments was up 19.8% to \$123.5 million in the year ended 31 July 2018.



WASHINGTON H. SOUL PATTINSON LIMITED ASX Code: SOL

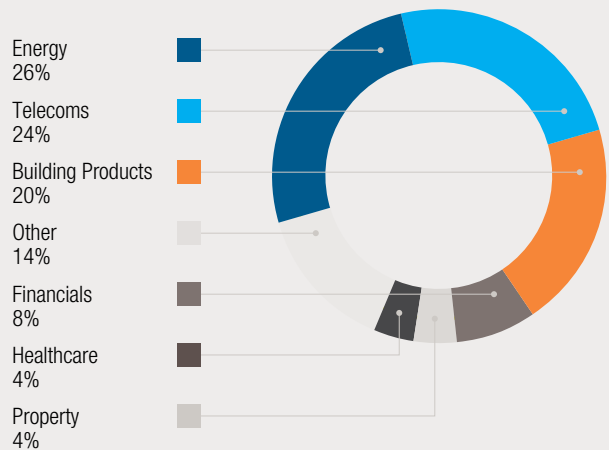
Brickworks' investment in WHSP returned an underlying contribution of \$122.4 million for the year ended 31 July 2018, up 19.0% from \$102.9 million in the prior year. This was due primarily to increased earnings from New Hope Corporation.

The market value of Brickworks 42.72% shareholding in WHSP was \$2.231 billion at 31 July 2018, up \$427 million from \$1.804 billion at 31 July 2017. This investment continues to provide diversity and stability to earnings, with cash dividends totalling \$56.2 million received during the year, up 3.8% on the prior year.

WHSP has delivered outstanding returns over the long term, with fifteen year returns of 13.0% per annum to 31 July 2018 being 3.6% 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.

Investment Market Exposure



This provides WHSP with a diversified end market exposure, as shown in the chart on the right.

The investment in WHSP has been an important contributor to Brickworks' success for more than four decades. Over this period, it 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.



\$123.5m

EBIT from
Total Investments

↑19.8%



LTIFR 1.7

Lost Time Injury
Frequency Rate

↑30.8%

TRIFR 20.4

Total Recordable Injury
Frequency Rate

↑19.3%

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.

PERFORMANCE

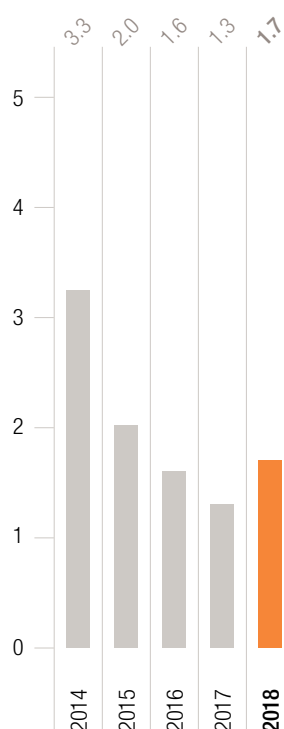
Essential to Brickworks improved safety performance is the effective communication of safety performance and goals throughout all levels of the Brickworks business. Performance is measured utilising both lead and lag performance indicators. Brickworks benchmarks its safety performance both internally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

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

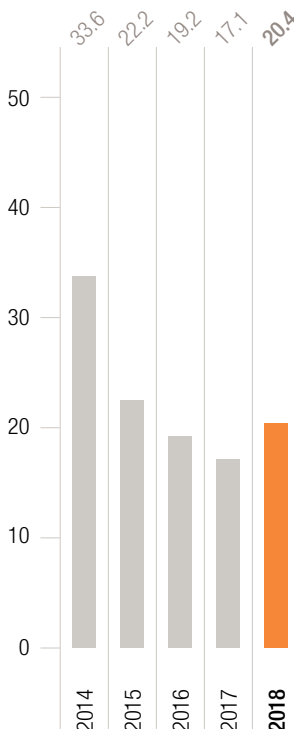
For the year to 31 July 2018, Brickworks' lost time injury frequency rate (**LTIFR**) of 1.7 was up 30.8% on the prior year, and the total recordable injury frequency rate (**TRIFR**) of 20.4 was up 19.3%.

Although injury rates were higher in 2018, looking over a five-year period, Brickworks' safety performance has improved.

Lost Time Injury Frequency Rate (LTIFR)



Total Recordable Injury Frequency Rate (TRIFR)





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 and training is a key safety initiative and the number of training hours completed by each staff member is a lead indicator measured at Brickworks. On-line ELearning training is available for all Brickworks employees and educational courses in safety are assigned based on the requirements of individual roles. This has assisted in achieving the reduction in workplace injuries over the past five years.

In order to ensure a safe work environment, Brickworks has implemented a structured program to eliminate hazards that risk worker injury and illness. Engaging employees and contractors through consultation, to identify physical hazards and effective controls has also proven to be another key activity in reducing workplace injury rates.

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 2018.

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.

Environmental SUSTAINABILITY

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

REPORTING

During financial year 2018, priority areas were identified through an internal materiality assessment, which was supported by EY. Brickworks also engages with stakeholders through groups such as the Australian Network Partner of the World Business Council for Sustainable Development (WBCSD) to better understand stakeholder expectations.

These reviews inform our sustainability agenda, including resource efficiency, reducing our energy usage and greenhouse gas emissions, strengthening environmental compliance, engaging closely with local communities, sourcing our raw materials responsibly and developing innovative building products. The Company has identified targets to further drive our sustainability strategy during financial year 2019.

RESOURCE EFFICIENCY

Construction and demolition (C&D) waste generates 30% of Australia's total waste. The C&D sector has the highest recovery rates at approximately 64%. Preserving raw materials reduces extraction and provides opportunities for the reuse of waste to increase resource efficiency and drive the circular economy.

Brickworks continually engineers products, reducing materials required while maintaining structural integrity. We achieve this through product design, raw material substitution and process resource efficiency.

To continue our focus on resource efficiency, we have set a financial year 2019 target to develop waste reduction and recycling plans for all relevant businesses.



Product Design

Brick core patterns reduce clay use by up to 45% compared to solid bricks.

Bricks are 100% recyclable.

Bricks are durable products with warranties of up to 100 years for some products.

Waste Reuse

All damaged or rejected clay products are returned into the raw material mix.

Clay sourced from infrastructure projects, with some factories using up to 20% recycled content.



Material Substitution

Materials such as fly ash, bottom ash, sawdust, spent scrubber medium and crushed concrete.

Up to 50% material substitution in some masonry and precast products.

WATER

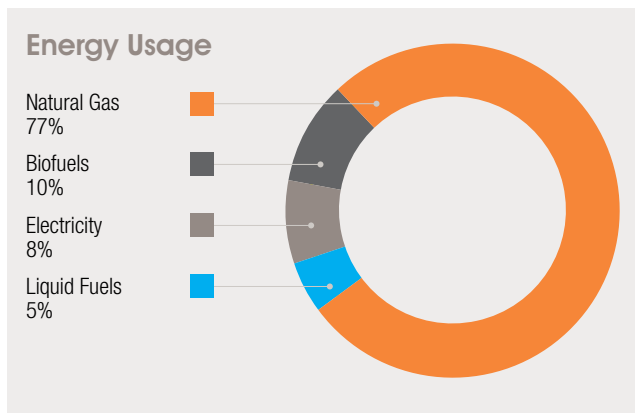
Water is a valuable resource, and essential to the production of our building products. Many of the manufacturing facilities use runoff as the major water supply. During financial year 2019, Brickworks will seek to identify opportunities to further reduce mains water through water management plans for all relevant businesses.

ENERGY

Energy use in financial year 2017 (the latest available data) was 5.15 PJ, composed largely from natural gas. Alternative biofuels made up 10%, including landfill gas and sawdust. In financial year 2019, Brickworks will continue to review alternative sources of energy, such as biofuels.

Energy efficiency is a focal point, using audits, regular maintenance and upgrades to ensure that energy efficiency is continuously managed. Heat recovery systems are utilised in all brick manufacturing facilities. The Company has progressed upgrades of lighting, efficient motors and hydraulic systems. In addition, Brickworks has continued an assessment of on-site solar opportunities and are currently reviewing implementation at some of our manufacturing sites.

During financial year 2019 Brickworks will refresh energy efficiency programs for all high natural gas using sites.

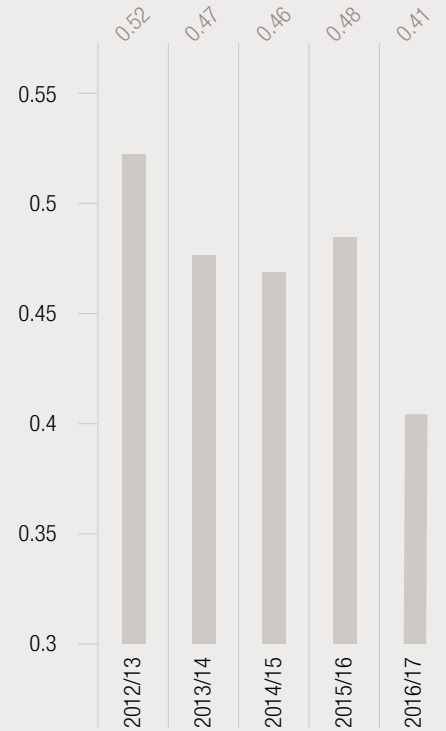


CARBON

Greenhouse gas emissions is reported and audited for the National Greenhouse and Energy Reporting Scheme (NGERS). In financial year 2017 (the latest available data) emissions were 243,889 tCO₂-e (Scope 1) and 98,325 tCO₂-e (Scope 2), an overall 6.5% decrease compared to the previous year. Over the past decade, carbon emissions have followed a general downward trend, with a 28.5% decrease compared to financial year 2006 (Scope 1 & 2). The decrease can be attributed to efficiencies gained from manufacturing consolidation, equipment upgrades and operational improvements.

During financial year 2019, Brickworks will continue tracking carbon intensity trends.

Brickworks Ltd Carbon Intensity (kTCO₂-e/\$m Revenue)*



* 2016/17 is the latest available data

ENVIRONMENTAL COMPLIANCE

Brickworks monitors its environmental performance and compliance in accordance with its Environmental Management System which aligns with ISO14001:2004. Manufacturing and raw materials sites are audited regularly by internal and external auditors, any issues are reported as either a hazard or an incident and rectified in a timely manner. Twenty-eight site audits were undertaken, meeting our audit target.

Hazard and incident reporting is undertaken with our Risk Management framework, involving assessment of the likelihood of an event occurring, the potential impact of each event and the controls and processes in place to continually mitigate each risk. This information is reported to Divisional and Group management. Issues of material concern are reported to the board monthly.



During the year, results of our environmental management process indicated some non-compliant administrative issues relating to mining authorisations and exploration leases. The Group continues to investigate all these instances of non-compliances, working closely with the relevant authorities to resolve these issues. Austral Bricks is finalising an enforceable undertaking with the NSW Department of Planning and Environment (DPE). This followed a determination that Brickworks has breached the Mining Act 1992 at two clay pits in southern NSW. The NSW DPE fined Austral Bricks \$2,500 for exploration without authority at our Horsley Park site and \$2,500 under the Cumberland Exploration Lease.

Brickworks is focusing on strengthening environmental awareness and capability to ensure compliance. During financial year 2019, Brickworks will drive a program of implementing site level environmental plans and awareness training as part of a strengthened Environmental Management System. The purpose of site specific environmental plans and training is to ensure that our operations have appropriate environmental management practices in place to minimise environmental impacts and prevent legal non-compliances. During financial year 2019, we will target zero environmental fines.

ENVIRONMENTAL AWARDS

In 2018, Brickworks held its inaugural Awards for Environmental Excellence, celebrating and promoting environmental excellence with our employees.

EMISSION CONTROLS

We are committed to reducing our impact on the environment, including reducing air emissions from all relevant activities. We implement air quality improvement programs and invest in emission control technologies. During financial year 2019, we will develop investment plans for emission control technology across our NSW brick business.

STAKEHOLDER ENGAGEMENT & COMMUNITY

We believe that continued business success depends on maintaining relationships with all stakeholders. Brickworks attend various community forums, including consultation in relation to various development applications. At a Company level, ongoing relationships with legislative and regulatory authorities are managed. In addition, Company representatives are involved with industry groups to promote issues such as sustainable building products. During financial year 2019, Brickworks will develop stakeholder maps and community engagement plans for all appropriate sites.

REHABILITATION & HERITAGE CONSERVATION

Rehabilitation planning is central to preserving natural and cultural heritage. We invest in the rehabilitation of our quarries, such as the Coolup Rehabilitation, due for completion in financial year 2019. We work to preserve heritage, such as working with local Aboriginal groups to identify and arrange respectful burial of Aboriginal artefacts found during topsoil stripping at our NSW New Berrima quarry.

Sustainability

PRODUCT DESIGN

Brickworks works with architects and builders to provide innovative products and support the construction of ground breaking efficient homes.

As one of Australia's largest and most diverse building product manufacturers, our product range offers valuable features for energy efficient and sustainable housing. Our clay and concrete products offer thermal mass, a well-established passive design principle. Clay and concrete products have a long product life, making the energy embodied in bricks a once-off investment that pays dividends now, and in the future.

In addition to long product life expectancies, many of Brickworks products are low maintenance.

Our precast panels are designed for disassembly. Bricks and blocks can be reused after the mortar is removed. Roof tiles and Terraçade can be disassembled and reused.

Brickworks' website (www.brickworks.com.au) provides more case studies and technical information.

CUTTING EDGE THERMAL RESEARCH

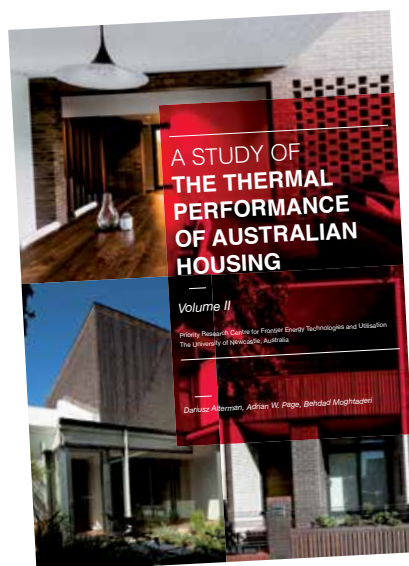
Brickworks works in partnership with industry group Think Brick Australia to support ongoing research programs at the University of Newcastle, contributing significantly to our understanding of the thermal performance of Australian housing. *A Study of the Thermal Performance of Australian Housing Phase II* was recently published, demonstrating the thermal benefits and performance of bricks compared to lightweight cladding used in housing construction.

SOLAR ROOF TILES

After extensive design, modifications and testing undertaken in collaboration with CSIRO, Bristle Roofing is proud to have released the innovative and sustainable Solar Roof Tile and Sonnen Battery with integrated inverter.

The solar tile interlinks seamlessly with a range of roof tiles whilst the DC battery with built in inverter (exclusive to Brickworks) negates the requirement of a standalone inverter. The battery comes with a smart app which allows for household energy optimisation and management.

2017 saw a record high in rooftop solar and battery installations according to the Clean Energy Regulator and the introduction of Bristle's solar tiles means that households can enjoy the benefits of rooftop solar without compromising on style.



CARBON NEUTRAL BRICKS

2018 marks the five-year anniversary of the Carbon Neutral Brick. Brickworks has retained a partnership with the Department of Environment and Energy's National Carbon Offset Standard (NCOS) and Tasmanian Forestry projects since the implementation of the certification. The Company has signed a new licence for another five years with NCOS.

The full Austral Bricks range produced at the Longford plant in Tasmania are certified as carbon neutral. This factory uses low carbon technology, substituting natural gas with biofuel sawdust.

In 2018, the Austral Bricks Carbon Neutral Brick was submitted as a case study to the Australian Government's platform on progress against the UN Sustainability Development Goals.



Disile Roofing
Solar Roof Tile

Caption????



Our PEOPLE

WORKPLACE PROFILE

As at 31 July 2018, Brickworks employed 1,485 full time equivalent employees across its Australian operations (permanent and part time employees, excluding casuals).

The average age of Brickworks employees is 42, with 31.6% aged 50 years and over. The average length of employee service at Brickworks is 7.7 years. The gender makeup of the Company's leadership team was 24% female at 31 July 2018, an increase from 19% over the past two years.

LEADERSHIP & CULTURE

Brickworks recognise that sustaining a strong culture driven by diverse and talented people is critical to our long-term success. In financial year 2018, Brickworks has continued its focus on building and sustaining a strong culture with the continued integration of the 'WE ARE BRICKWORKS' Values & 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.

The campaign was created to share and celebrate the Company's culture with employees, customers, investors and the community. The embedment of these Values and Behaviours across the organisation has continued to be a priority of Brickworks.



OUR PEOPLE

PEOPLE, SYSTEMS AND PROCESSES

Sustaining and growing Brickworks' strong culture was a key focus in financial year 2018, through the continued embedment of the Company's core Values and Behaviours in the following ways.

Talent Acquisition and Retention

Attracting and retaining the right people with the right skills is a strategic imperative for Brickworks to allow the Company to continue to innovate and grow. During financial year 2018, Brickworks continued to evolve its talent acquisition and retention strategies to ensure the right people are attracted and retained to strengthen the organisational and talent pipeline.

The improvement of the candidate experience and building Brickworks' employer brand has been the key focus for 2018 for the attraction of talent. In terms of retention there has been a focus on internal development and progression with 58 promotions occurring across Brickworks in the financial year 2018.

Performance Management

Brickworks is committed to the understanding that great achievements come from unity and cooperation. The Company's ability to deliver the best possible building products relies on having a strong culture of high performing people who are aligned to deliver the Brickworks strategy. Performance at Brickworks is assessed in equal measure on what we do and how we do it. The Values and Behaviours are integrated into performance reviews to ensure employees focus on the how as well as the what in their day to day activities.

Learning and Development

During the financial year 2018, the national leadership and sales development pathways were piloted to support the business strategy. The pilots have positively impacted the organisation and the programs continue to be evolved and implemented to build a strong focus on consistency and excellence.

A commitment has been made to the ongoing development of all staff, with monthly 'lunch and learns' encouraging knowledge sharing across the business, regular round table sharing with broader industry groups as well as a commitment to a minimum of 2 hour per week per employee dedicated to their development goals.

Compliance

Brickworks is committed to all staff gaining and maintaining a thorough understanding and awareness of compliance obligations and 2018 saw an improved mechanism to ensure all staff understand their obligations through e-learning and face to face education sessions.



Policies and Procedures

A comprehensive review of key Company policies was undertaken in financial year 2018. The policies are being rolled out through a comprehensive roadshow to ensure thorough understanding by all staff and will be developed into e-learning packages for new staff and to act as a regular refresher for all staff.

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 drives the Diversity & Inclusion Strategy. During financial year 2018, the key focus has been on delivering a range of initiatives to increase the gender diversity across the leadership of the Company, predominately focusing on attracting and retaining female leaders, which over the past 2 years has increased from 19% to 24%. This will continue to be a focus during 2019 with targets being developed to continue this commitment.

