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20 September 2012

Australian Securities Exchange

Attention: **ASX Market Announcements**

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached the Brickworks Ltd Review of Results for the year ended 31 July 2012, for immediate release to the market.

Yours faithfully,

BRICKWORKS LIMITED

IAIN THOMPSON

COMPANY SECRETARY

Proudly supports
CHILDREN'S CANCER INSTITUTE AUSTRALIA

BRICKWORKS

LIMITED

REVIEW OF RESULTS

JULY 2012

BRICKWORKS LIMITED

REVIEW OF RESULTS JULY 2012

RESTRUCTURING SOFTENS IMPACT OF DECLINE IN BUILDING ACTIVITY

$ MILLIONS	July 11 12 mths	July 12 12 mths	Variance %
REVENUE			
Building Products	604.9	547.6	(9.5)
Land and Development	29.0	8.2	(71.7)
Other	1.7	1.1	(35.3)
Total	**635.6**	**556.9**	**(12.4)**
EBIT			
Building Products	42.0	28.5	(32.1)
Land and Development	29.2	19.0	(34.9)
Associates & Investments	67.9	67.7	(0.3)
Other & H.O.	(7.1)	(6.8)	4.2
Total EBIT (before significant items)	**132.0**	**108.5**	**(17.8)**
Total EBITDA (before significant items)	**165.7**	**140.0**	**(15.5)**
Interest cost	(20.4)	(20.8)	(2.0)
Mark to market valuation of swaps	(0.8)	(4.4)	(450.0)
Tax expense	(10.1)	(4.4)	56.4
Normalised NPAT	**100.8**	**78.9**	**(21.8)**
Significant items	41.8	(35.6)	(185.2)
NPAT (including significant items)	**142.6**	**43.3**	**(69.6)**
Normal earnings per share (cents)	68.3	53.4	(21.7)
Basic earnings per share (cents)	96.7	29.3	(69.7)
Interim ordinary dividend (cents)	13.5	13.5	0.0
Final ordinary dividend (cents)	27.0	27.0	0.0
Total full year dividend (cents)	40.5	40.5	0.0
NTA/share	$9.42	$9.44	0.2

RESTRUCTURING SOFTENS IMPACT OF DECLINE IN BUILDING ACTIVITY

Highlights[1]

- Brickworks normalised NPAT before significant items down 21.8% to $78.9 million
    - Building Products EBIT down 32.1% to $28.5 million
    - Land and Development EBIT down 34.9% to $19.0 million
    - Investments EBIT down 0.3% to $67.7 million
- Headline NPAT including significant items down 69.6% to $43.3 million
- Goodwill impairment of $31.6 million within the Building Products Group
- Net debt/capital employed of 14.7%, net debt $285.4 million
- Final dividend of 27.0 cents fully franked

Overview

Brickworks (ASX: BKW) posted a **normalised** net profit after tax ('NPAT') for the year ended 31 July 2012 of $78.9 million, down 21.8% from $100.8 million for the year ended 31 July 2011. After significant items, Brickworks' **headline** NPAT was $43.3 million, down 69.6% from $142.6 million in the previous year.

Building Products earnings before interest, tax and significant items ('EBIT') was $28.5 million, down 32.1% on the prior year. EBIT in the second half was in line with the first half, despite a further deterioration in residential building activity. This was assisted by internal re-structuring activities and industry rationalisation.

Land and Development EBIT was down 34.9% to $19.0 million, as a result of a significant reduction in land sales. Earnings from the Property Trust were up 56.8% on the prior year.

Investment EBIT was relatively flat at $67.7 million.

Interest cost increased by 2.0% to $20.8 million. In addition the mark to market valuation of interest rate swaps adversely impacted the result by $4.4 million.

The impact of **significant items** was a net expense of $35.6 million, including the cost of re-structuring activities and a goodwill impairment of $31.6 million.

Normal earnings per share ('**EPS**') were 53.4 cents, down from 68.3 cents per share for the prior year.

Directors have maintained the final **dividend** of 27.0 cents fully franked, taking the full year dividend to 40.5 cents fully franked, in line with last year.

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[1] Unless otherwise stated all earnings measures exclude significant items

The record date for the final ordinary dividend will be 8 November 2012, with payment being made on 29 November 2012.

Financial Analysis

Gearing (debt to equity) was 18.0% at 31 July 2012, relatively flat compared to 17.9% at 31 July 2011. Total interest bearing debt ('TIBD') was $300.0 million and Net Debt was $285.4 million at 31 July 2012. Net debt to capital employed rose to 14.7% from 13.0% the previous year on a $36.1 million reduction in cash holdings.

Brickworks has a working capital facility of $100.0 million that provides head room in the current unstable financial markets or additional financial capacity should an acquisition opportunity arise.

Total borrowing costs were $25.2 million, including the loss in mark to market valuation of interest rate swaps of $4.4 million and **interest costs** of $20.8 million. Interest cover decreased to 5.2 times at 31 July 2012, down from 6.4 times at 31 July 2011.