INDUSTRIAL RELATIONS

Brickworks operations include sixteen non-union enterprise agreements, seven union enterprise agreements, and a number of sites covered by the respective Modern Awards.

During financial year 2018, seven 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.

A notice of intended protected industrial action received in September 2018 by production employees at the Austral Bricks sites at Horsley Park and Bowral was subsequently withdrawn. For over twenty years Brickworks has had strong and co-operative industrial relations with its employees at these sites. Austral Bricks continues its good faith negotiations in an effort to resolve the outstanding issues and attain a fair and reasonable outcome for all parties.



COMMUNITY

Support

Brickworks is committed to social responsibility and we aim to make a valuable contribution to our communities. Brickworks is a long-standing partner with the Children's Cancer Institute (CCI) Australia, the only independent medical research institute in Australia dedicated to research into the causes, cure and prevention of childhood cancer.



For the past decade Brickworks has been a proud supporter of the Children's Cancer Institute (CCI) Australia for medical research.

Ongoing Company support for CCI's work has been supplemented with staff donations, primarily through the Casual Friday program. In return for a payroll donation of \$2 per week, staff are issued with a "Care for Cancer kids" shirt to wear with their casual clothes on Fridays.

Other Brickworks and staff fundraising activities have included:

- ▶ Endure for a Cure cycle
- ▶ 'Dare the Boss' fundraisers
- ▶ Diamond Ball ticket sales
- ▶ 'Round-up' program on customer purchases
- ▶ Golf day fundraisers

The contribution from both Brickworks and staff has provided the opportunity for a number of pieces of vital equipment to be purchased by the CCI Australia.

BUILD FOR A CURE

In addition, Brickworks are a founding partner of the CCIA's Build for a Cure – teaming with other partners such as McDonald Jones Homes to build a house in just 28 days – with auction proceeds donated to the CCIA. In September 2017 Austral Bricks were again thrilled to donate all the bricks that made the build possible.

The house was sold for \$700,000, bringing total money raised from the Build for a Cure house auctions to over \$2.1 million since 2014.





Board of DIRECTORS

ROBERT D. MILLNER

FAICD

CHAIRMAN

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

LINDSAY R. PARTRIDGE AM

BSC. HONS. CERAMIC ENG; FAICD; DIP CD

MANAGING DIRECTOR

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

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

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

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

MICHAEL J. MILLNER

MAICD

DEPUTY CHAIRMAN

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

BRENDAN P. CROTTY

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

DIRECTOR

Mr Crotty was appointed to the Board in June 2008 and is a non-executive Director. He brings extensive property industry expertise to the Board, including 17 years as Managing Director of Australand until his retirement in 2007. He is a director of a number of other entities that are involved in the property sector, as well as being appointed by the Federal Government to be Chairman of the National Housing Finance and Investment Corporation in June 2018. He is the Chair of the Remuneration Committee, and a Member of the Audit and Risk Committee and the Nomination Committee.



DAVID N. GILHAM

FCILT; FAIM; FAICD

DIRECTOR

Mr Gilham was appointed to the Board of Brickworks in 2003. He has extensive experience in the building products and timber industries. He was previously General Manager of the Building Products Division of Futuris Corporation and Managing Director of Bristle Ltd from 1997 until its acquisition by Brickworks in 2003, and has been involved with various timber companies. He is a member of the Remuneration Committee and the Nomination Committee.

THE HON. ROBERT J. WEBSTER

MAICD

DIRECTOR

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

DEBORAH R. PAGE AM

B.EC; FCA; FAICD

DIRECTOR

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

Company Secretary

SUSAN LEPPINUS

B.EC; LLB; GRAD DIP APP FIN

COMPANY SECRETARY AND GENERAL COUNSEL

Ms Leppinus was appointed Company Secretary and General Counsel in April 2015. She is admitted to practice in NSW and has over 13 years experience as a company secretary and general counsel. She has worked closely with boards and senior management in ASX 200 companies, and has significant experience in mergers and acquisitions, contract negotiation, corporate governance, corporate and commercial law. She is responsible for the legal governance and company secretarial functions of the Group, including liaising with the ASX, ASIC and other regulatory bodies.

Executive

MANAGEMENT

LINDSAY R. PARTRIDGE AM

BSC. HONS. CERAMIC ENG; FAICD; DIP CD

MANAGING DIRECTOR

Refer to Board of Directors, page 57.

ROBERT BAKEWELL

B.COMM; CA

CHIEF FINANCIAL OFFICER

Mr Bakewell was appointed Chief Financial Officer in June 2016. He is a chartered accountant with more than 31 years finance and commercial experience in listed Australian and international companies including significant experience in mergers and acquisitions, restructuring, balance sheet and capital management. He is responsible for all financial operations of the business including group accounting and taxation, treasury, banking and finance and investor relations.

MARK ELLENOR

B.BUS

GROUP GENERAL MANAGER – BRICKS & ROOFING

Mr Ellenor was appointed Group General Manager Bricks and Roofing in June 2018. Mark started with Austral Bricks in the graduate program in 1999 and progressed through management and promoted to General Manager Eureka Tiles in 2006, General Manager Austral Bricks NSW in 2009 then General Manager Austral Bricks Australia in 2017. Mark is responsible for setting and implementing the strategic plan for Austral Bricks and Bristile Roofing and the complete day to day safety, sales, operational and financial performance of both divisions. Mark is on the ATTBF and Think Brick Boards and has completed the Stanford Executive Program.

MEGAN KUBLINS

BS (ARCH), B ARCH

EXECUTIVE GENERAL MANAGER – PROPERTY & DEVELOPMENT

Ms Kublins was appointed General Manager Property in November 2001 and became Executive General Manager Property in 2006. She has over 21 years experience in the property industry gained in public and private organisations in the capacity of both landowner and developer. She manages all of Brickworks property assets, including over 3,500 hectares of land. Her primary focus is to identify value creation opportunities within this portfolio. She is responsible for the growth and management of the Goodman/Brickworks JV, which was established and grown under her direction. Megan has completed the Stanford Executive Program.

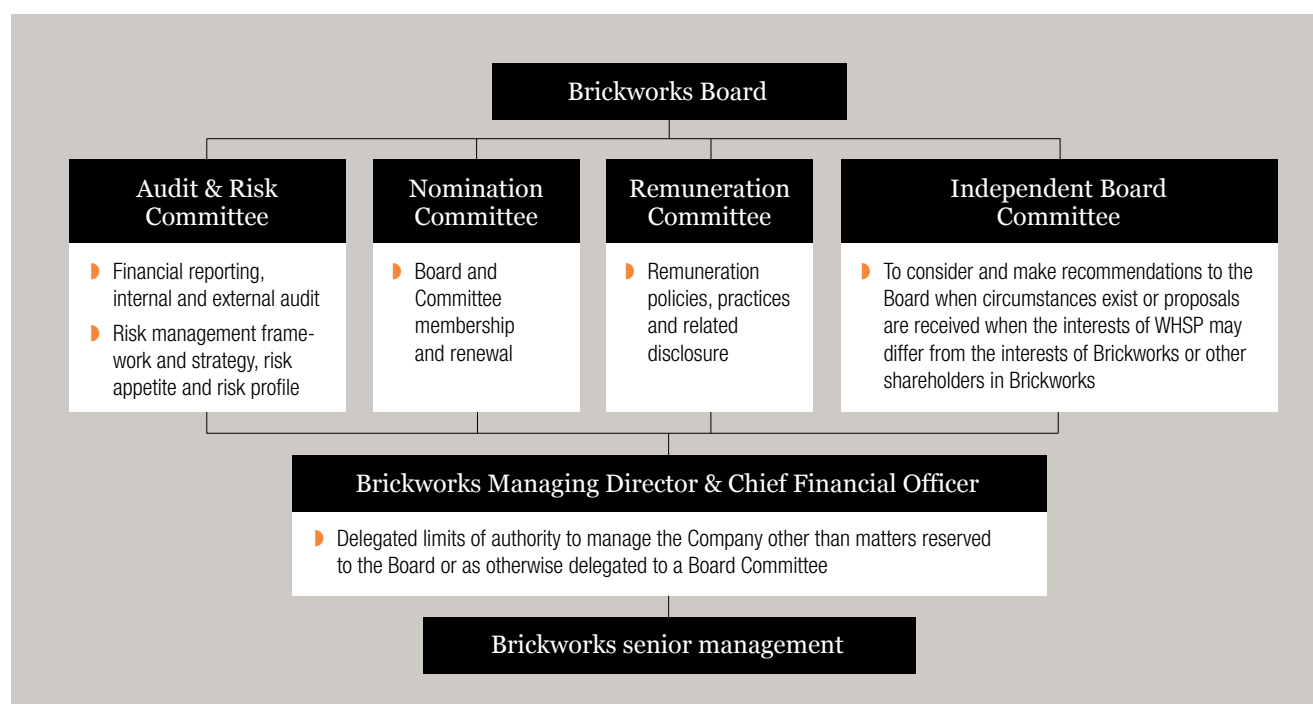


Corporate GOVERNANCE

*The Brickworks Limited (**Company**) Board is committed to developing and maintaining good corporate governance and recognises that this is best achieved through its people and their actions. The Company's long-term future is best served by ensuring that its employees have the highest levels of honesty and integrity and that these employees are retained and developed through fair remuneration. It is also critical to the success of the Company that an appropriate culture is nurtured and developed, starting from the Board itself.*

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

BRICKWORKS GOVERNANCE FRAMEWORK





Management and oversight

- ▶ The Board provides leadership to the Company and its employees, oversees the development and implementation of corporate strategy and monitors performance of the Company and senior management.
- ▶ The Board comprises a majority of independent directors with a mix of skills and experience covering all aspects of the Company's operations and particularly the core businesses of building products manufacturing and property development.
- ▶ Day to day management of the Company and the implementation of strategy and policy initiatives is delegated by the Board to the Managing Director and senior executives.

Ethical and responsible decision making

- ▶ The Board aims to ensure the Company continually builds an honest and ethical culture.
- ▶ Brickworks has an established code of conduct which centres on the Company and all Directors, senior management and employees conducting themselves with integrity in all business dealings.

Timely and balanced disclosure

- ▶ Brickworks is committed to keeping its shareholders informed about the Company's activities.
- ▶ The Company aims to provide relevant information to shareholders in a timely manner which is supported by its continuous disclosure policy.

Safeguard integrity in financial reporting

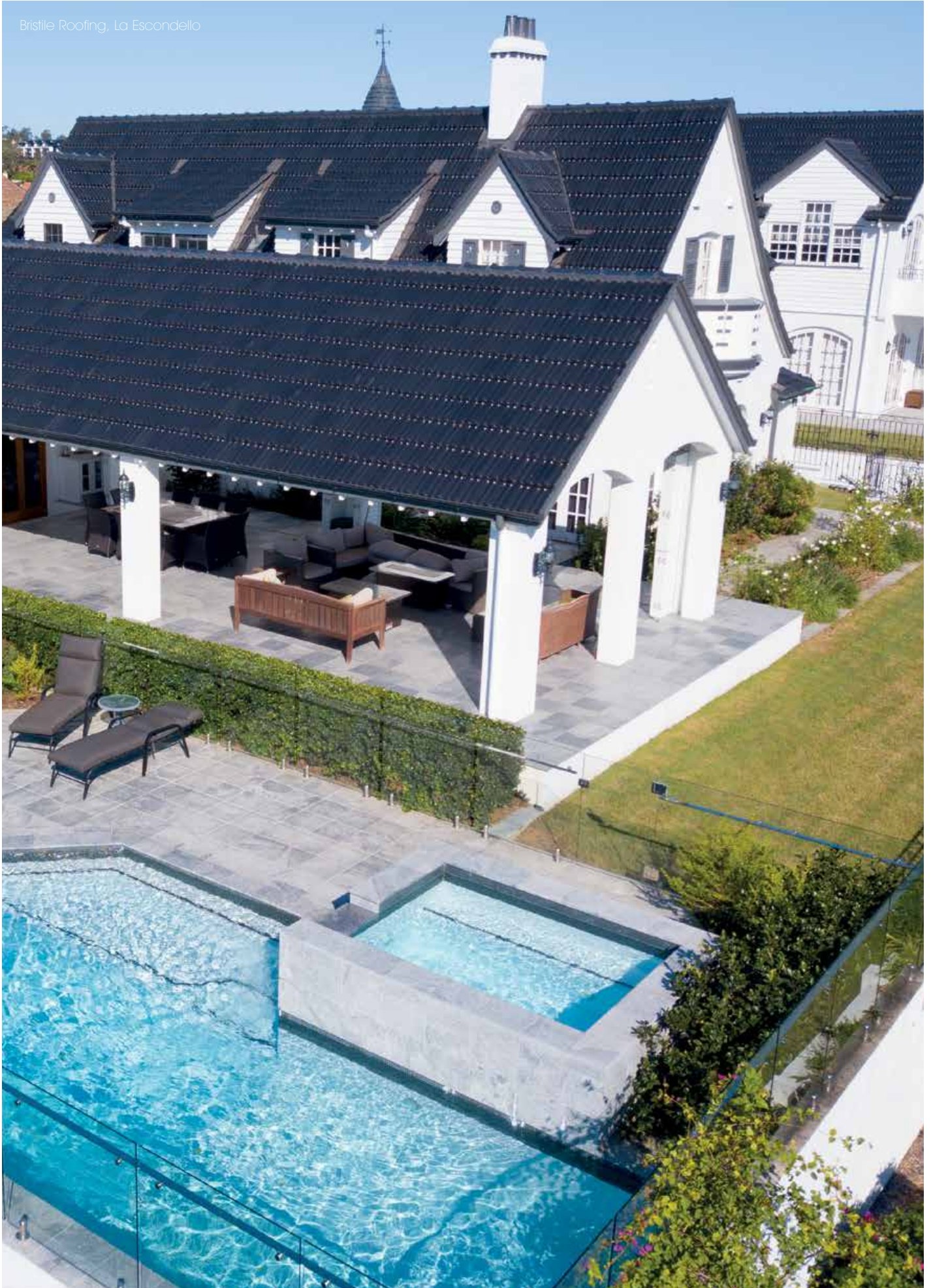
- ▶ The Board through the Audit and Risk Committee:
 - ▶ monitors Company performance; and
 - ▶ ensures the proper external reporting of financial information.

Recognise and manage risk

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

Remunerate fairly and responsibly

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





Directors’ REPORT

The Directors of Brickworks Limited present their report and the financial report of Brickworks Limited and its controlled entities (referred to as the Brickworks Group or the Group) for the financial year ended 31 July 2018.

DIRECTORS

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

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

All Directors have been in office since the start of the financial year to the date of this report. Each Director’s experience and special responsibilities are set out on pages 57 to 58 of this Annual Report.

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

Robert D. Millner

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

Michael J. Millner

- ▶ Ruralco Holdings Ltd since 2007

Brendan P. Crotty

- ▶ GPT Group since 2009

Deborah R. Page AM

- ▶ GBST Holdings Ltd since 2016
- ▶ Pandal Group Ltd since 2014
- ▶ Service Stream Ltd since 2010
- ▶ Investa Listed Funds Management Ltd (RE of ASX listed Investa Office Fund) Appointed 2011
Resigned 2016
- ▶ Australian Renewable Fuels Ltd Appointed 2012
Retired 2015

The Hon. Robert J. Webster

- ▶ Endeavour Energy Limited Appointed 2017

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

CONSOLIDATED RESULT OF OPERATIONS

The consolidated net profit for the year ended 31 July 2018 of the Brickworks Group after income tax expense, amounted to \$175,442,000 compared with \$186,210,000 for the previous year.

DIVIDENDS

The Directors recommend that the following final dividend be declared:

Ordinary shareholders – 36 cents per share (fully franked)

The record date for the final ordinary dividend will be 8 November 2018, with payment being made on 28 November 2018.

Dividends paid during the financial year ended 31 July 2018 were:

- (a) Final ordinary dividend of 34 cents per share (fully franked) paid on 29 November 2017 (2016: 32 cents).
- (b) Interim ordinary dividend of 18 cents per share (fully franked) paid on 2 May 2018 (2017: 17 cents).

REVIEW AND RESULTS OF OPERATIONS

A review of Brickworks Group operations and the results for the year is set out on pages 5 to 41 and forms part of the Directors' Report.

STATE OF AFFAIRS

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

AFTER BALANCE DATE EVENTS

No matter or circumstance has arisen since the end of the financial year that has significantly affected the current financial year, or may significantly affect in subsequent financial years:

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

On 6 September 2018 an option to purchase the Punchbowl land for \$41.0 million from the Group was exercised by the buyer, with the transaction expected to be completed by October 2018. The Group has also entered into a 10-year lease back arrangement in relation to its specialised brick plant at Punchbowl with an option to extend for additional 10 years. As at 31 July 2018, the Punchbowl property was classified as Land Held For Resale.

There have been no other events subsequent to balance date that could materially affect the financial position and performance of Brickworks Limited or any of its controlled entities.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL PERFORMANCE

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

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

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

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

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

Further information regarding Brickworks approach to environmental performance, compliance and approach to environmental management and sustainability is set out on pages 45 to 49.

RISK MANAGEMENT

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

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

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

Building Products

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

Risk	Mitigation
Energy Supply—sources and cost of gas and electricity	The Group continues to review upstream investment options, and alternative sources of gas while leveraging supplier relationships to ensure long term gas supply. Electricity is secured, where viable, through long term supply contracts.
Serious Safety Incidents	The Group has a strong safety culture and a well developed WHS system (refer further “ <i>Safety</i> ”).
Environmental incident	The Group has a comprehensive environmental compliance system and strong commitment to environmental protection (refer further “ <i>Environment</i> ”).
Products – alternative products and product failure	The Group has a strong focus on research and development and quality control. The Group monitors market trends and has strategies to diversify its range of building products and its marketing approach.
Shift in housing trend	The movement away from detached housing threatens the Group’s traditional market. The Group has strategies to diversify its range of building products and its marketing approach.
New competitor	Whilst barriers to entry are significant the Group monitors both domestic manufacturing and import competitors and has adopted a customer relationship and quality model, supported by investment in research and development.
Production capacity	The Group manages production capacity by restarting, building and mothballing plant to adapt to cyclical market conditions.
Business Interruption – plant failure or underutilisation and raw material supply	There are multiple facilities throughout Australia that can transport products between locations as and when required. The major facilities have rolling risk reviews and reporting by outside parties. The business also maintains significant insurance policies to manage the physical loss of assets and any loss of income from an insurable interruption. Raw materials are generally secured through ownership of raw material reserves and maintaining prudent raw material stockpiles. Log supply is continually monitored and the Group works closely with relevant Government authorities to ensure licencing renewals.
Asbestos Risk	There has been a comprehensive review of all locations for the presence of asbestos. Building cladding is regularly removed and replaced with non-asbestos based materials. Where any asbestos is found, either within a plant or during rehabilitation, it is immediately quarantined and removed by qualified reputable contractors, using the most diligent safety standards.
Market Risk – deteriorating market conditions	The Group is investing in geographic and product diversification, cost control and continuous improvement of business. Restructuring initiatives have been undertaken in WA to address the challenging market conditions including a pro-active approach to right-sizing our operations to match demand.

Property

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

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

Group

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

Risk	Mitigation
Financing Risk	The Group maintains conservative gearing levels below 20% in recognition of the industry’s cyclical nature. Senior debt facilities are maintained with financial lenders with whom an open and transparent relationship is maintained. Facilities are maintained over various tenors ranging from 2 to 10 years, ensuring that a maximum of \$200 million will expire at any one point in time.
Cyber Security Risk	The Group has assessed its main cyber security threat as phishing to obtain sensitive company or private information or a virus attack which compromises the system. Investment in technology has increased and risk controls include the use of a VPN and antivirus software to safeguard against incoming viruses from personal computers. Preventative measures include regular system penetration tests and employee training. New leading-edge end-point protection software and firewall protection has been introduced. A disaster recovery plan is in place across the organisation.

Investments

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

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

MEETINGS OF DIRECTORS

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

	Directors' Meeting	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Independent Board Committee
Number of Meetings held:	10	3	2	3	3
Number attended:					
R D Millner	10	N/A	2	3	N/A
M J Millner	10	N/A	2	3	N/A
L R Partridge	10	N/A	N/A	N/A	3
B P Crotty	10	3	2	3	3
D N Gilham	10	N/A	2	3	3
D R Page	10	3	2	3	3
R J Webster	10	3	2	3	3

DIRECTORS' INTERESTS

As at 18 September 2018, Directors had the following relevant interests in Brickworks shares:

Director	Ordinary Shares
R D Millner	4,813,068
M J Millner	4,878,141
L R Partridge	212,395
B P Crotty	30,209
D N Gilham	102,268
D R Page	8,700
R J Webster	15,922

As at 18 September 2018, there were no contracts entered into by Brickworks or a related body corporate to which any Director is party, or under which any Director is entitled to benefit nor were there any contracts which confer any right for any Director to call for or deliver shares in, debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

Remuneration REPORT

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

1 OVERVIEW

1.1 Executive Summary

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

Following the vote on the Remuneration Report at the Company's 2016 Annual General Meeting and a review of the relevant proxy advisor reports and consideration of the Company's circumstances the Board made some changes to the Company's remuneration framework to take effect across FY2017 and FY2018 as follows:

- ▶ an increase in the fixed remuneration for the Managing Director (**MD**) to more properly reflect market practice and peer benchmarks effective from 1 April 2017;
- ▶ a change in the remuneration mix for the MD and Chief Financial Officer (**CFO**) for FY2017 which includes:
 - ▶ an increase in the proportion of at risk remuneration in the form of STI for the MD and CFO on FY2017 performance from 50% to 60%; and
 - ▶ a reduction in the long-term incentive (**LTI**) opportunity for the MD and CFO from 50% to 40% for all allocations made following FY2017;
 - ▶ for STI earned in relation to FY2017 performance a new short-term incentive (**STI**) deferral for the MD and CFO of 33.33% for a period of 2 years as a retention mechanism; and
 - ▶ for LTI rewards allocated in relation to results achieved during FY2017, a new relative Total Shareholder Return (**TSR**) benchmark will be applied to 50% of LTI allocations so that 100% of shares allocated to the MD and CFO will have a TSR measure.
- ▶ This remuneration framework was fully implemented for FY2018.

Agenda for Financial Year 2019

The Board will conduct a review of executive remuneration during FY2019 to ensure that it continues to align with Brickworks strategy, motivate management, reflect market best practice and support the delivery of sustainable long-term returns to shareholders. As part of the review process we will engage with proxy advisors.

1.2 Details of Key Management Personnel (KMP)

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

Directors

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

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

Executives

Mr R Bakewell	Chief Financial Officer
Ms M Kublins	Executive General Manager – Property & Development
Mr M Ellenor	Group General Manager Bricks and Roofing (from 1 June 2018) formerly Group General Manager Austral Bricks Australia

1.3 Remuneration Committee

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

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

The main functions of the Remuneration Committee are to assist the Board in fulfilling its responsibilities to:

- ▶ ensure that remuneration policies and practices are consistent with Brickworks' strategic goals and human resources objectives;
- ▶ enable Brickworks to attract and retain executives and Directors who will create value for shareholders;
- ▶ equitably, consistently and responsibly reward executives having regard to the performance of Brickworks, the performance of the executives and the general pay environment;
- ▶ ensure executive succession planning is adequate and appropriate; and
- ▶ retain key executives in the event that competitors attempt to recruit them.

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

1.4 Use of remuneration consultants

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

- ▶ During the financial year, the Remuneration Committee appointed Guerdon & Associates (Guerdons) as the remuneration adviser to provide information regarding remuneration benchmarking for executives.
- ▶ The consideration paid for the remuneration benchmarking for executives provided by Guerdons was \$12,013.
- ▶ Remuneration information was provided to the Remuneration Committee as an input into decision making only. The Remuneration Committee considered the information in conjunction with other factors in making its remuneration determinations.
- ▶ The Committee is satisfied the advice received from Guerdons is free from undue influence from the executives to whom the remuneration information applies, as Guerdons were engaged by, and reported to, the Chairman of the Remuneration Committee.
- ▶ During the year no remuneration recommendations, as defined by the Corporations Act, were provided.

1.5 Board Policies for determining remuneration

Policies for determining the nature and amount of remuneration for the executives are developed by the Remuneration Committee for approval by the Board. Once approved by the Board, these policies are applied consistently across all divisions within the Group.

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

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

2 REMUNERATION COMPONENTS

2.1 Group performance, shareholder wealth and remuneration

Executive remuneration is comprised of both fixed and performance-based components. The structure of the remuneration is designed to provide an appropriate balance between these components. Fixed remuneration is made up of base salary, superannuation and other benefits such as the provision of Company maintained motor vehicles (if provided). Fixed remuneration is approved by the Remuneration Committee based on data sourced from external providers, including independent remuneration data providers.

Performance-based remuneration is tied to the performance of the individual and the division and/or Group in which they work. Any such remuneration earned is available as a combination of Brickworks shares purchased through the Brickworks Deferred Employee Share Plan and cash.

Brickworks uses Key Performance Indicators to ensure that its Executives:

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

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

The short-term incentive program contains key performance measures for each executive which support its strategy as outlined further in section 2.4.

Nevertheless, the primary purpose of Brickworks' LTI is retention, as many years may be required for an individual to develop a complete knowledge of the operating and manufacturing processes for building products. An executive who knows the Company's clients extremely well and has a long history of successful negotiations with them will also be difficult to replace. The Board has developed an effective retention based long-term incentive plan which operates over a series of rolling 5 year periods with an average vesting period of 3 years. For share allocations to the MD and the CFO a relative TSR and absolute TSR performance measure apply. This enhances the alignment of executive interests with those of shareholders.

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

- ▶ the annual EBIT (before significant items) generated by the Building Products and Property divisions has increased from \$107.5 million in the 2014 financial year to \$169.9 million in the year to 31 July 2018;
- ▶ the Return on NTA for the Building Products and Property divisions demonstrate an increase from 12.5% in 2014 to 15.5% in 2018;
- ▶ the Operating Cash Flows generated by the Building Products and Property divisions have demonstrated continuous improvement from \$80.5 million for the year ending 31 July 2014 to \$142.1 million for the year ending 31 July 2018; and
- ▶ most of the senior executives who have retired in recent years have been replaced by internal candidates with appropriate skills which highlights the important role that retention plays in Brickworks' succession planning.

The Board is of the opinion that the Company's current strategies and operational initiatives will deliver superior long-term results to shareholders. While performance based remuneration is tied to the financial results delivered by the Building Products and Property segments, Brickworks' share price may also be influenced by factors outside of management's control.

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

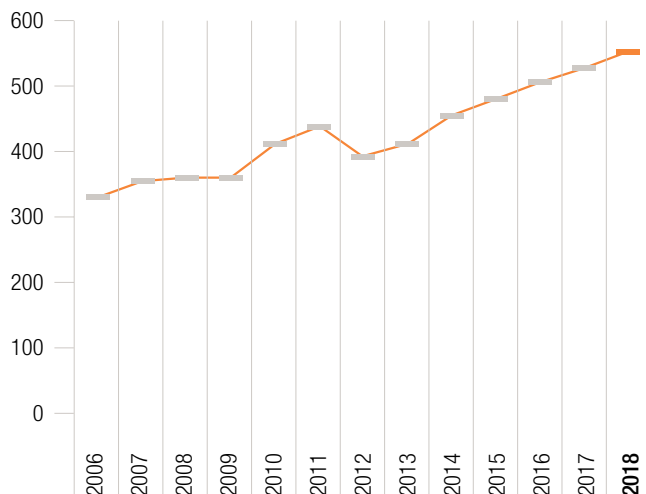
	2014	2015	2016	2017	2018
Total revenue (millions)	\$670.3	\$723.6	\$751.0	\$841.8	\$821.1
Combined Building Products & Property EBIT before significant items (millions)	\$107.5	\$120.7	\$148.8	\$155.6	\$169.9
Net profit before significant items after tax (millions)	\$101.3	\$120.3	\$147.1	\$196.4	\$223.7
Net profit after tax (millions)	\$102.8	\$78.1	\$78.2	\$186.2	\$175.4
Net Tangible Assets (millions)	\$1,516.8	\$1,572.1	\$1,628.9	\$1,755.0	\$1,854.9
90 day VWAP for Brickworks shares at year end	\$13.74	\$14.38	\$15.11	\$14.27	\$15.78
Dividends – ordinary shares (cents)	42.0	45.0	48.0	51.0	54.0

Employee Productivity

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

Building Products Revenue per Employee

**Building Products
Revenue per Employee
(\$'000)**



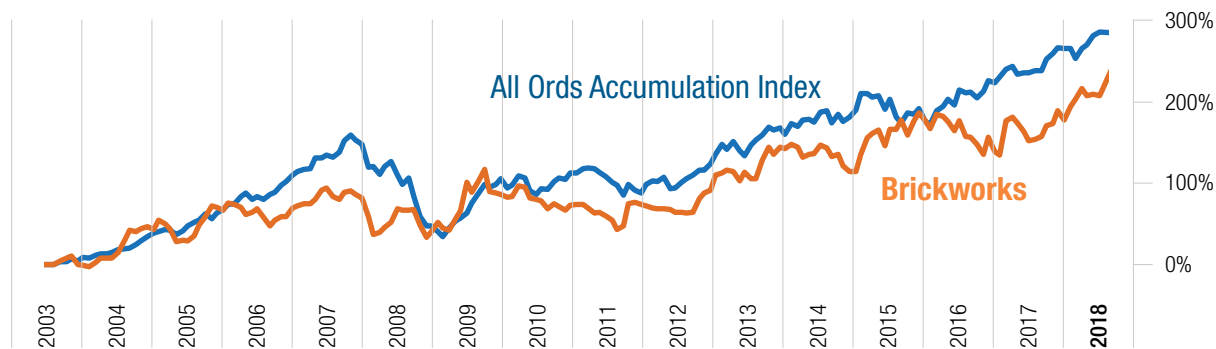
Total Shareholder Returns (TSR)

Excellent shareholder returns have been achieved for the year to 31 July 2018, at over 22%. Since the end of the period, the share price has risen a further 10% to 18 September 2018.

Measuring returns to the end of July, longer term performance over ten and fifteen years has trailed All Ordinaries Accumulation Index by approximately 1% per annum. If the recent performance following year end is added, returns outperform the Index over most time horizons.

Annual TSR	1 year	3 years	5 years	10 years	15 years
Brickworks Limited	22.3%	5.0%	8.4%	6.3%	7.8%
All Ords Accum Index	14.9%	8.4%	9.4%	6.9%	9.4%
Out/(Under) Perform	7.4%	(3.4%)	(1.0%)	(0.6%)	(1.6%)
Out/(Under) Perform (extending to 18 Sep 2018*)	17.1%	0.0%	1.1%	0.5%	(0.9%)

* Includes the additional period since financial year end (1 Aug 18 to 18 Sep 2018)

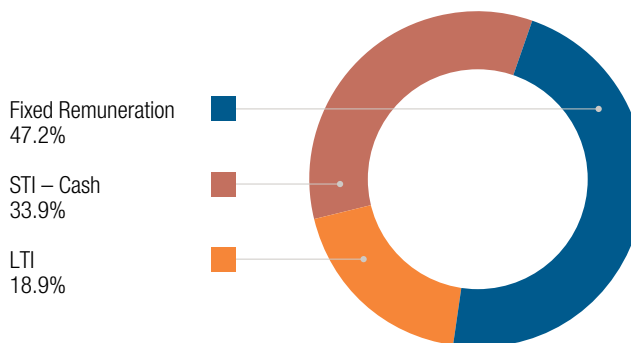


2.2 Potential Remuneration Mix

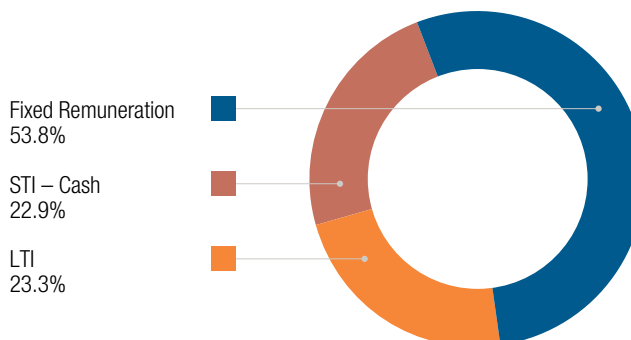
Total remuneration for the MD and the other executives comprises both fixed remuneration and an at risk component (STI and LTI). The mix shown in the graph below is the potential remuneration based on the current remuneration at 31 July 2018 with STI and LTI based on maximum opportunities.

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

Potential Managing Director Remuneration Mix



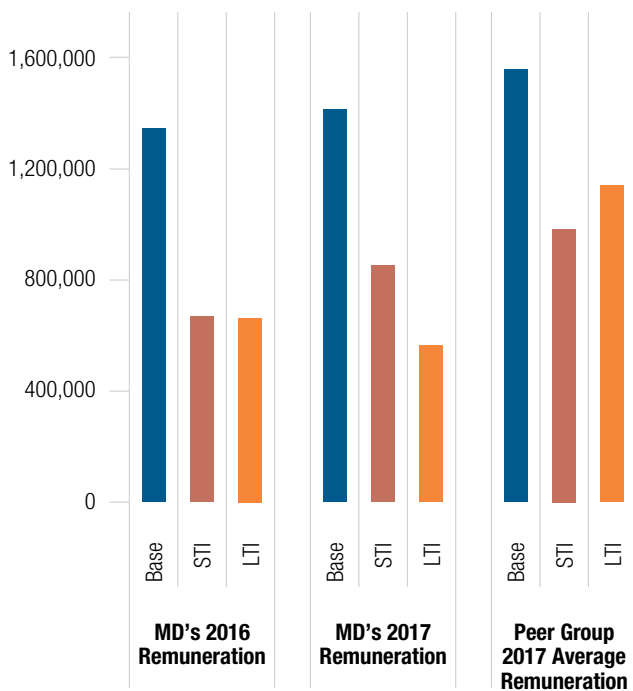
Average Potential Other Executive KMP Remuneration Mix



2.3 Remuneration Component – Fixed Remuneration

As reported in last year's remuneration report, the MD was awarded an increase of 7.5% of base pay effective from 1 April 2017 to bring his Total Fixed Remuneration closer to the level enjoyed by his peers in ASX listed building products companies.

An independent benchmarking assessment in FY2017 of the fixed pay, cash STI, deferred STI and LTI was conducted. The level of peer MD remuneration opportunity at target and maximum levels was compared against the MD opportunity on the same basis.



In considering the fixed pay, cash STI, deferred STI and LTI it was observed that the MD's remuneration was positioned below that of the market with respect to roles of comparable complexity and size.

The Board preference was for this deficit to be made up of a combination of performance pay and fixed pay.

The MD was awarded an increase of 7.5% of base pay effective from 1 April 2017 to more fairly reflect his remuneration compared to the market and peers in ASX listed building products companies. The STI opportunity was increased to 60% from 40% but for retention purposes 33.33% of any STI payment will be deferred for 2 years. The 40% LTI opportunity includes performance based measures being applied to 100% of each allocation.

There has been no material increase in total fixed remuneration for any KMP or executives during the 2018 financial year.

2.4 Remuneration Component – Short Term Incentives (STI)

The information below outlines the STI Plan:

Purpose

The STI is an annual bonus designed to reward executives for meeting or exceeding financial and non-financial objectives over a one year period.

Timing

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

For all other executives the STI is awarded in cash up to a maximum of 50% of total fixed remuneration (including base salary, superannuation and car allowance). Any excess STI earned above the maximum percentage of total fixed remuneration will not be paid as a cash bonus but will be added to the long-term incentive share allocation for that year with deferral over 5 years.

Target Opportunities

The MD and CFO have a target STI opportunity of 60% of total fixed remuneration while other executives have a target STI opportunity of between 12.5% and 50% of base salary. STI as a proportion of base salary for an employee increases as that employee gains greater responsibility and has greater capacity to influence the performance of the business as a whole.

Performance measures

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

The MD determines the KPI's which are aligned to the delivery of the strategy and performance of the business.

Payments under the STI are determined by performance against KPIs.

STI performance measures and weightings vary by executive depending on individual accountabilities for the financial year 2018. The metrics and their rationale for selection are as follows:

Rationale for selection

Financial measures

Divisional profit compared with the base target	Focus senior executive attention on results and performance for segments for which they have direct responsibility.
Cash generation	Managing cash to ensure cash and working capital is available whenever and wherever required by the business.

Non-financial measures

Quality of earnings	This measure considers the quality of the earnings result including goodwill, impairments and windfall gains.
Strategic	Focuses senior executives on strategic initiatives such as new product development, network strategy, rationalisation of surplus assets, restructuring and rationalisation of operations to deliver growth and improve business performance.
Operational	Key operational deliverables align management to the strategic initiatives of the Group with a focus on long-term sustainability of earnings such as production and returns on net tangible assets, efficiencies, operational and manufacturing improvements.
Safety, Health and Environment	Rewards employees for demonstrated leadership in enhancing workplace safety and taking a sustainable approach to operations through scientific innovation.
People	Effective leadership, talent development, retention and succession planning are critical to the success of the business and underpin financial performance.

Weighting of performance measures

MD and CFO

The potential STI for the MD and CFO at target is based on 60% of total fixed remuneration (including base salary, car allowance and superannuation). The payout schedule against the financial measures is outlined below:

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

Target	STI Award
110% of profit target	120% of potential STI
Between 100% and 110% of profit target	Pro rata award on a straight line basis between 100% and 120% of potential STI
Between 80% and 100% of profit target	Pro rata award on a straight line basis between 60% and 100% of potential STI
Below 80% of profit target	No STI Award

The total STI Award calculated as set above is then considered against each performance measure component as follows:

- ▶ 37.5% of any STI Award is paid to reflect profit performance
- ▶ 37.5% of any STI Award is paid as set out below:

Target	STI Award
100% of budgeted operating cash flow	100% of 37.5%
Between 80% and 100% of budgeted operating cash flow	Pro rata award on a straight line basis between 60% and 100% of 37.5%
Below 80% of budgeted operating cash flow	100% of 37.5% forfeited

- ▶ The remaining 25% of any STI Award is payable on each non-financial measure reached.