Total net **cash flow** from operating activities was $64.5 million, down from $89.0 million in the previous year. This was a result of decreased trading revenue from the Building Products business, reduced special dividends from WHSP and no proceeds from land sales.

Dividends of 40.5 cents per share, totalling $59.8 million were paid during the year, in line with the previous corresponding period.

Capital expenditure decreased to $28.9 million in the year ended 31 July 2012, excluding acquisitions. Stay in business capital expenditure was $14.3 million, representing 57.7% of depreciation. Growth capital expenditure was $13.8 million, including the batching plant for the Wetherill Park precast facility in New South Wales and final building work on the new Wollert West plant in Victoria.

Spending on **acquisitions** totalled $19.9 million for the year, comprising Gunns' Western Australian Jarrah assets, Boral Masonry's operation in Cairns, the remaining 50% share of Daniel Robertson Australia Pty Ltd and a small independent precast concrete business in Brisbane.

Working capital, excluding assets held for resale, decreased by $43.1 million to $160.7 million, primarily due to a reduction in cash assets.

Finished goods **inventory** increased by $6.5 million to $122.0 million during the year, including $5.5 million related to acquisitions over the period. Work in progress increased by $3.3 million, primarily due to the requirement to rebuild feedstock levels at the acquired Auswest Timbers operations.

Net tangible assets ('NTA') per share remained relatively flat at $9.44 and Total Shareholders' Equity decreased $13.1 million to $1.663 billion.

Normal **tax expense** decreased 56.4% to $4.4 million during the year, on reduced Group EBIT.

Significant items reduced NPAT by $35.6 million for the full year, with significant restructuring activities undertaken in Austral Bricks' Victorian, Queensland and Western Australian operations.

A non-cash **goodwill impairment** of $31.6 million is included in significant items, following a detailed bottom-up analysis of cash flow forecasts for each division, incorporating conservative management projections. An impairment is deemed prudent due to the depressed state of residential building activity and the prospect of a slow recovery in future years.

The goodwill impairment includes $16.9 million in the Austral Bricks Western Australian division, where a significant new competitor, closure of manufacturing facilities and an inability to immediately recover the full impact of the carbon tax has resulted in reduced earnings forecasts. An additional $11.2 million impairment has been taken in the Austral Masonry division, where industry profitability has been impacted by excess capacity and extremely depressed conditions in South East Queensland.

A breakdown of significant items is shown in the following table.

Significant Items ($m)[2]	**Gross**	**Tax**	**Net**
Tax adjustment for the carrying value of WHSP	-	13.0	13.0
Significant transactions by WHSP, after tax	0.8	-	0.8
Austral Bricks Victoria restructuring	(8.8)	2.6	(6.2)
Austral Bricks Queensland restructuring	(5.2)	1.5	(3.6)
Austral Bricks Western Australia restructuring	(5.5)	1.7	(3.9)
Other businesses restructuring costs	(2.5)	0.7	(1.7)
Business acquisition costs	(1.9)	0.6	(1.4)
Corporate project costs	(1.3)	0.4	(0.9)
Impairment of goodwill in the Building Products Group	(31.6)	-	(31.6)
TOTAL	**(56.1)**	**20.6**	**(35.6)**

[2] "Other business restructuring costs" and "business acquisition" costs relate to the Building Products Group

Brickworks' Building Products Group

Market conditions[3]

Dwelling Commencements	12 Mths to June 11	12 Mths to June 12			Variance % (Compared to prior year)		
	Total	Detached	Other Res	Total	Detached	Other Res	Total
New South Wales	30,949	15,102	13,718	29,155	(2.5)	(8.9)	(5.8)
Queensland	26,683	17,340	8,851	26,311	0.2	(5.3)	(1.4)
Victoria	59,171	29,781	19,569	49,767	(14.6)	(17.8)	(15.9)
Western Australia	20,817	14,529	2,966	17,548	(14.1)	(22.6)	(15.7)
South Australia	10,559	6,687	1,980	8,688	(16.5)	(20.3)	(17.7)
Tasmania	2,998	1,692	482	2,197	(21.6)	(39.1)	(26.7)
ACT	5,105	1,671	2,738	4,420	(10.6)	(15.1)	(13.4)
Total Australia	**157,540**	**87,463**	**50,895**	**139,349**	**(9.9)**	**(14.2)**	**(11.5)**
New Zealand[4]	13,539	13,883	1,564	15,447	10.8	54.4	12.0

Total dwelling commencements for **Australia** were down 11.5% to 139,349 for the twelve months ended 30 June 2012, from 157,540 in the previous year. Detached houses were down 9.9% and other residential developments were down 14.2% on the 12 months ended 30 June 2011. The decline accelerated in the second half, with commencements for the six months to June 30 2012 of 64,026. At an annualised level of around 128,000, this is approaching historical cyclical low points over the past thirty years.

The annual decline was consistent across all regions, with each state experiencing a decline in dwelling commencements compared to the prior year.