Other Executives

The STI for all other executives is weighted 75% for financial measures and 25% for non-financial measures.

Percentage of financial component payable for other executive KMP (75% of total STI)

% of profit target achieved	
Between base target and upper target	Straight-line between 50% and 100%
> upper target	Pro-rata equal to the percentage over budget to a maximum of 50% of total fixed remuneration
% of cash target achieved	
Between base target and upper target	Straight line between 50% and 100%

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

Performance assessment

MD and CFO

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

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

Other Executives

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

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

Other features

Clawback

There are currently no clawback clauses for STI payments.

Termination

Should the employment of either the MD or CFO be terminated other than for cause all outstanding STI payments the subject of deferral will be paid as if their employment had continued.

STI outcomes

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive for financial year 2018 and the performance achieved. Unless otherwise stated all earnings measures exclude significant items.

Executive	FINANCIAL 75%		NON-FINANCIAL 25%	
	Measure(s)	Performance	Measures	Performance
MD & CFO	▶ NPAT for Building Products and Property against target	149% achieved	▶ A mixture of Quality of earnings, Strategic, Operational, Safety, Health and Environment and People including Succession Planning relevant to the executive	75% achievement of non-financial KPIs
	▶ Operating cash flow for Building Products and Property against target	137% achieved		
EGM Property & Development	▶ NPAT against target	147% achieved	▶ Mixture of Strategic and Operational relevant to the executive	100% achievement of non-financial KPIs
	▶ Divisional cash generation against target	113% achieved		
Group GM – Bricks and Roofing	▶ EBIT against target for Austral Bricks	114% achieved	▶ Mixture of Strategic, Operational, Safety, Health and Environment and People relevant to the executive	40% achievement of non-financial KPIs
	▶ Cash generation for Austral Bricks	102% achieved		

STI achieved

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive for 2018 and the performance achieved.

The following table outlines the percentage of target STI achieved (and forfeited) in relation to financial and non-financial KPI's, and the total STI awarded, for each executive for 2018.

Executive	STI On Target Opportunity	FINANCIAL			NON-FINANCIAL			STI awarded \$	STI over performance subject to LTI \$
		Weighting %	Achieved %	Forfeited %	Weighting %	Achieved %	Forfeited %		
MD	1,062,000	75%	100%	0%	25%	75%	25%	995,625	–
CFO	554,400	75%	100%	0%	25%	75%	25%	519,750	–
EGM Property & Development	240,000	75%	123%	0%	25%	100%	0%	262,250	19,704
Group GM – Bricks and Roofing	232,500	75%	107%	0%	25%	40%	60%	250,000	–

2.5 Remuneration Component – Long Term incentives (LTI) for FY 2018

What is the LTI?

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

Scope

The LTI is a broad based employee share plan with 594 employees participating as at 31 July 2018 via 1,597,739 shares on allocation of which 49.81% remain unvested (and 50.19% vested). In addition, 28,409 shares in the plan were forfeited during the year to 31 July 2018.

Purpose

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

Opportunity

The value of shares granted was dependent upon the employee's position within the Group and their base salary. For the MD and CFO this STI entitlement is 60%. For all other executives, this STI entitlement is up to 50% of base salary.

However, the value of LTI shares may exceed these percentages as a consequence of STI cash payments being capped at 50% of fixed remuneration for all executives (and at 72% of fixed remuneration for the MD and CFO). Outperformance against the STI measures are recognised by the grant of additional LTI shares.

Performance measures that apply for allocations made in FY 2018 for the MD and CFO

For performance securities granted after 1 August 2017 to the MD and CFO 50% of the award is subject to Brickworks TSR compared to the companies in the S&P/ASX 200 Franking Credit adjusted annual total return Index and 50% of the award is subject to an absolute TSR summarised below.

Relative TSR

This is a relative TSR measure. The vesting schedule is:

BKW's TSR inclusive of Grossed Dividends as a % of S&P/ASX 200 Franking Credit adjusted annual total return Index (XJOAI Franked)	Level of Vesting
120%	100%
80% to 100%	Pro rata vesting on a straight line basis between 90% to 100%
50% to 80%	Pro rata vesting on a straight line basis between 50% to 90%
Below 50%	Nil

Absolute TSR

This is an absolute measure. The Absolute TSR is equivalent to the sum of the grossed-up dividend yield plus or minus the movement in the 90 day VWAP's during the year under review. The vesting schedule is:

Absolute after tax (pre-tax with gross up for dividend component) TSR Target over the performance period	Level of Vesting
7% or greater	100%
6% to 7%	Pro rata vesting on a straight line basis between 50% and 100%
6%	50% vesting
Less than 6%	No vesting

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

- ▶ no shares allocated to the MD and the CFO after 2015 will vest based only on tenure;
- ▶ absolute TSR ensures vesting is commensurate with the Company's actual TSR, meaning there are no awards when TSR is negative and it also provides a good line of sight for the MD and CFO;
- ▶ measuring TSR on a relative basis levels the playing field by removing overall market movements and industry economics for the evaluation of MD and CFO performance;
- ▶ the use of relative TSR ensures that the MD and CFO are motivated to deliver returns that are superior to what a security holder could achieve in the broader market and ensures as the most senior management they maintain a strong focus on security holder outcomes;
- ▶ Brickworks calculates its after tax TSR incorporating the full value of franking credits. The S&P ASX 200 Franking Credit adjusted annual total return Index also adjusts the total return for the tax effect of franking credits;
- ▶ the use of the S&P ASX 200 Franking Credit adjusted annual total return Index was chosen as the relative performance target following testing of this group against a range of historical and future share price/payout scenarios to confirm that outcomes align with the Company's historical notion of superior long-term performance. The S&P ASX 200 Franking Credit adjusted annual total return Index measure (XJOAI Franked) adjusts the total return of the S&P / ASX 200 Accumulation Index for franked dividends to ensure consistency of calculation. This Index is readily available and simple to use as a comparator for a Group that spans across the building products and property development sectors. Furthermore, Brickworks does not have to separately manage and adjust a custom peer group for changes among constituents. The hurdles are reviewed annually by the Board and the Board believes that the TSR measures will drive outperformance without encouraging excessive risk taking; and
- ▶ while the Board appreciates that there are at times different views held by different stakeholders, it considers that these measures provide the appropriate balance between market and non-market measures.

The assessment of TSR Shares against each of the absolute and relative TSR targets is undertaken progressively for 20% of the TSR Shares on 31 July for each of the 5 years following the allocation date.

The share price used at commencement of each tranche for assessing both relative and absolute TSR performance of Brickworks shares is the 90 day Volume Weighted Average Price (VWAP) prior to 31 July. The actual share price used to compare to the TSR target share price is the 90 day VWAP prior to testing.

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

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

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

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

Other features

Clawback

There are currently no clawback clauses for LTI payments.

Change of Control

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

Treatment of Dividends

The employee receives the voting rights and any future dividends immediately upon the granting of shares. This reflects the relatively long-term nature of the 5 year performance period and that the primary purpose of the LTI is one of retention. Executive's entitlements to dividends attributable to the unvested performance shares reflects the reality that if there is no dividend entitlement, the number of performance shares that would need to be granted to achieve the same retention impact, is likely to be approximately 10% to 15% greater than current allocations.

Sources of Shares

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

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

Derivatives

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

2.6 LTI Outcomes FY2018 MD and CFO

Following the revised terms of the LTI for the MD and CFO including the introduction of an absolute TSR measure for allocations after 31 July 2016 and the relative TSR measure for allocations after 31 July 2017 the following represents Brickworks' performance against each TSR measure.

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

Absolute TSR performance

For the purposes of the absolute TSR measure under the LTI plan, Brickworks' average TSR is calculated using a simple average of Brickworks' 1 year TSR, 2 year TSR, 3 year TSR, 4 year TSR and 5 year TSR. Brickworks' TSR results as at 31 July 2018 are:

Year TSR	Test period from	Test period to	TSR Performance
1 year TSR	1-Aug-2017	31 July 2018	18.0%
2 year TSR	1-Aug-2016		9.0%
3 year TSR	1-Aug-2015		8.7%
4 year TSR	1-Aug-2014		10.1%
5 year TSR	1-Aug-2013		12.6%
Average TSR			11.7%

Brickworks' Average TSR of 11.7% has exceeded the performance criteria (being 7%).

Relative TSR performance

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

TSR	XJOAI Franked [#]	Brickworks (inc. Franking)	Brickworks as % Index	Vesting criteria
1 year	14.2%	18.0%		If Brickwork's TSR as a % of the index's return is greater than 100%, then all shares subject to the Relative Test will vest
2 years	11.9%	9.0%		
3 years	9.4%	8.7%		
4 years	9.5%	10.1%		
5 years	11.9%	12.6%		
Simple average	11.4%	11.7%	102.8%	
Relative vesting in FY 2018				100%

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

2.7 Other Company wide share plan

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

2.8 Market purchases

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

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

At 31 July 2018, there were 739 employees participating in the Brickworks Deferred Employee Share Plan and the Brickworks Exempt Employee Share Plan, holding 1,713,363 shares (1.15% of issued capital).

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

3 EMPLOYMENT CONTRACTS

3.1 Termination payments

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

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

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

3.2 Executive Restraint

All executives gain strategic business knowledge during the course of their employment. Brickworks will use any means available to it by law to ensure that this information is not used to the detriment of the Company by any employee following termination. In order to protect the Group's interests, Brickworks had an enforceable restraint through the executive's legacy employment contract to prevent executives from either going to work for a competitor, or inducing other employees to leave the Company, for a specified period. In consideration of the restraint, executives would receive a monthly payment, equivalent to their existing base salary plus one twelfth of the average of the previous three annual bonuses, for a period of up to twelve months.

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

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

4 NON-EXECUTIVE DIRECTORS

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

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

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

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

5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

5.1 Table of Remuneration to KMP

The fees payable to non-executive Directors and the remuneration payable to other KMP during the financial year ending 31 July 2018 are disclosed in the following table.

	Year	Base fees/ salary	Non- monetary benefits	Post Employment (Super)	Total fixed remuneration	Short Term Incentive	Long Term Incentive	Retirement benefit	Total
Directors									
R D Millner	2018	228,311	–	21,689	250,000	–	–	–	250,000
	2017	224,658	–	21,342	246,000	–	–	–	246,000
M J Millner	2018	114,155	–	10,845	125,000	–	–	–	125,000
	2017	112,329	–	10,671	123,000	–	–	–	123,000
B P Crotty	2018	125,845	–	11,955	137,800	–	–	–	137,800
	2017	123,836	–	11,764	135,600	–	–	–	135,600
D N Gilham	2018	114,155	–	10,845	125,000	–	–	–	125,000
	2017	112,329	–	10,671	123,000	–	–	–	123,000
D R Page	2018	125,845	–	11,955	137,800	–	–	–	137,800
	2017	123,836	–	11,764	135,600	–	–	–	135,600
R J Webster	2018	121,580	–	11,550	133,130	–	–	–	133,130
	2017	119,635	–	11,365	131,000	–	–	–	131,000
L R Partridge	2018	1,454,911	6,354	20,089	1,481,354	995,625	837,578 ¹	–	3,314,557
	2017	1,386,348	5,957	19,652	1,411,957	859,385	734,059 ¹	–	3,005,401
Total	2018	2,284,802	6,354	98,928	2,390,084	995,625	837,578	–	4,223,287
	2017	2,202,971	5,957	97,229	2,306,157	859,385	734,059	–	3,899,601
Other Key Management Personnel									
R C Bakewell	2018	749,911	22,373	20,089	792,373	519,750	59,992 ¹	–	1,372,115
	2017	730,348	19,500	19,652	769,500	458,417	–	–	1,227,917
M Kublins	2018	504,411	6,185	20,089	530,685	262,250	316,086	–	1,109,021
	2017	491,223	6,034	19,652	516,909	255,438	277,892	–	1,050,239
M A Ellenor ²	2018	485,911	11,025	20,089	517,025	250,000	177,059	–	944,084
	2017	117,810	2,708	4,940	125,458	211,100	145,716	–	482,274
Total	2018	1,740,233	39,583	60,267	1,840,083	1,032,000	553,137	–	3,425,220
	2017	1,339,381	28,242	44,244	1,411,867	924,955	423,608	–	2,760,430

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

- ▶ L R Partridge: net decrease of \$53,651 in accrued leave entitlements (2017: \$ \$24,670 decrease)
- ▶ R C Bakewell: net increase of \$49,965 in accrued leave entitlements (2017: \$29,437 increase)
- ▶ M Kublins: net decrease of \$2,502 in accrued leave entitlements (2017: \$11,411 decrease)
- ▶ M A Ellenor: net increase of \$11,750 in accrued leave entitlements (2017: \$12,078 increase)

The profit (before tax and excluding significant items) generated by the Property division increased by 4% whereas the total remuneration paid to the Executive General Manager – Property and Development increased by 6%.

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

² Mark Ellenor is KMP from 1 May 2017 following his appointment as Group General Manager Austral Bricks.

REMUNERATION REPORT

5.2 Director and Key Management Personnel shareholdings

	Held 31 July 2017		Granted as Remuneration	Date Granted Remuneration	Purchases	Shares Disposed of	Held 31 July 2018	
Directors								
R D Millner	5,039,980		–	–	–	(226,882)	4,813,098	
M J Millner	5,014,023		–	–	–	(226,882)	4,787,141	
B P Crotty	15,209		–	–	15,000	–	30,209	
D N Gilham	102,268		–	–	–	–	102,268	
D R Page	6,500		–	–	2,200	–	8,700	
R J Webster	15,922		–	–	–	–	15,922	
	DESP*	Other					DESP*	Other
L R Partridge	184,039	31,500	40,798	4 October 2017	10,000	(53,942)	170,895	41,500
Other Key Management Personnel								
R C Bakewell	–	200	21,762	4 October 2017	–	–	21,762	200
M Kublins	86,707	34,509	19,290	4 October 2017	–	(15,763)	101,234	23,509
M A Ellenor	40,758	–	15,313	4 October 2017	–	(15,139)	40,932	–

* These shareholdings are unvested shares held through the Brickworks Deferred Employee Share Plan which may not vest to the employee if they do not satisfy vesting criteria. All share transactions by KMP were on normal terms and conditions on the Australian Securities Exchange.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The Directors received an independence declaration from the auditor, EY. A copy has been included on page 83 of the report.

PROVISION OF NON-AUDIT SERVICES BY EXTERNAL AUDITOR

During the year the external auditors, EY, provided non-audit services to the Group, totalling \$72,400. The non-audit services were for the provision of other assurance services and accounting advice of a general nature relating to the interpretation and application of tax laws and accounting standards.

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

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

INDEMNIFICATION OF AUDITORS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

ROUNDING OF AMOUNTS

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

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

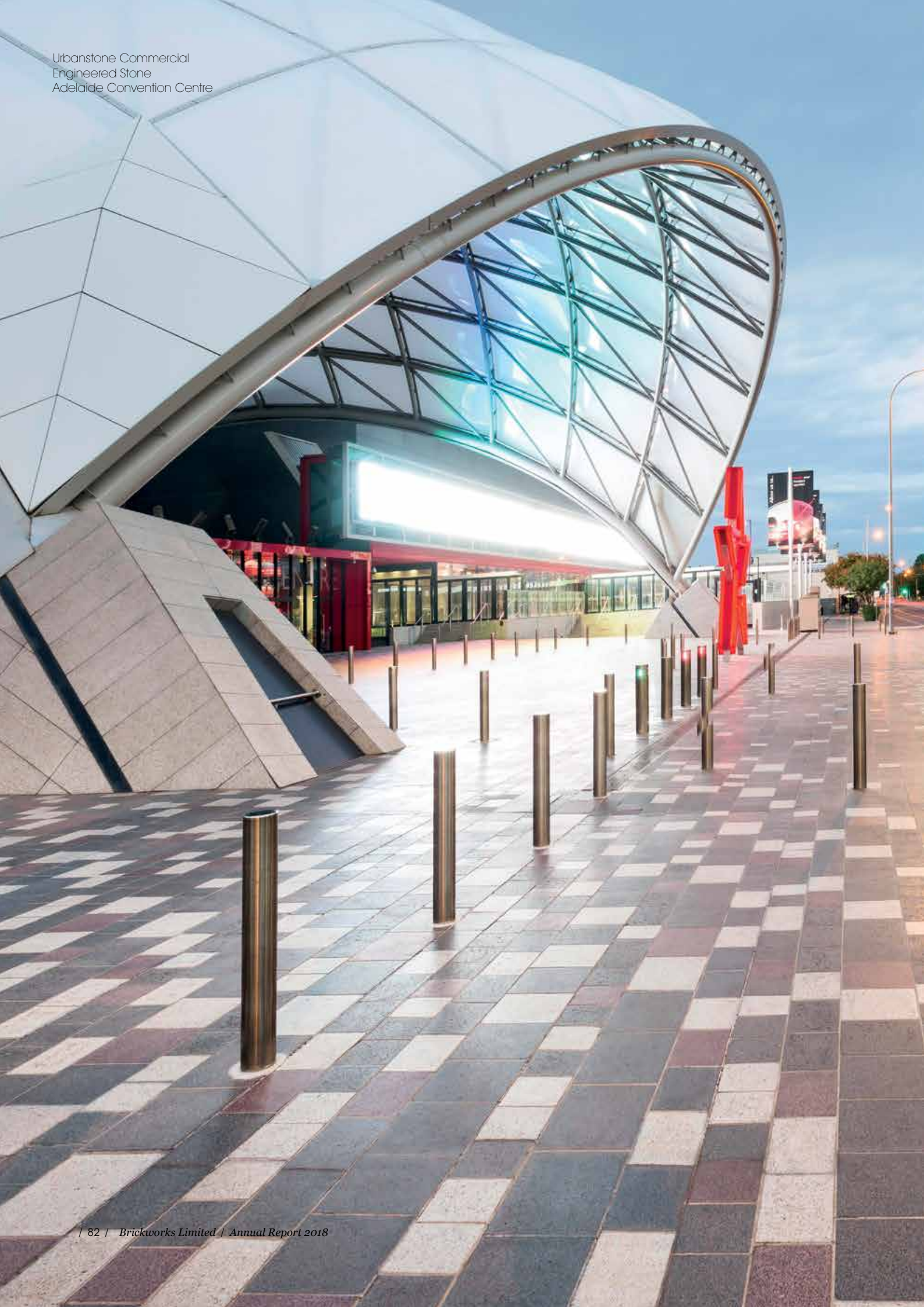
Dated: 20 September 2018



R.D. MILLNER
Director



L.R. PARTRIDGE AM
Director





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Auditor's Independence DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BRICKWORKS LIMITED

As lead auditor for the audit of Brickworks Limited for the financial year ended 31 July 2018,
I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

ANTHONY JONES

Partner

20 September 2018

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Consolidated Financial STATEMENTS

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CONSOLIDATED INCOME STATEMENT

	Notes	2018 \$000	2017 \$000
Revenue	2.2	821,084	841,816
Cost of sales		(567,023)	(559,099)
Gross profit		254,061	282,717
Other income	2.2	2,074	1,758
Distribution expenses		(72,164)	(65,632)
Administration expenses		(31,507)	(28,948)
Selling expenses		(85,413)	(77,870)
Impairment of non-current assets	3.2	(124)	(3,046)
Other expenses		(23,272)	(25,631)
Share of net profits of associates and joint ventures	2.3	200,798	173,235
Profit before finance cost and income tax		244,453	256,583
Finance costs	2.2	(14,456)	(12,436)
Profit before income tax		229,997	244,147
Income tax expense	4.1	(54,555)	(57,937)
Profit after tax		175,442	186,210
Profit after tax attributable to:			
Shareholders of Brickworks Limited		175,442	186,210
		Cents	Cents
Earnings per share attributable to the shareholders of Brickworks Limited			
Basic (cents per share)	2.4	117.5	124.9
Diluted (cents per share)	2.4	117.5	124.9

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	2018 \$000	2017 \$000
Profit after tax		175,442	186,210
Other comprehensive income, net of tax			
<i>Items that may be subsequently reclassified to Income Statement</i>			
Net gain on available-for-sale financial assets		1,181	–
Share of increments /(decrements) in reserves attributable to associates and joint ventures		(1,984)	(2,596)
Foreign currency translation		32	1
Income tax (expense)/benefit relating to these items	4.1	241	779
Other comprehensive income/(expense), net of tax		(530)	(1,816)
Total comprehensive income		174,912	184,394
Total comprehensive income, attributable to:			
Shareholders of Brickworks Limited		174,912	184,394

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

CONSOLIDATED BALANCE SHEET

	Notes	2018 \$000	2017 \$000
Cash and cash equivalents	5.2	21,167	19,641
Receivables	3.1	122,216	133,225
Inventories	3.1	207,104	195,720
Land held for resale	3.3	7,383	–
Derivative financial assets	5.7	376	–
Prepayments		10,227	8,393
Total current assets		368,473	356,979
Inventories	3.1	7,356	7,300
Available-for-sale financial assets	5.3	1,181	–
Investments accounted for using the equity method	6.3	1,771,504	1,644,029
Property, plant and equipment	3.2	510,493	498,755
Intangible assets	3.2	216,130	212,840
Total non-current assets		2,506,664	2,362,924
TOTAL ASSETS		2,875,137	2,719,903
Payables	3.1	107,909	110,102
Derivative financial liabilities	5.4, 5.7	501	513
Current income tax liability	4.2	19,577	6,184
Provisions	3.4	49,668	43,416
Total current liabilities		177,655	160,215
Borrowings	5.4	324,105	311,977
Derivative financial liabilities	5.4	1,922	3,549
Provisions	3.4	10,494	10,436
Deferred income tax liability	4.2	289,883	265,886
Total non-current liability		626,404	591,848
TOTAL LIABILITIES		804,059	752,063
NET ASSETS		2,071,078	1,967,840
Issued capital	5.5	345,873	340,814
Reserves	5.6	309,094	309,782
Retained profits		1,416,111	1,317,244
TOTAL EQUITY		2,071,078	1,967,840

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Issued capital \$000	Reserves \$000	Retained profits \$000	Total \$000
For the year ended 31 July 2018					
Balance at 1 August 2017		340,814	309,782	1,317,244	1,967,840
Profit after tax		–	–	175,442	175,442
Total other comprehensive income – net of tax		–	(530)	–	(530)
Net dividends paid	2.5	–	–	(63,109)	(63,109)
Issue of shares through employee share plan	5.5	(17)	–	–	(17)
Purchase of shares through employee share plan	5.5	(562)	–	–	(562)
Shares vested to employees	5.5	5,638	(5,638)	–	–
Share of associates transferred to outside equity interests		–	–	(13,466)	(13,466)
Share based payments expense	7.1	–	5,480	–	5,480
Balance at 31 July 2018		345,873	309,094	1,416,111	2,071,078
For the year ended 31 July 2017					
Balance at 1 August 2016		336,905	311,255	1,190,325	1,838,485
Profit after tax		–	–	186,210	186,210
Total other comprehensive income – net of tax		–	(1,816)	–	(1,816)
Net dividends paid	2.5	194	–	(59,321)	(59,127)
Issue of shares through employee share plan	5.5	(15)	–	–	(15)
Purchase of shares through employee share plan	5.5	(750)	–	–	(750)
Shares vested to employees	5.5	4,480	(4,480)	–	–
Share of associates transferred to outside equity interests		–	–	30	30
Share based payments expense	7.1	–	4,823	–	4,823
Balance at 31 July 2017		340,814	309,782	1,317,244	1,967,840

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Notes	2018 \$000	2017 \$000
Cash flows from operating activities		
Receipts from customers	909,162	811,393
Payments to suppliers and employees	(829,130)	(757,772)
Proceeds from land held for resale	–	20,994
Interest received	303	224
Interest and other finance costs paid	(14,046)	(15,222)
Dividends and distributions received	116,152	73,246
Income tax paid	(11,493)	(17,441)
Net cash from operating activities	170,948	115,422
Cash flows from investing activities		
Purchases of property, plant and equipment	(43,467)	(61,358)
Proceeds from sale of property, plant and equipment	1,260	1,555
Purchase of investments in joint ventures	(81,465)	(9,450)
Proceeds from sale or return of investments	33,250	5,750
Purchase of controlled entities, net of cash acquired	(13,308)	(3,195)
Net cash used in investing activities	(103,730)	(66,698)
Cash flows from financing activities		
Proceeds from borrowings	280,000	523,000
Repayments of borrowings	(268,000)	(510,000)
Dividends paid	(77,692)	(72,866)
Net cash used in financing activities	(65,692)	(59,866)
Net increase/(decrease) in cash held	1,526	(11,142)
Cash at the beginning of the financial year	19,641	30,783
Cash at the end of the financial year	5.2 21,167	19,641
Reconciliation of net profit attributable to shareholders of Brickworks Limited to net cash from operating activities		
Profit after tax	175,442	186,210
Adjustments for non-cash items		
Depreciation and amortisation	29,402	27,851
Non-cash amortisation of borrowing costs	127	(247)
Net fair value change on derivatives	(1,510)	(2,088)
Impairment of property, plant and equipment	124	3,046
Non-cash profit on sale of land held for resale	–	(31,287)
Net losses/(gains) on disposal of property, plant and equipment	185	(876)
Net gains on disposal of available-for-sale financial assets	(750)	–
Non-cash share based payment expense	4,901	4,059
Share of net profit of investments accounted for using the equity method	(84,647)	(99,989)
Net cash provided by operating activities before changes in assets and liabilities	123,274	86,679
Changes in assets and liabilities net of effects from business combinations		
(Increase)/decrease in receivables	11,347	(26,414)
(Increase)/decrease in inventories	(7,631)	(6,628)
(Increase)/decrease in prepayments	(1,750)	388
(Decrease)/increase in payables	(1,815)	26,804
(Decrease)/increase in provisions	4,331	(5,690)
(Decrease)/increase in current and deferred income tax	43,192	40,283
Net cash provided by operating activities	170,948	115,422

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

NOTES

to the Consolidated Financial Statements

1 ABOUT THIS REPORT

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

1.1 Statement of compliance and basis of preparation

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

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

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

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

- ▶ have been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*;
- ▶ comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- ▶ incorporate the results of each controlled entity from the date Brickworks Limited obtains control and until such time as it ceases to control an entity;
- ▶ have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial assets and investment property, which have been measured at fair value;
- ▶ are presented in Australian dollars, which is the Group's functional currency¹;
- ▶ adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 August 2017;
- ▶ do not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as disclosed in Note 7.6.

The financial statements were authorised for issue in accordance with a resolution of directors on 20 September 2018.

¹ All values are rounded to the nearest thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2017/191.

1.2 Key estimates or judgements

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

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

1.3 Comparative information

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

1.4 Notes to the consolidated financial statements

The notes are organised into the following sections:

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

2 FINANCIAL PERFORMANCE

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

2.1 Segment reporting

The Group operates predominantly within Australia, with some clay and timber product exported to other countries. Total revenue from sales outside of Australia in the 12 months ended 31 July 2018 was \$14.5 million (2017: \$15.9 million). The carrying value of non-current assets held outside of Australia at 31 July 2018 was \$7.1 million (2017: \$7.4 million).

Management identified the following reportable business segments:

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

	BUILDING PRODUCTS		PROPERTY		INVESTMENTS		CONSOLIDATED	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
REVENUE								
Revenue from sales to external customers	819,980	763,338	801	78,254	303	224	821,084	841,816
RESULT								
Segment EBITDA	105,352	92,887	93,979	90,588	123,498	103,097	322,829	286,572
Depreciation and amortisation	(29,402)	(27,851)	–	–	–	–	(29,402)	(27,851)
Segment EBIT	75,950	65,036	93,979	90,588	123,498	103,097	293,427	258,721
Unallocated expenses								
Significant items							(35,308)	10,294
Borrowing costs							(14,456)	(12,436)
Other unallocated expenses							(13,666)	(12,432)
Profit before income tax							229,997	244,147
Income tax expense ¹							(54,555)	(57,937)
Profit after income tax							175,442	186,210
ASSETS								
Segment assets	1,110,480	1,082,031	493,040	403,843	1,271,617	1,234,029	2,875,137	2,719,903
Unallocated assets							–	–
Total assets							2,875,137	2,719,903
LIABILITIES								
Segment liabilities	161,043	157,561	1,587	2,473	208,922	198,527	371,552	358,561
Borrowings							324,105	311,977
Other unallocated liabilities							108,402	81,525
Total liabilities							804,059	752,063

¹ Included in the income tax expense is tax expense related to significant items amounting to \$12,980,000 (2017: income tax expense of \$20,509,000).

	BUILDING PRODUCTS		PROPERTY		INVESTMENTS		CONSOLIDATED	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
OTHER								
Share of profit of an associate and a joint venture	260	629	100,359	43,598	100,179	129,008	200,798	173,235
Carrying value of investments accounted for by the equity method	15,798	6,997	485,657	403,843	1,270,049	1,233,189	1,771,504	1,644,029
Acquisition of non-current segment assets	65,275	62,949	72,965	11,054	–	–	138,240	74,003
Non-cash expenses other than depreciation and amortisation	43,475	58,316	–	–	–	–	43,475	58,316

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

RECOGNITION AND MEASUREMENT

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

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

Significant items	2018 \$000	2017 \$000
Significant one-off transactions of associate ¹	(22,266)	26,135
Restructuring activities ²	(5,467)	(11,907)
Costs on commissioning of manufacturing facilities ³	(4,607)	(1,034)
Net legal & advisory costs ^{2,4}	(2,056)	139
Costs related to business acquisitions ²	(912)	–
Write-down of property, plant and equipment to recoverable value ⁵	–	(3,039)
Significant items before income tax	(35,308)	10,294
Income tax benefit/(expense) on significant items ⁶	3,913	4,753
Income tax benefit/(expense) arising from the carrying value of the investment in the associate (WHSP) ⁶	(16,893)	(25,262)
Total income tax benefit/(expense) on significant items	(12,980)	(20,509)
Significant items after income tax	(48,288)	(10,215)

1 Disclosed in 'Share of net profits of associates' line on the Income Statement.

2 Disclosed in 'Other expenses' line on the Income Statement.

3 Disclosed in 'Cost of sales' line on the Income Statement.

4 The comparative period amount is presented net of recovery of legal costs from Perpetual Limited.

5 Disclosed in 'Impairment of non-current assets' line on the Income Statement.

6 Disclosed in 'Income Tax Expense' line on the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Segment reporting (continued)

RECOGNITION AND MEASUREMENT

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

2.2 Revenues and expenses

(a) Revenue and other income

Significant items	2018 \$000	2017 \$000
REVENUE		
<i>Trading revenue</i>		
Sale of goods	818,940	762,337
Sale of land held for resale	–	77,395
	818,940	839,732
<i>Other operating revenue</i>		
Interest received – other corporations	303	224
Rental revenue	1,320	1,338
Other	521	522
Total operating revenue	821,084	841,816
OTHER INCOME		
Profit on disposal of available-for-sale financial assets	750	–
Proceeds from insurance	495	–
Net fair value gain on revaluation of FX derivatives	384	–
Property development income	191	808
Net gain on disposal of property, plant and equipment	–	876
Other items	254	74
Total other income	2,074	1,758

RECOGNITION AND MEASUREMENT

Revenue is recognised when the significant risks and rewards of ownership of the items sold have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable net of discounts, allowances and goods and services tax (GST).

Revenue from sale of goods is recognised upon delivery, unless a contract involves installation, in which case revenue is recognised by reference to the stage of completion of a contract in progress. Stage of completion is measured by reference to the number of units installed as a percentage of the total number of units determined under the contract with the customer.

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

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

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

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

(b) Expenses

Specific Expense Disclosures	Notes	2018 \$000	2017 \$000
Wages and salaries		161,455	155,896
Defined contribution superannuation expense		12,050	11,681
Share based payments expense		5,481	4,823
Other		9,398	7,572
Employee benefits expense		188,384	179,972
Research and development expenses		1,777	1,498
Operating lease expense		26,611	26,074
Depreciation	3.2	29,350	27,827
Amortisation	3.2	52	24
Depreciation and amortisation		29,402	27,851
Net loss on disposal of property, plant and equipment		185	–
Interest and finance charges paid/payable		15,582	14,707
Net fair value change on interest rate swaps	5.4	(1,126)	(2,271)
Total finance costs		14,456	12,436

RECOGNITION AND MEASUREMENT

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

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

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

2.3 Share of net profits of associates and joint ventures

	Notes	2018 \$000	2017 \$000
Share of net of profits of associates	6.3 (a)	100,179	129,008
Share of net profits of joint ventures	6.3 (b)	100,619	44,227
		200,798	173,235

RECOGNITION AND MEASUREMENT

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

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

2.4 Earnings per share (EPS)

	2018 \$'000	2017 \$'000
Profit after tax attributable to shareholders of Brickworks Limited (\$'000)	175,442	186,210
Weighted average number of ordinary shares used in the calculation of basis and diluted EPS (thousand) ¹	149,354	149,040
	Cents	Cents
Basic EPS (cents per share)	117.5	124.9
Diluted EPS (cents per share)	117.5	124.9

RECOGNITION AND MEASUREMENT

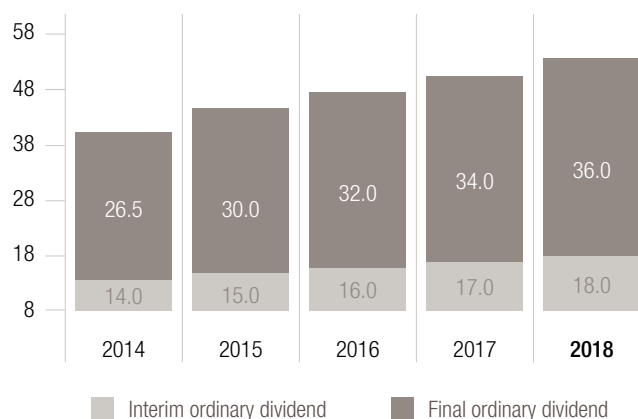
Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders of Brickworks Limited, after eliminating the effect of earnings related to the parent entity's shareholding arrangements and excluding any costs of servicing equity other than ordinary shares, by the weighted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

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

2.5 Dividends and franking credits

Type of dividend (fully franked)	Cents per share	Total amount \$'000	Date paid/payable
2016 Final	32.0	47,714	30 Nov 16
2017 Interim	17.0	25,348	2 May 17
2017 Final	34.0	50,799	29 Nov 17
2018 Interim	18.0	26,893	1 May 18
2018 Final ²	36.0	53,787	28 Nov 18

Dividends declared in each financial year – cents per share



	2018 \$'000	2017 \$'000
2017 Final ordinary dividend (PY: 2016)	50,799	47,714
2018 Interim ordinary dividend (PY: 2017)	26,893	25,348
Group's share of dividend received by associated company	(14,583)	(13,741)
	63,109	59,321
Franking account balance on a tax paid basis	147,412	145,449

The impact on the franking account of dividends resolved to be paid after 31 July 2018, but not recognised as a liability, will be a reduction in the franking account of \$23.1 million (2017: \$21.7 million).

¹ There were no dilutive potential ordinary shares as at 31 July 2018 (2017: nil).

² The final dividend for the 2018 financial year has not been recognised as a liability in this financial report because it was resolved to be paid after 31 July 2018. The amounts disclosed as recognised in 2018 are the final dividend in respect of the 2017 financial year and the interim dividend in respect of the 2018 financial year.

3 OPERATING ASSETS AND LIABILITIES

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

3.1 Working capital

(a) Receivables	2018 \$000	2017 \$000
Trade receivables	102,820	113,978
Provision for doubtful debts	(764)	(804)
Net trade receivables	102,056	113,174
Other debtors	20,160	20,051
	122,216	133,225
Movement in provision for doubtful debts		
Opening balance	804	856
Trade debts provided	1,030	1,885
Trade debts written-off	(1,070)	(1,937)
Closing balance	764	804
Receivables past due		
<i>Receivables past due but not impaired</i>		
Past due 0-30 days	3,098	5,499
Past due 30+ days	5,040	5,432
	8,138	10,931

(b) Inventories	2018 \$000	2017 \$000
Current		
Raw materials and stores	41,802	38,002
Work in progress	21,112	19,899
Finished goods	144,190	137,819
Total	207,104	195,720
Non-current		
Raw materials	7,356	7,300

Write-down of inventories recognised as an expense for the 2018 financial year amounted to \$3.972 million (2017: \$6.510 million).

(c) Current payables

Trade payables and accruals	107,909	110,102
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Average terms on trade payables are 30 days from statement.

RECOGNITION AND MEASUREMENT

Trade receivables are initially recognised at the value of the invoice issued to the customer and subsequently at the amount considered recoverable from the customer (net of provisions for doubtful debts).

Inventories are measured at:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2 Property, plant and equipment and intangible assets

(a) Property, plant and equipment

	Notes	LAND AND BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Cost		305,818	313,081	587,052	540,345	892,870	853,426
Accumulated depreciation and impairment losses		(54,361)	(50,548)	(328,016)	(304,123)	(382,377)	(354,671)
Net carrying amount 31 July		251,457	262,533	259,036	236,222	510,493	498,755
Net carrying amount at 1 August		262,533	278,698	236,222	209,756	498,755	488,454
Additions		1,823	7,153	41,644	54,205	43,467	61,358
Acquisitions through business combinations	6.5	–	–	8,351	40	8,351	40
Disposals of subsidiaries		–	–	(1,778)	–	(1,778)	–
Disposals		(1,248)	(28)	(197)	(651)	(1,445)	(679)
Transfers to land held for resale	3.3	(7,383)	(18,718)	–	(827)	(7,383)	(19,545)
Impairment losses		–	–	(124)	(3,046)	(124)	(3,046)
Depreciation expense		(4,268)	(4,572)	(25,082)	(23,255)	(29,350)	(27,827)
Net carrying amount 31 July		251,457	262,533	259,036	236,222	510,493	498,755

As at 31 July 2018 capital works in progress, disclosed as part of plant and equipment, amounted to \$36.7 million (2017: \$61.9 million).

RECOGNITION AND MEASUREMENT

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

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(b) Intangible assets

	Notes	Goodwill \$'000	Timber access rights \$'000	Brand names \$'000	Other \$'000	Total \$'000
Cost		281,801	8,656	11,062	1,259	302,778
Accumulated amortisation and impairment losses		(77,742)	(8,656)	–	(250)	(86,648)
Net carrying amount 31 July 2018		204,059	–	11,062	1,009	216,130
Net carrying amount 1 August 2017		203,393	–	9,000	447	212,840
Additions	6.5	1,166	–	2,062	614	3,842
Disposals	6.5	(500)	–	–	–	(500)
Amortisation expense		–	–	–	(52)	(52)
Net carrying amount 31 July 2018		204,059	–	11,062	1,009	216,130
Cost		292,609	8,656	9,000	646	310,911
Accumulated amortisation and impairment losses		(89,216)	(8,656)	–	(199)	(98,071)
Net carrying amount 31 July 2017		203,393	–	9,000	447	212,840
Net carrying amount 1 August 2016		200,153	–	9,000	471	209,624
Additions	6.5	3,240	–	–	–	3,240
Amortisation expense		–	–	–	(24)	(24)
Balance at 31 July 2017		203,393	–	9,000	447	212,840

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Impairment assessment

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

Goodwill is allocated to the Group's CGUs for impairment testing purposes. National divisions within the Building Products operating segment are CGUs which represent the lowest level at which the goodwill is monitored for internal reporting purposes. At 31 July 2018 the following CGUs representing business operations have significant allocations of goodwill:

- ▶ Austral Bricks \$152.0 million (2017: \$152.0 million)
- ▶ Austral Masonry \$20.0 million (2017: \$18.7 million)
- ▶ Bristle Roofing \$32.1 million (2017: \$32.1 million)

For the purpose of impairment assessment outlined below brand names with indefinite useful lives with a carrying value of \$11.1 million (2017: \$9.0 million) have been allocated to the following CGUs, which form part of the Building Products segment:

- ▶ Austral Bricks \$9.0 million (2017: \$9.0 million)
- ▶ Austral Masonry \$2.1 million (2017: \$nil)

Each of these CGUs have been valued based on value-in-use methodology, using the assumptions outlined in point (ii) below.

(ii) Key assumptions

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Calculation method	The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost to sell. VIU calculations use cash flows projections, inclusive of working capital movements, and are based on financial projections approved by the Board of Directors covering a five-year period. Estimates beyond five years are calculated with a growth rate that reflects the long-term growth rate for the State (or States) that the CGU predominantly operates in.
Sales volumes	Sales volumes are management forecasts reflecting independent external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates. A major driver of sales volumes is housing approvals and commencements. Management has assessed the reported forecast housing construction activity data from sources such as BIS Shrapnel and Housing Industry Association (HIA) over the budget period.
Sales prices	Management expects to obtain price growth over the budget period. The assumed increases differ by CGU and between different states where the CGU operates. Price increases are considered inherently achievable in a rational market where the supply of product approximates demand.
Costs	Costs are calculated taking into account historical gross margins, known cost increases, and estimated inflation rates over the period that are consistent with the locations in which the CGUs operate.
Terminal value earnings	Terminal value earnings are based on average earnings over the 5-year forecast period.
Long-term growth rates	Long-term growth rates used in cash flow valuation reflect the lower of 2.5% (2017: 2.5%) and the average 10-year historical growth rates for states in which CGUs operate (sourced from the Australian Bureau of Statistics). The long-term growth rates applied in VIU calculations are outlined below. <ul style="list-style-type: none"> ▶ Austral Bricks : 2.50% (2017: 2.50%) ▶ Bristle Roofing: 2.50% (2017: 2.50%) ▶ Austral Masonry 2.50% (2017: 2.50%)
Discount rate	Management uses an independent external advisor to calculate the appropriate discount rate applied consistently across all CGUs. For 2018, the pre-tax discount rate was 12.13% (2017: 12.13%).

The table below illustrates the impact of key assumptions on the goodwill impairment assessment for those CGUs, where the carrying amount approximates the recoverable amount.

	Bristle Roofing CGU	Austral Masonry CGU
The excess of CGUs recoverable amount over its carrying value (\$ millions)	15.0	11.0
	Change in the assumption required for the model to break even	
Reduction in average EBIT growth FY18-FY23 required for the model to break even	161 basis points	104 basis points
Reduction in long-term growth rate (LTGR) for the model to break even	171 basis points	81 basis points
Increase in post-tax WACC required for the model to break even	132 basis points	64 basis points

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

3.3 Land held for resale

	2018 \$000	2017 \$000
Current		
Land held for resale	7,383	–

In May 2018 the Group entered into a Deed of Call Option over its property at Punchbowl. The option provides the buyer with the option to purchase the site for \$41.0 million and includes a 10-year (plus an option to extend for another 10 years) lease back to the Group for its two-hectare specialised brick plant. The option was subsequently exercised in September 2018 (refer Note 7.5).

RECOGNITION AND MEASUREMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.4 Provisions

	Notes	Employee benefits \$'000	Remediation \$'000	Infrastructure costs \$'000	Workers compensation \$'000	Other \$'000	Total \$'000
Opening balance 1 August 2017		40,425	7,361	1,561	2,646	1,859	53,852
Recognised/(reversed)		35,081	188	–	2,804	1,430	39,503
Business combinations	6.5	1,778	–	–	–	200	1,978
Settled		(31,438)	(324)	(657)	(2,054)	(698)	(35,171)
Closing balance 31 July 2018		45,846	7,225	904	3,396	2,791	60,162
Current		41,296	1,281	904	3,396	2,791	49,668
Non-current		4,550	5,944	–	–	–	10,494
Total		45,846	7,225	904	3,396	2,791	60,162
Opening balance 1 August 2016		41,574	8,735	4,262	3,693	1,157	59,421
Recognised/(reversed)		35,191	775	–	2,786	1,376	40,128
Business combinations	6.5	121	–	–	–	–	121
Settled		(36,461)	(2,149)	(2,701)	(3,833)	(674)	(45,818)
Closing balance 31 July 2017		40,425	7,361	1,561	2,646	1,859	53,852
Current		36,418	932	1,561	2,646	1,859	43,416
Non-current		4,007	6,429	–	–	–	10,436
Total		40,425	7,361	1,561	2,646	1,859	53,852

RECOGNITION AND MEASUREMENT

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

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

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

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

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

4 INCOME TAX

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

TAX CONSOLIDATION

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

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

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

4.1 Income tax expense

Notes	2018 \$000	2017 \$000
Profit before income tax	229,997	244,147
Prima facie tax expense calculated at 30%	68,999	73,244
(Decrease) / increase in income tax expense due to:		
Franked dividend income	(16,873)	(16,259)
Share of net profits of associates	3,712	2,857
Other non-allowable items	1,483	909
Overprovided in prior years	(463)	(143)
R&D tax incentive	(2,302)	(2,658)
Utilisation of carried forward capital losses	(1)	(13)
Income tax expense attributable to profit	54,555	57,937
Current tax expense	25,698	14,781
Deferred tax expense relating to movements in deferred tax balances	29,321	43,312
Overprovided in prior years	(463)	(143)
Utilisation of carried forward capital losses	(1)	(13)
Total income tax expense on profit	54,555	57,937
Income tax expense / (benefit) recognised directly in equity		
Tax effect on movements in reserves attributable to equity accounted investments	(170)	(779)
Tax effect on movements in reserves attributable to available-for-sale financial instruments	(71)	–
Income tax expense / (benefit) recognised in other comprehensive income	(241)	(779)
Tax effect on the share of associates transferred to outside equity interests	(5,771)	13
Total income tax expense / (benefit) recognised directly in equity	(6,012)	(766)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2 Income tax assets and liabilities

(a) Current income tax liability

	2018 \$000	2017 \$000
Income tax payable	19,577	6,184

RECOGNITION AND MEASUREMENT

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

(b) Deferred income tax liability

	BALANCE SHEET		MOVEMENT THROUGH INCOME STATEMENT	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Equity accounted investments in associates and joint ventures	296,635	271,561	30,048	44,327
Property, plant and equipment	6,790	7,046	(257)	(3,287)
Provisions	(17,946)	(15,490)	(1,910)	1,802
Tax losses and rebates	(159)	(193)	–	–
Intangibles	3,921	3,086	31	49
Other	642	(124)	1,409	421
Net deferred income tax liability	289,883	265,886	29,321	43,312

RECOGNITION AND MEASUREMENT

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

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

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

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

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

5 CAPITAL AND RISK MANAGEMENT

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

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

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

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

	Notes	2018 \$000	2017 \$000
Financial assets			
Cash and cash equivalents	5.2	21,167	19,641
Receivables	3.1(a)	122,216	133,225
Available-for-sale financial assets	5.3	1,181	–
Derivative financial assets	5.7(a)	376	–
Total financial assets		144,940	152,866
Financial liabilities			
Trade and other payables	3.1(c)	107,909	110,102
Borrowings	5.4(a)	325,000	313,000
Derivative financial liabilities	5.4(c), 5.7(a)	2,423	4,062
Total financial liabilities		435,332	427,164

RECOGNITION AND MEASUREMENT

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

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

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

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

5.1 Capital management

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

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

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

The Group's strategy during the year was to maintain the total debt to capital employed (at a consolidated level) below a loan facilities banking covenant limit of 40% imposed per the syndicated loan facility agreement disclosed in note 5.4 (2017: 40%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Capital management (continued)

	2018 \$000	2017 \$000
Net debt	303,833	293,359
Total equity	2,071,078	1,967,840
Capital employed	2,374,911	2,261,199
Net debt to capital employed	12.8%	13.0%

5.2 Cash and cash equivalents

	2018 \$000	2017 \$000
Cash on hand	21,167	19,641

RECOGNITION AND MEASUREMENT

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

5.3 Available-for-sale financial assets

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

	Market value	
	31 Jan 2018 \$000	31 Jul 2017 \$000
Trading equities - Listed	1,181	–
Total	1,181	–

5.4 Borrowings

(a) Available loan facilities

	2018 \$000	2017 \$000
Current		
Interest-bearing loans	–	–
Unamortised borrowing costs	–	–
	–	–
Non-current		
Interest-bearing loans	325,000	313,000
Unamortised borrowing costs	(895)	(1,023)
	324,105	311,977

An unsecured \$355 million variable interest rate syndicated loan facility was established in December 2016. As at 31 July 2018 the facility was drawn to \$208.0 million (2017: \$275.0 million).

In addition, the Group has a \$100.0 million working capital facility which at 31 July 2018 was drawn to \$17.0 million (2017: \$38.0 million).

On 20 February 2018 the Group entered into a \$100 million syndicated Institutional Term Facility (ITL). The ITL facility was fully drawn as at 31 July 2018 and consists of 3 Tranches as follows:

- ▶ Facility A – \$25.0 million, fixed interest rate
- ▶ Facility B – \$35.0 million, fixed interest rate
- ▶ Facility C – \$40.0 million, floating interest rate.

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

Except for Facility A and B of the ITL facility, interest on the Group's loan facilities is payable based on floating rates determined with reference to the BBSY¹ bid rate at each maturity. Further information with regards to management of the Group's interest rate risk is disclosed in Note 5.4(c).

The fair value of interest-bearing loans at 31 July 2018 approximated their carrying amount (2017: carrying amount)

RECOGNITION AND MEASUREMENT

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

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

(b) Management of liquidity risk

The Group manages liquidity risk by maintaining a combination of adequate cash reserves, bank facilities and reserve borrowing facilities, continuously monitored through forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. At 31 July 2018 the Group had \$230.0 million of unused bank facilities (2017: \$142.0 million).

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

The maturity profile of the Group's loan facilities at 31 July 2018 is outlined below.

Facility	Limit (\$m)	Drawn (\$m)	Available (\$m)	Maturity date
Tranche A	140	122	18	December 2020
Tranche B	129	–	129	December 2021
Tranche C	86	86	–	December 2019
Syndicated loan facility	355	208	147	
Facility A-ITL	25	25	–	February 2028
Facility B-ITL	35	35	–	February 2026
Facility C-ITL	40	40	–	February 2026
Syndicated ITL facility	100	100	–	
Working capital facility	100	17	83	December 2019
Total loan facilities	555	325	230	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.4 Borrowings (continued)

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

	1 year or less \$'000	1 to 5 years \$'000	5 to 10 years \$'000	Total \$'000
31 July 2018				
Trade and other payables	107,909	–	–	107,909
Borrowings	13,544	258,792	110,996	383,332
Derivatives	501	1,491	431	2,423
	121,954	260,283	111,427	493,664
31 July 2017				
Trade and other payables	110,102	–	–	110,102
Borrowings	13,905	347,480	–	361,385
Derivatives	513	3,549	–	4,062
	124,520	351,029	–	475,549

(c) Management of interest rate risk

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

Interest rate swaps

The Group has entered into interest rate swaps contracts which allow the Group to swap floating rates into an average fixed rate of 3.06% (2017: 3.47%). The contracts require settlement of net interest receivable or payable usually around every 90 days. The settlement dates are aligned with the dates on which interest is payable on the underlying bank borrowings and are brought to account as an adjustment to borrowing costs.

The fair value of interest rate swaps is outlined below. During the financial year ended 31 July 2018 the Group entered into new interest swaps arrangements with a notional value of \$125.0 million. These swaps will replace the existing arrangements due to expire over the next 24 months.

	NOTIONAL PRINCIPAL AMOUNT		AVERAGE INTEREST RATE		FAIR VALUE	
	2018 \$000	2017 \$000	2018 %	2017 %	2018 \$000	2017 \$000
Less than 1 year	75,000	–	3.49	–	501	–
1 to 3 years	125,000	125,000	2.89	3.47	1,491	3,549
3 to 5 years	50,000	–	2.86	–	431	–
Total	250,000	125,000		–	2,423	3,549

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

RECOGNITION AND MEASUREMENT

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

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

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

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

Sensitivity analysis

At 31 July 2018, if interest rates had been +/- 1% per annum throughout the year, with all other variables being held constant, the profit after income tax for the year would have been \$1.54 million higher or lower respectively (2017: \$1.36 million higher/lower). There would not have been any other significant impacts on equity.

5.5 Contributed equity

	2018	2017	2018	2017
	Number of shares	Number of shares	\$'000	\$'000
Contributed equity				
Ordinary shares, fully paid	149,408,331	149,105,838	357,387	353,234
Treasury shares	(838,147)	(869,044)	(11,514)	(12,420)
			345,873	340,814
Movement in ordinary issued capital				
Opening balance 1 August	149,105,838	148,737,138	353,234	348,231
Issue of shares through employee share plan	302,493	368,700	4,170	5,018
Share issue costs	–	–	(17)	(15)
Closing balance 31 July	149,408,331	149,105,838	357,387	353,234
Movement in treasury shares				
Opening balance 1 August	(869,044)	(805,912)	(12,420)	(11,326)
Issue of shares through employee share plan	(302,493)	(368,700)	(4,170)	(5,018)
Purchase of shares through employee share plan	(55,096)	(55,096)	(562)	(750)
Shares allocated as part of Dividend Election Plan	–	14,402	–	194
Shares vested to employees	388,486	346,262	5,638	4,480
Closing balance 31 July	(838,147)	(869,044)	(11,514)	(12,420)

RECOGNITION AND MEASUREMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.6 Reserves

	Notes	Capital Profits Reserve \$'000	Equity Adjustments Reserve \$'000	General Reserve \$'000	Foreign Currency Reserve \$'000	Share-based Payments Reserve \$'000	Investments revaluation reserve \$'000	Associates and JVs Reserve \$'000	Total \$'000
Balance at 1 August 2017		88,102	(19,020)	36,125	(1,495)	5,695	–	200,375	309,782
Other comprehensive income for the year		–	241	–	32	–	1,181	(1,984)	(530)
Shares vested to employees	7.1	–	–	–	–	(5,638)	–	–	(5,638)
Share based payments expense	7.1	–	–	–	–	5,480	–	–	5,480
Balance at 31 July 2018		88,102	(18,779)	36,125	(1,463)	5,537	1,181	198,391	309,094
Balance at 1 August 2016		88,102	(19,799)	36,125	(1,496)	5,352	–	202,971	311,255
Other comprehensive income for the year		–	779	–	1	–	–	(2,596)	(1,816)
Shares vested to employees	7.1	–	–	–	–	(4,480)	–	–	(4,480)
Share based payments expense	7.1	–	–	–	–	4,823	–	–	4,823
Balance at 31 July 2017		88,102	(19,020)	36,125	(1,495)	5,695	–	200,375	309,782

NATURE AND PURPOSE OF RESERVES

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

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

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

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

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

Investment revaluation reserve represents amounts arising on the remeasurement of available-for-sale financial assets.

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

5.7 Management of other risks

(a) Foreign exchange risk

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

The Group has a limited exposure to foreign currency fluctuations due to its importation of goods. The main exposure is to US dollars (USD) and Euros (EUR). It is the policy of the Group to enter into forward foreign exchange contracts to cover specific currency payments, as well as covering anticipated purchases for up to 12 months in advance.

The fair value of foreign currency forward contracts is outlined below:

	FAIR VALUE	
	2018 \$000	2017 \$000
USD forward contracts	378	(516)
EUR forward contracts	(2)	3
Net derivative asset /(liability)	376	(513)

The overall level of exposure to foreign currency purchases is not material to the Group. Accordingly, any reasonably foreseeable fluctuation in the exchange rate of the USD and EUR would not have a material impact on either profit after tax or equity of the Group.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on liquid funds and derivative financial instruments is considered low because these assets are held with banks with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to trade credit risk at balance date to recognised financial assets is the carrying amount net of provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. The Group's debtors are based in the building and construction industry, however the Group minimises its concentration of credit risk by undertaking transactions with a large number of customers. The Group ensures there is not a material credit risk exposure to any single debtor.

The Group holds no significant collateral as security, and there are no significant credit enhancements in respect of these financial assets. The credit quality of financial assets that are neither past due nor impaired is appropriate, and is reviewed regularly to identify any potential deterioration in the credit quality. There are no significant financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

(c) Equity price risk

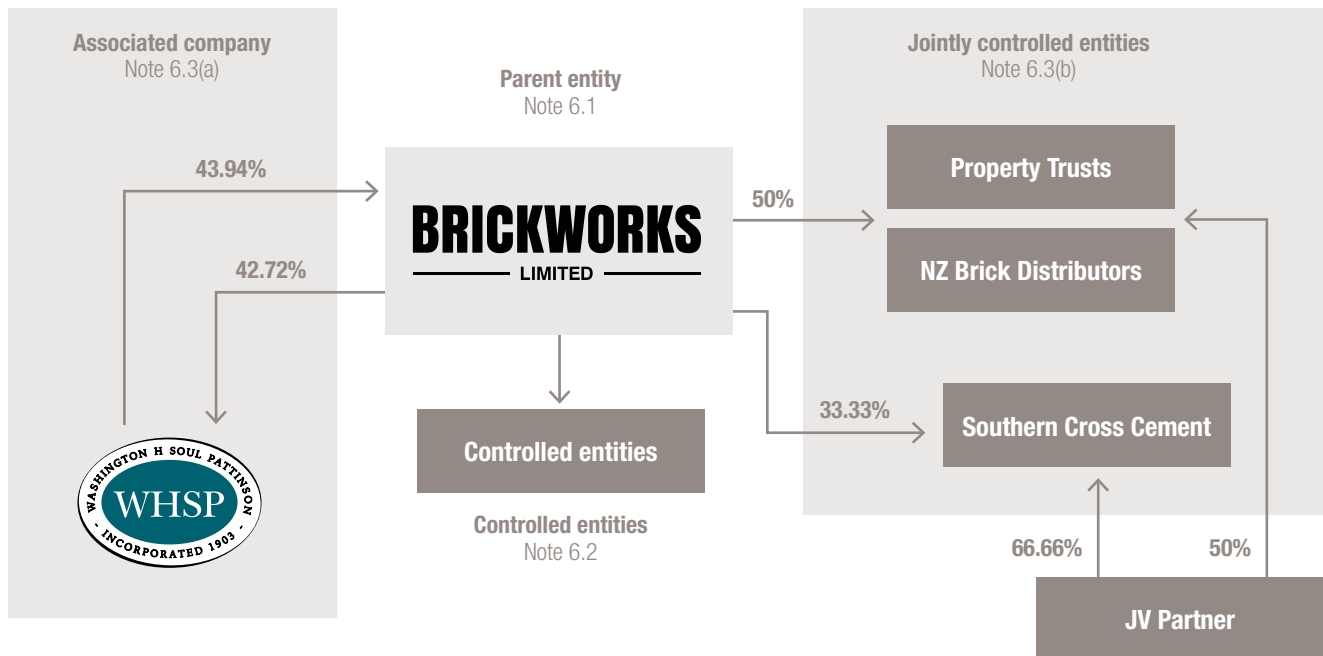
The Group does not have material direct exposure to equity price risk, as the value of its share trading portfolio is insignificant, and hence any fluctuations in equity prices would not be material to either profit after tax or equity of the Group.

The Group has significant indirect exposure to equity price risk through its investment in Washington H Soul Pattinson Co Ltd (WHSP). Although this investment is accounted for as an equity accounted investment, WHSP has a significant listed investment portfolio which is accounted for at fair value through equity, and contribute to the profit on subsequent disposal. As a result, fluctuations in equity prices would potentially impact on both net profit after tax (where portions of the portfolios are traded) and equity (for balances held at the end of the period) which would result in adjustments to the Group's net profit after tax and equity.

At the time of preparing this report, there was no publicly available information regarding the effects of any reasonably foreseeable fluctuations in equity values on net profit or equity of WHSP at 31 July 2018 or subsequently.

6 GROUP STRUCTURE

This section explains significant aspects of Brickworks' group structure, including equity accounted investments that the Group has an interest in and its controlled entities. When applicable, it also provides information on business acquisitions made during the financial year.



6.1 Parent entity disclosures

	2018 \$000	2017 \$000
Statement of financial position		
Current assets	511	6,152
Non-current assets	1,141,518	1,118,282
Current liabilities	(23,930)	(9,020)
Non-current liabilities	(611,864)	(585,361)
Net assets	506,235	530,053
Equity		
Issued capital	345,873	340,814
Reserves	101,661	101,819
Retained earnings	58,701	87,420
Total equity	506,235	530,053
Statement of financial performance		
Profit after tax	48,973	48,746
Total comprehensive income	48,973	48,746

Various intercompany loans are in existence between the parent entity and some of its controlled entities. The loans are unsecured, interest free and have no fixed terms of repayment. The loans are a net asset to the parent entity of \$598.2 million (2017: \$655.7 million).

Parent entity's contingent liabilities of \$9.104 million (2017: \$8.818 million) were associated with bank guarantees issued in the ordinary course of business.

There are no contractual commitments for the acquisition of property, plant and equipment of the parent entity (2017: nil).

6.2 Controlled entities

Details of wholly owned entities within the Brickworks Group of companies are as follows.

Entity	% GROUP'S INTEREST		Entity	% GROUP'S INTEREST	
	2018	2017		2018	2017
Incorporated in Australia			Incorporated in Australia		
A.C.N. 000 012 340 Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 2 Pty Ltd ¹	100	100
A.C.N. 074 202 592 Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 3 Pty Ltd ¹	100	100
AP Installations (NSW) Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 4 Pty Ltd ¹	100	100
AP Installations (Qld) Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 5 Pty Ltd ¹	100	100
Austral Bricks (NSW) Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 6 Pty Ltd ¹	100	100
Austral Bricks (Qld) Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 7 Pty Ltd ¹	100	100
Austral Bricks (SA) Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 8 Pty Ltd ¹	100	100
Austral Bricks (Tas) Pty Ltd ¹	100	100	Bristile Guardians Pty Ltd ¹	100	100
Austral Bricks (Tasmania) Pty Ltd ¹	100	100	Bristile Holdings Pty Ltd ¹	100	100
Austral Bricks (Vic) Pty Ltd ¹	100	100	Bristile Pty Ltd ¹	100	100
Austral Bricks (WA) Pty Ltd ¹	100	100	Bristile Roofing (East Coast) Pty Ltd ¹	100	100
Austral Bricks Holdings Pty Ltd ¹	100	100	Bristile Roofing Holdings Pty Ltd ¹	100	100
Austral Facades Pty Ltd ¹	100	100	Christies Sands Pty Ltd ¹	100	100
Austral Masonry (NSW) Pty Ltd ¹	100	100	Clifton Brick Holdings Pty Ltd ¹	100	100
Austral Masonry (Qld) Pty Ltd ¹	100	100	Clifton Brick Manufacturers Pty Ltd ¹	100	100
Austral Masonry (Vic) Pty Ltd ¹	100	100	Daniel Robertson Australia Pty Ltd ¹	100	100
Austral Masonry Holdings Pty Ltd ¹	100	100	Davman Builders Pty Ltd ¹	100	100
Austral Precast (NSW) Pty Ltd ¹	100	100	Dry Press Publishing Pty Ltd ¹	100	100
Austral Precast (Qld) Pty Ltd ¹	100	100	Hallett Brick Pty Ltd ¹	100	100
Austral Precast (Vic) Pty Ltd ¹	100	100	Hallett Roofing Services Pty Ltd ¹	100	100
Austral Precast (WA) Pty Ltd ¹	100	100	Horsley Park Holdings Pty Ltd ¹	100	100
Austral Precast Holdings Pty Ltd ¹	100	100	International Brick & Tile Pty Ltd ¹	100	100
Austral Roof Tiles Pty Ltd ¹	100	100	J. Hallett & Son Pty Ltd ¹	100	100
Auswest Timbers (ACT) Pty Ltd ¹	100	100	Lumetum Pty Ltd ¹	100	100
Auswest Timbers Holdings Pty Ltd ¹	100	100	Metropolitan Brick Company Pty Ltd ¹	100	100
Auswest Timbers Pty Ltd ¹	100	100	Nubrik Concrete Masonry Pty Ltd ¹	100	100
Bowral Brickworks Pty Ltd ¹	100	100	Nubrik Pty Ltd ¹	100	100
Brickworks Building Products Pty Ltd ¹	100	100	Pilsley Investments Pty Ltd ¹	100	100
Brickworks Building Products (NZ) Pty Ltd ¹	100	100	Prestige Brick Pty Ltd ¹	100	100
Brickworks Cement Pty Limited ¹	100	100	Prestige Equipment Pty Ltd ¹	100	100
Brickworks Construction Materials Pty Limited ¹	100	100	Southern Bricks Pty Ltd ¹	100	100
Brickworks Head Holding Co Pty Ltd ¹	100	100	Southern Cross Cement Pty Ltd (formerly Falcon CP Pty Ltd) ²	33	100
Brickworks Industrial Developments Pty Ltd ¹	100	100	Terra Timbers Pty Ltd ¹	100	100
Brickworks Properties Pty Ltd ¹	100	100	The Austral Brick Co Pty Ltd ¹	100	100
Brickworks Property Finance Co Pty Ltd	100	100	The Warren Brick Co Pty Ltd ¹	100	100
Brickworks Specialised Building Systems Pty Ltd ¹	100	100	Visigoth Pty Ltd ¹	100	100
Brickworks Sub Holding Co No. 1 Pty Ltd ¹	100	100			

RECOGNITION AND MEASUREMENT

Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements have been prepared by consolidating the financial statements of Brickworks Limited and its controlled entities. All inter-entity balances and transactions are eliminated. All wholly owned entities within the Group have been consolidated in these financial statements.

¹ The entity is party to a deed of cross guarantee (refer note 6.4).

² On 23 November 2017, Southern Cross Cement Pty Limited was established as a joint venture company, with the Group and two other parties each holding a third of the entity's shares as the joint venture partners. This was achieved by issuing new shares to the joint ventures partners and the Group. Further details are disclosed in Note 6.3 (b) and Note 6.5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.3 Investments accounted for using the equity method

	Notes	2018 \$000	2017 \$000
Associated companies	6.3(a)	1,270,049	1,233,189
Joint ventures	6.3(b)	501,455	410,840
Total investments accounted for using the equity method		1,771,504	1,644,029

RECOGNITION AND MEASUREMENT

Under the **equity method**, the investments are carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of an associate or a joint venture.

After applying the equity method of accounting, the Group determines whether it is necessary to recognise an additional impairment loss with respect to its investment in an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment is impaired. If there is such evidence, the Group calculates the amount of impairment as a difference between the recoverable amount of the associate or joint venture and its carrying amount, and the recognises the loss as 'Share of net profits of associates and joint ventures' in the income statement.

The consolidated income statement reflects the Group's share of the results of operations of the associate/jointly controlled entity.

(a) Associated company

	GROUP'S INTEREST		CONTRIBUTION TO GROUP PROFIT AFTER TAX		CARRYING VALUE		MARKET VALUE OF SHARES	
	2018 %	2017 %	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Washington H. Soul Pattinson and Company Limited	42.72	42.72	100,179	129,008	1,270,049	1,233,189	2,231,266	1,803,828

Washington H. Soul Pattinson and Company Limited's (WHSP) shares are publicly traded on the Australian Stock Exchange (ASX code: SOL). The nature of WHSP's activities is outlined below:

Investing	Investments in cash, term deposits and equity investments (including investments in telecommunications, pharmaceutical, property and agriculture businesses listed on the Australian Stock Exchange)
Energy	Coal, oil and gas activities
Copper and gold operations	Copper and gold mining activities

In addition to the Group owning 42.72% (2017: 42.72%) of issued ordinary shares of WHSP, at 31 July 2018 WHSP owned 43.94% (2017: 44.03%) of issued ordinary shares of Brickworks Limited.

The information disclosed below reflects the total amounts reported in the financial statements of WHSP amended to reflect adjustments made by the Group in applying the equity method of accounting.

	2018 \$000	2017 \$000
Current assets	926,489	555,149
Non-current assets	3,913,778	3,765,815
Current liabilities	(307,945)	(169,372)
Non-current liabilities	(584,907)	(484,248)
Outside equity interest (OEI)	(974,453)	(780,666)
Net assets	2,972,962	2,886,678
Equity accounted carrying value	1,270,049	1,233,189
Revenue	1,174,882	967,570
Profit after tax attributable to members	266,846	333,611
Other comprehensive income	(3,635)	(13,997)
Total comprehensive income	263,211	319,614
Dividends received by Brickworks Limited from the associate	56,242	54,197

WHSP's lease commitments and contractual commitments for the acquisition of property, plant and equipment were not publicly available at the time of preparation of this report (2017: \$67.4 million and \$15.7 million, respectively). The Group has no legal liability for any expenditure commitments incurred by associates.

WHSP's contingent liabilities were not publicly available at the time of preparation of this report (2017: \$39.9 million). The Group has no legal liability for any contingent liabilities incurred by its associate.

RECOGNITION AND MEASUREMENT

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The consolidated financial statements include eliminations related to the cross share-holding arrangement between the Group and the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.3 Investments accounted for using the equity method (continued)

(b) Joint ventures

Information relating to joint ventures is outlined below.

	GROUP'S INTEREST		CONTRIBUTION TO GROUP PROFIT AFTER TAX		CARRYING VALUE		PRINCIPAL ACTIVITY
	2018 %	2017 %	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	
Domiciled in Australia							
BGAI CDC Trust	50.00	50.00	–	–	277	280	Property development, management and leasing
BGAI Erskine Trust	50.00	50.00	9,524	17,059	113,473	104,285	
BGAI1 Capicure Trust	50.00	50.00	1,645	1,682	11,281	10,309	
BGAI1 Heritage Trust	50.00	50.00	4,202	5,593	33,704	31,537	
BGAI1 Oakdale Trust	50.00	50.00	33,435	10,482	146,488	104,652	
BGAI2 Wacol Trust	50.00	50.00	29	464	–	218	
BGMG1 Oakdale South Trust	50.00	50.00	14,677	–	52,167	45,221	
BGMG2 Rochedale Trust	50.00	50.00	13,434	5,869	60,784	41,018	
BGMG1 Oakdale West Trust	50.00	50.00	–	–	67,483	66,323	
Gain recognised on recognition as investment property and sale to third parties	–	–	23,413	2,450	–	–	
Property trusts	–	–	100,359	43,599	485,657	403,843	
Southern Cross Cement	33.33	100.00	61		9,061		Import of cement
Domiciled in NZ							
NZ Brick Distributors	50.00	50.00	199	628	6,737	6,997	Import and distribution of building products
Total	–	–	100,619	44,227	501,455	410,840	

Property Trusts and Southern Cross Cement have balance dates of 30 June. The balance date for NZ Brick Distributors is 31 March.

Contribution to Group profit after tax from Property Trusts is set out below.

	2018 \$000	2017 \$000
Share of fair value adjustment of properties held by joint venture	40,330	22,112
Share of joint venture property rental profits	21,939	18,263
Gain recognised on recognition as investment property and sale to third parties	23,413	2,450
Share of profit on disposal of assets held by joint venture	14,677	774
Total equity accounted profit from Property Trusts	100,359	43,599

The information disclosed below reflects the total amounts reported in the financial statements of joint ventures amended to reflect adjustments made by the Group in applying the equity method of accounting. This information has been aggregated due to the similarity of the risk and return characteristics.

	2018 \$000	2017 \$000
Current assets	44,856	28,216
Non-current assets	1,429,840	1,249,797
Current liabilities	(13,355)	(12,632)
Non-current liabilities	(449,370)	(443,701)
Net assets	1,011,971	821,680
Equity accounted carrying value	501,455	410,840
Other balance sheet disclosures		
Cash and cash equivalents	24,796	8,781
Current financial liabilities	(10,297)	(6,385)
Non-current financial liabilities	(449,370)	(443,701)
Revenue	73,042	64,419
Depreciation and amortisation	(24)	(44)
Interest income	344	103
Interest expense	(19,339)	(14,265)
Profit after tax	201,300	83,555
Other comprehensive income	879	4,274
Total comprehensive income	202,179	87,829
Dividends received by Brickworks Limited from the joint ventures	59,910	19,049
Joint ventures' expenditure commitments		
Capital commitments	89,029	163,688
Lease commitments	–	–
Contingent liabilities of joint ventures		
Contingent liabilities incurred jointly with other investors	–	–
<i>The entity has no legal liability for any contingent liabilities incurred by joint ventures</i>		

RECOGNITION AND MEASUREMENT

A **joint venture** is a type of arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint venture. Joint control is the contractually agreed sharing of control arrangement, which exists only when the decisions about relevant activities require unanimous consent of the parties sharing control.

The joint venture's accounting policies conform to those used by the Group. When reporting dates of joint ventures are not identical to the Group and the joint venture is not a disclosing entity, the financial information used is internal management reports for the same period as the Group's financial year.

Profits or losses on transactions with the joint venture are deferred to the extent of the Group's ownership interest where properties remain classified as inventory by the joint venture until such time as they realised by the joint venture on sale. During the prior financial year 50% of the gain on sale of the Oakdale West land was eliminated. Total unrealised eliminated profits as at 31 July 2018 amounted to \$52.6 million (2017: \$76.0 million).

Investment property held by the joint venture, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in the equity accounted share of the joint venture's profit and recognised in the income statement of the Group in the period in which they arise.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management is required to make significant estimates and judgements in assessing the fair value of investment property. An independent valuation specialist was engaged to assess the fair value of investment properties held by the joint venture. The fair value of investment properties is determined using recognised valuation techniques such as the capitalisation of net income method and discounted cash flow method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.4 Deed of cross guarantee

Brickworks Limited and a number of its subsidiaries ("Closed Group") are parties to a deed of cross guarantee under which each company, including Brickworks Limited, supports liabilities and obligations of other members of the Closed Group. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785. The entities covered in the deed are listed in Note 6.2. Members of the Closed Group and parties to the deed of cross guarantee are identical.

Set out below is a consolidated balance sheet, consolidated income statement and a summary of movements in consolidated retained profits of the Closed Group.

	2018 \$000	2017 \$000
Consolidated Balance Sheet		
Current assets		
Cash and cash equivalents	21,167	19,641
Receivables	121,591	132,648
Inventories	202,435	189,278
Land held for resale	7,383	–
Derivative financial assets	376	–
Prepayments	10,058	8,091
Total current assets	363,010	349,658
Non-current assets		
Receivables	193,280	199,327
Other financial assets	11,181	10,000
Inventories	7,356	7,300
Investments accounted for using the equity method	1,285,847	1,240,187
Property, plant and equipment	504,653	492,749
Intangibles	216,130	212,840
Total non-current assets	2,218,447	2,162,403
Total assets	2,581,457	2,512,061
Current liabilities		
Trade and other payables	106,495	108,481
Derivative financial liabilities	501	513
Income tax payable	20,099	7,741
Provisions	49,103	43,386
Total current liabilities	176,198	160,121
Non-current liabilities		
Borrowings	324,105	311,977
Derivative financial liabilities	1,922	3,549
Provisions	10,494	10,436
Deferred income tax liabilities	202,445	193,095
Total non-current liabilities	538,966	519,057
Total liabilities	715,164	679,178
Net assets	1,866,293	1,832,883
Equity		
Contributed equity	345,873	340,814
Reserves	312,363	313,357
Retained profits	1,208,057	1,178,712
Total equity	1,866,293	1,832,883

	2018 \$000	2017 \$000
Consolidated Income Statement		
Profit before income tax	131,188	254,997
Income tax (expense)/benefit	(25,268)	(61,032)
Profit after income tax expense	105,920	193,965
Movement in Consolidated Retained Earnings		
Retained profits at the beginning of the year	1,178,712	1,044,038
Profit after income tax expense	105,920	193,965
Dividends paid	(63,109)	(59,321)
Share of associate's transfer to outside equity interests	(13,466)	30
Retained profits at the end of the year	1,208,057	1,178,712

6.5 Business combinations

During the financial year ended 31 July 2018 the Group acquired the assets and business of UrbanStone, a market leading manufacturer and distributor of premium paving and masonry block products. The business has manufacturing operations based in Perth, complemented by a national sales and distribution network. The purchase consideration was fully paid in cash and has been provisionally allocated as follows.

Business acquired	UrbanStone	Total 2018
Date acquired	22 November 2017	
Consideration		
Cash paid (\$'000)	13,314	13,314
Total consideration (\$'000)	13,314	13,314
Assets acquired		
Cash (\$'000)	6	6
Inventory (\$'000)	3,550	3,550
Other assets (\$'000)	342	342
Property, plant and equipment (\$'000)	8,351	8,351
Brand names (\$'000)	2,062	2,062
Customer relationships (\$'000)	614	614
Liabilities assumed		
Provisions (\$'000)	(1,978)	(1,978)
Other payables (\$'000)	(590)	(590)
Deferred tax liabilities (\$'000)	(209)	(209)
Fair value of net assets (\$'000)	12,148	12,148
Goodwill arising on acquisition (\$'000)	1,166	1,166
Direct costs relating to acquisition (\$'000)	912	912

Acquisition costs of \$912,000 were expensed and are included in other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.5 Business combinations (continued)

From the date of acquisition, UrbanStone contributed \$15,582,000 of revenue and \$1,053,000 of profit before tax to the Group. Given the acquired business was part of a larger group, there is no comparable information available in relation to its performance for the period prior to the acquisition. It is therefore impractical to determine the theoretical impact on the Group's revenue and profit before tax for the financial year, if the combination had taken place on 1 August 2017.

During the prior financial year the Group acquired in full the share capital of Falcon CP Pty Limited (subsequently renamed to Southern Cross Cement Pty Limited) for \$500,000. On 23 November 2017, Southern Cross Cement Pty Limited was established as a joint venture company, with the Group and two other parties each holding a third of the entity's shares as the joint venture partners. This was achieved by issuing new shares to the joint ventures partners and the Group. As a result of this arrangement, the Group lost control over this entity but continues to exercise significant influence. The assets (including goodwill) and liabilities were derecognised and the remaining investment was recognised as an equity accounted investment at fair value. Refer Note 6.3 for the details on equity accounted investment in Southern Cross Cement Pty Limited as at 31 July 2018.

During the financial year ended 31 July 2017 the Group acquired the full ownership of the following:

- ▶ Assets and businesses of Rix Roofing, a metal roofing and fascia and gutter installation business based in Victoria. Together with similar acquisitions made in the prior year, this acquisition provides diversification and earnings growth opportunities, allowing the Group's Building Products segment to offer an all inclusive product range of roofing products.
- ▶ Share capital of Falcon CP Pty Limited (subsequently renamed to Southern Cross Cement Pty Limited).

Business acquired	Rix Roofing	Falcon CP	Total 2017
Date acquired	3 April 2017	24 August 2016	
Consideration			
Cash paid (\$'000)	2,695	500	3,195
Total consideration (\$'000)	2,695	500	3,195
Assets acquired and liabilities assumed			
Property, plant and equipment (\$'000)	40	–	40
Deferred tax assets (\$'000)	36	–	36
Provisions (\$'000)	(121)	–	(121)
Fair value of net assets (\$'000)	(45)	–	(45)
Goodwill arising on acquisition (\$'000)	2,740	500	3,240
Direct costs relating to acquisition	–	–	–

RECOGNITION AND MEASUREMENT

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to business combinations are expensed in the period in which the acquisition is settled. When equity instruments are issued in an acquisition, the value of the instruments is their published market price at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

7 OTHER DISCLOSURES

This section provides information on items which require disclosure to comply with AASBs and other regulatory pronouncements and any other information that is considered relevant for the users of the financial report which has not been disclosed in other sections.

7.1 Share based payments

At 31 July 2018, the Brickworks Employee Share Plans had 739 members taking part who owned a combined 1,713,363 shares or 1.15% of issued ordinary share capital (2017: 711 members, 1,616,128 shares, 1.08%). These figures exclude shares held by employees outside the Brickworks Employee Share Plans. This represented shares purchased under the salary sacrifice arrangements, as well as shares held as part of the Brickworks equity compensation plan shown below.

(a) Salary sacrifice arrangements

Brickworks Limited has an employee share ownership plan, which allows all employees who have achieved 3 months service with the Group to purchase Brickworks Limited shares, using their own funds plus a contribution of up to \$156 per annum from the Group. All shares acquired under salary sacrifice arrangements are fully paid ordinary shares, purchased on-market under an independent trust deed.

(b) Equity-based compensation plans

The following table shows the number of fully paid ordinary shares held by the Brickworks Deferred Employee Share Plan that had been granted as remuneration. This table does not include any shares held in the plan that were purchased by the employee under the salary sacrifice arrangements described above.

	Unvested	Vested	Total
	No. of shares	No. of shares	No. of shares
Opening balance	781,640	689,893	1,471,533
Granted	445,831	–	445,831
Vested	(388,783)	388,783	–
Forfeited / withdrawn	(42,905)	(283,132)	(326,037)
Closing balance	795,783	795,544	1,591,327

The unvested shares vest to employees at 20% per year for each of the following 5 years, provided ongoing employment is maintained. In addition, a performance hurdle related to the Group's Total Shareholder Return (TSR) is applicable to the unvested shares granted to the Managing Director and Chief Financial Officer. Unvested shares are unavailable for trading by the employees. All shares granted to employees provide dividend and voting rights to the employee.

A fair value of shares with a TSR performance hurdle has been determined with reference to an independent valuation. A summary of key valuation assumptions is outlined below.

	2018	2017
Grant date	11 September 2017	7 September 2016
Valuation method	Monte-Carlo simulation	Monte-Carlo simulation
Tranche 1 performance period	1-6 years	1-6 years
Tranche 2 performance period	2-6 years	2-6 years
Tranche 3 performance period	3-6 years	3-6 years
Tranche 4 performance period	4-6 years	4-6 years
Tranche 5 performance period	5 and 6 years	5 and 6 years
Grant date share price	\$13.78	\$13.79
Estimated volatility	18.75%	17.28%
Dividend yield	3.40%	3.70%
Risk free rate (forward rates 1-6 years)	1.72%-2.8%	1.26%-1.96%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Share based payments (continued)

(b) Equity-based compensation plans (continued)

	2018 \$	2017 \$
Expense arising from share-based payment transactions	5,480,783	4,823,363
Fair value of vested shares held by the plan at the end of the year (based on 31 July share price)	12,398,299	9,106,588
Fair value of shares granted during the year	6,145,780	6,266,600

More information regarding the Brickworks Employee Share Plans is outlined in the Remuneration Report included in the Directors' Report.

RECOGNITION AND MEASUREMENT

The fair value determined at the grant date of the equity-settled **share based payments** is expensed over the vesting period, with a corresponding increase to the employee share reserve.

Invested shares are included in the Contributed Equity as Treasury Shares (refer note 5.5).

7.2 Related party transactions

During the year material transactions took place with the following related parties:

- ▶ Property transactions with various trusts (listed in note 6.3) which are jointly owned by the Group and Goodman Australia Industrial Fund, an unlisted property trust. During the comparative financial year the Group completed the sale of the Oakdale West land into the Property Trust. The profit on the disposal of the land held for resale amounted to \$50,066,000. There was no land sold into the Property during the financial year ended 31 July 2018. All transactions with the property trusts are at arm's length values.
- ▶ During the year the Group engaged Korn/Ferry International and Korn Ferry Hay Group Pty Limited, entities which employ The Hon. Robert Webster, to provide consulting services regarding executive evaluation and development. The total value of services provided was \$4,438 (2017: \$199,437).
- ▶ Directors and their direct-related entities are able, with all staff members, to purchase goods produced by the Group on terms and conditions no more favourable than those available to other customers.
- ▶ There were no other transactions with key management personnel during the period (2017: Nil).

7.3 Auditor's remuneration

	2018 \$	2017 \$
Audit of the financial report	570,000	549,000
Other regulatory audits	30,900	30,900
Accounting advice	19,000	77,196
Taxation services	—	49,321
Environmental sustainability advice	—	30,900
Other assurance services	22,500	50,000
Total	642,400	787,317

The financial statements of the Group are audited by EY. Details of non-audit services provided by EY are outlined in the Directors' Report.

7.4 Commitments and contingencies

(a) Commitments

	2018 \$'000	2017 \$'000
Contracted capital expenditure		
Within one year	7,167	10,178
Operating lease commitments		
Within one year	26,257	23,938
Between one year and five years	61,330	56,828
Later than five years	6,257	4,861
Total	93,844	85,627

Contracted capital expenditure relates to contracts to supply or construct buildings or various items of plant and equipment for use in the Building Products operating segment. These have not been provided for at balance date.

Operating lease commitments are for the rental of land (used for sales and display centres), manufacturing equipment and motor vehicles. The leases are non-cancellable with rent payable monthly in advance.

Leases for properties are on terms between 3 and 10 years, with renewal options of similar lengths.

(b) Contingencies

	2018 \$'000	2017 \$'000
Bank guarantees issued in the ordinary course of business	34,874	28,184

The Group does not anticipate that any of the bank guarantees issued on its behalf will be called upon.

The entities forming the Group are parties to various legal actions against them that are not provided for in the financial statements. These actions are being defended and the Group does not anticipate that any of these actions will result in material adverse consequences for the Group.

7.5 Events occurring after balance date

On 6 September 2018 an option to purchase the Punchbowl land for \$41.0 million from the Group was exercised by the buyer, with the transaction expected to be completed by October 2018. The Group has also entered into a 10-year lease back arrangement in relation to its specialised brick plant at Punchbowl with an option to extend for additional 10 years. As at 31 July 2018, the Punchbowl property was classified as Land Held For Resale (refer Note 3.3).

There have been no other events subsequent to balance date that could materially affect the financial position and performance of Brickworks Limited or any of its controlled entities.

7.6 Other accounting policies

(a) Other accounting policies

Foreign exchange differences arising on the translation of monetary items are recognised in the income statement, except when deferred in equity as a qualifying cash flow or net investment hedge.

Revenues, expenses and assets are recognised net of **goods and services tax (GST)**, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable to the taxation authority is included as a current asset or liability.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing cash flows which are classified as operating cash flows.

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Grants relating to costs are deferred and recognised in income statement over the period necessary to match them with the costs that they intend to compensate. Grants relating to the purchase of fixed assets are deducted from the carrying amount of the asset, and recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.6 Other accounting policies (continued)

(b) New standards not yet applicable

AASB 16 Leases

The standard will be first applicable for the year commencing 1 August 2019. The Group is a lessee under a number of arrangements currently classified as operating leases. These arrangements relate predominantly to major plant and equipment, property and mobile plant. The Group has commenced a review of underlying lease arrangements to understand the implications of the new standard. Based on the current profile of the Group's leases a material increase in total assets, total liabilities and EBITDA is expected following the adoption of the new standard.

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts will be first applicable for the year commencing 1 August 2018. The new standard and the related subsequent amendments replaces all existing revenue requirements (AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations) and applies to all revenue from contracts with customers.

The new requirements provide a single, contract-based revenue recognition model. AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue when a customer obtains control of promised goods or services and is recognised in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The requirements include a five-step framework to determine the timing and amount of revenue to recognise relating to contracts with customers. In addition, the standard requires new and expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers and the key judgements made. AASB 15's increased focus on contracts with customers will require a greater understanding of customer contracts at a level of detail not previously required.

Application date and transition approach

The Group will adopt the new standard on the required effective date. The standard permits two methods of adoption: full retrospective or modified retrospective. The Group has elected to apply the modified retrospective method. As a result of this election, an adjustment to the comparative period presented in the financial statements will not be required.

Impact on the Group's financial report

Based on the assessment of contracts in effect at the date of initial adoption, the application of this standard will not have a material impact on the recognition, timing and measurement of the Group's revenue in the Building Products and Property segments. The key issues for consideration have been summarised below.

Revenue recognition

AASB 15 requires the recognition of revenue when the customer obtains control of a good or service. The Group expects that in respect of sales of goods and associated freight the revenue will be recognized at a point in time when the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the current treatment.

Performance obligations arising from supply and install contracts have been assessed to be satisfied over time. On that basis, the Group expects to continue recognising revenue from these contracts over time.

Customer incentive programs

AASB 15 requires the allocation of the transaction price to each performance obligation identified in the contract. On that basis, a portion of revenue in the Building Products segment should be allocated to customer incentive programs and deferred until these obligations are satisfied. This treatment is not expected to have a material impact on the amount of revenue and profit in the Building Products division on adoption of AASB 15.

Variable consideration

Some contracts with customers offer variable consideration such as trade discounts and volume rebates. The Group's assessment did not identify any material impact on the recognition of such arrangements on adoption of AASB 15.

Warranties

Warranties currently offered by the Group will continue to be accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Investments segment

The Group continues to assess the impact of AASB 15 on equity accounted profit from its investments in associates. Further assessment will be undertaken following a review of updated disclosures in the financial statements of the associate company which will be released to the market subsequent to the release of the Group's financial report.

AASB 9 Financial instruments

The standard introduces changes to hedge accounting, classification, measurement of financial and impairment of assets/liabilities. The standard will be first applicable for the year commencing 1 August 2018. The impact of the standard is not expected to be material to the Group.

Directors' DECLARATION

In the opinion of the Directors:

1. the complete set of the financial statements and notes of the consolidated entity, as set out on pages 84 to 124, and the additional disclosures included in the Remuneration Report section of the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 31 July 2018 and of the performance for the year ended on that date of the consolidated entity;
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
4. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.4 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

This declaration is made after receiving the declaration required to be made to the Directors in accordance with s295A of the *Corporations Act 2001* for the financial year ended 31 July 2018.

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

Dated 20 September 2018



R.D. MILLNER

Director



L.R. PARTRIDGE AM

Director



Independent AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRICKWORKS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Brickworks Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 July 2018, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 July 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Valuation of investment properties held within joint venture property trusts

Why significant	How our audit addressed the key audit matter
<p>During the year the Group recorded a gain of \$39.2 million relating to its share of changes in the fair value of investment properties held within the joint venture property trusts.</p> <p>As disclosed in Note 6.3(b) of the financial report, investment properties are accounted for in accordance with Australian Accounting Standard - AASB 140 Investment Property, with changes in fair value recorded in the income statement.</p> <p>Fair values of properties held within the property trusts are determined by the directors at the end of each reporting period with reference to external independent property valuations, with changes in fair value recognised in the consolidated statement of comprehensive income.</p> <p>This was considered a key audit matter due to the judgments required in determining fair value. These judgments include determining the capitalisation rate, discount rate, market rent, re-leasing costs and forecast occupancy levels. Minor changes in certain assumptions can lead to significant changes in valuations and reported results.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We assessed the competence, capabilities, and the objectivity of the Group's independent property valuation experts. ▶ For independent property valuations, we: <ul style="list-style-type: none"> ▶ Assessed the appropriateness of the valuation methodology; ▶ Assessed the key assumptions and inputs including the net passing rent, operating expenses, occupancy rates, lease terms, and capital expenditure; and ▶ Evaluated the capitalisation rates adopted, and movement in the year, based on our knowledge of the property portfolio, published industry reports and comparable property valuations. ▶ Our real estate valuation specialists assisted with the assessment of a sample of independent valuations by evaluating the valuation methodology and key inputs and assumptions highlighted above.

Gain on reclassification of inventory to investment property and other unrealised gains for property held within joint ventures

Why significant	How our audit addressed the key audit matter
<p>During the year, the classification of properties held within the BGMG1 Oakdale South Trust joint venture was changed from inventory to investment property following a change in intended use of the property.</p> <p>In accordance with the accounting policy disclosed in Note 6.3(b) of the financial report, this change in intention triggered a gain of \$12.4 million of previously deferred gains.</p> <p>In accordance with the Group's accounting policy, \$52.6 million of gains on other properties within the joint venture property trusts remain deferred on the basis that the properties continue to be classified as inventory in accordance with Australian Accounting Standards.</p> <p>This was a key audit matter due to the quantum of the gain recorded and the application of judgment related to the classification of the property.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We evaluated the Group's assessment that the property met the definition of investment property as set out in Australian Accounting Standards by enquiring as to the group's intentions for the property, reading board minutes and contractual agreements supporting the change in intention; ▶ Assessing the accuracy of the Group's calculation of, and accounting for, the amount of the gain recognised during the year and the amount of the gain deferred; and ▶ We evaluated the adequacy of the financial report disclosures made in respect to this transaction.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the diverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 69 to 80 of the directors' report for the year ended 31 July 2018.

In our opinion, the Remuneration Report of Brickworks Limited for the year ended 31 July 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


Ernst & Young


ANTHONY JONES
Partner

Sydney, 20 September 2018



Statement of SHAREHOLDERS

ORDINARY SHARES at 31 August 2018

Shareholders

Number of holders **9,359**

Voting entitlement is one vote per fully paid ordinary share % of total holdings by or on behalf of 20 largest shareholders 78.72%

Distribution of shareholdings:

1 – 1,000	4,697
1,001 – 5,000	3,560
5,001 – 10,000	579
10,001 – 100,000	470
100,001 and over	53
	9,359

Holdings of less than marketable parcel of 29 shares 573

Substantial Shareholders

The names of the substantial shareholders as disclosed in substantial shareholder notices received by the Company:

Shareholder	Number of Shares
Washington H Soul Pattinson and Company Limited	65,645,140

20 LARGEST SHAREHOLDERS

as disclosed on the Share Register as at 31 August 2018

		Number of Shares	%
1	WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	65,645,140	43.94
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,281,380	12.24
3	CITICORP NOMINEES PTY LIMITED	6,713,456	4.49
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,575,780	4.40
5	NATIONAL NOMINEES LIMITED	3,325,656	2.23
6	MILTON CORPORATION LIMITED	3,234,567	2.16
7	J S MILLNER HOLDINGS PTY LIMITED	3,018,836	2.02
8	BNP PARIBAS NOMS PTY LTD <DRP>	1,533,622	1.03
9	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,502,970	1.01
10	MRS MARGARET DOROTHY STONIER	1,498,743	1.00
11	CPU SHARE PLANS PTY LTD	1,157,153	0.77
12	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,149,897	0.77
13	T G MILLNER HOLDINGS PTY LIMITED	698,509	0.47
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	644,586	0.43
15	ARGO INVESTMENTS LIMITED	584,009	0.39
16	DIVERSIFIED UNITED INVESTMENT LIMITED	500,000	0.33
17	BKI INVESTMENT COMPANY LIMITED	436,209	0.29
18	CPU SHARE PLANS PTY LTD <BKW DF2 CONTROL A/C>	417,036	0.28
19	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	358,013	0.24
20	MILLANE PTY LIMITED	341,349	0.23
		117,616,911	78.72

CORPORATE

information

REGISTERED OFFICE

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

AUDITORS

EY

BANKERS

National Australia Bank

SHARE REGISTER

Computershare Investor Services Pty Limited

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

PRINCIPAL ADMINISTRATIVE OFFICE

738–780 Wallgrove Road
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Telephone: (02) 9830 7800
Email: info@brickworks.com.au

IMPORTANT DATES

2018 annual result released	20 September 2018
Record date for final ordinary dividend	8 November 2018
Annual General Meeting	27 November 2018
Payment date for final ordinary dividend	28 November 2018
2019 half-year end	31 January 2019
2019 half-year result announced	21 March 2019
Record date for interim ordinary dividend	9 April 2019
Payment date for interim ordinary dividend	30 April 2019
2019 financial year end	31 July 2019
2019 annual result released	19 September 2019

The above dates are indicative only and are subject to change



DESIGN
STUDIO
sydney

BRICKWORKS
LIMITED