New South Wales experienced a 5.8% decrease in total dwelling commencements to 29,155, driven by a 8.9% reduction in other residential dwellings and a 2.5% reduction in detached houses. The level of residential building activity remains significantly below the longer term average.

Queensland continues to experience declines in residential building activity, with total annualised commencements now at the lowest level since June 2001. A decline of 5.3% in other residential activity and flat detached house commencements resulted in only 26,311 commencements for the year.

Victoria suffered a major decline in housing activity, albeit from a record high in the previous corresponding year. Commencements of 49,767 was down 15.9%, with the decline particularly severe in the other residential segment, down 17.8%.

Following another decline, **Western Australia** housing commencements of 17,548 for the year ended 30 June 2012, are now at a ten year low. Detached housing commencements were down 14.1% and other residential commencements were down 22.6% compared to the prior year.

[3] Original data sourced from ABS Cat. 87500.0 Dwelling Unit Commencements, Australia, Preliminary, June 2012. Total data within table includes conversions.
[4] Building Consents data sourced from Statistics New Zealand – Building Consents. Data shown is for the year to June 30.

In light of record population growth since 2006 and low vacancy rates across most major capitals, the slow response to the Reserve Banks' move to expansionary monetary policy, commencing in November 2011, is a concern. It is revealing to note that the 1:1 relationship that previously existed between *total* employment growth and commencements has shifted to a 1:1 relationship between *full-time* employment growth and commencements since 2006. Furthermore, the latest census data reveals household occupancy has increased, albeit marginally, for the first time.

These trends support the view that consumers appear to be stuck in an extended period of pessimism[5], with the impact on housing investment perhaps accentuated by tighter lending criteria by banks since the Global Financial Crisis.

The value of approvals in the **non residential** sector in **Australia** increased by 11.3% to $32.499 billion for the twelve months to 31 July 2012, compared to the prior year. Within the non residential sector, **Commercial** building approvals decreased by 1.0% to $10.736 billion for the period and **Industrial** building approvals decreased 3.6% to $3.656 billion. The **Educational** sub-sector, an important driver for bricks and masonry demand, was down 23.1% to $4.133 billion, as the prior year included the tail end of the BER Program. The primary area of growth was the **Healthcare** sub-sector, up 81.0% to $5.867 billion for the twelve months to 31 July 2012.

The **New Zealand** housing market is emerging from record low levels, with consents up 12.0% for the year to 30 June 2012. However total consents of 15,447 remain well below the historical average.

Building Products' Results in Detail

Year Ended July		2011	2012	Change %
Revenue	$mill	604.9	547.6	(9.5)
EBITDA	$mill	68.6	53.3	(22.3)
EBIT	$mill	42.0	28.5	(32.1)
Capital Expenditure	$mill	34.8	28.1	(19.3)
EBITDA margin	%	11.3	9.7	(1.6)
EBIT margin	%	6.9	5.2	(1.7)
Employees		1,395	1,410	1.1
Safety (TRIFR)[6]		216.1	180.5	(16.5)
Safety (LTIFR)[7]		3.5	3.0	(14.6)

Revenue for the year ended 31 July 2012 was down 9.5% to $547.6 million compared to $604.9 million for the prior year.

EBIT was $28.5 million, down 32.1% on the prior year. EBIT in the second half of $14.1 million was approximately in line with the first half EBIT of $14.4 million, despite the significant decrease in residential commencements. The second half performance in extremely subdued conditions, is a reflection of the restructuring activities completed during the year. These initiatives include

[5] The Westpac Melbourne Institute index of Consumer Confidence was 98.2 in September 2012, the seventh consecutive month below 100, the longest run of "sub 100" ponts since the early 1990's, excluding the Global Financial Crisis period
[6] Total Reportable Injury Frequency Rate (TRIFR) measures the total number of reportable injuries per million hours worked
[7] Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked

substantial reductions in staff levels and manufacturing capacity in New South Wales, Victoria, Queensland and Western Australian brick operations.

Over the year, the majority of the EBIT decline was attributable to two key divisions, Austral Bricks Western Australia and Austral Bricks Victoria. Austral Bricks Western Australia continues to face very challenging conditions with a further deterioration of market activity and the increased competition in this market. Austral Bricks Victoria earnings were well down on the prior year due to the decline in market activity and interruptions related to the integration of the new Wollert plant.

The lower **EBIT to Sales Margin** was impacted by higher unit production costs as intermittent and extended shutdowns throughout the period adversely affected plant efficiency. Rising unit input costs such as gas and electricity placed additional pressure on margins, particularly in the Austral Bricks division. In most divisions, price increases were unable to fully offset the impact of rising costs, including the carbon tax.

The Building Products Group continues to evolve into a more diversified national building products business. Acquisitions in Auswest Timbers, Masonry and Precast, resulted in these divisions contributing 29.5% of total Building Products revenue for the year to 31 July 2012, up from 24.3% in the prior year. Over the long term this strategy will reduce exposure to the detached house building cycle, through decreased reliance on the traditional Austral Bricks and Bristile Roofing divisions.

Total **Employee numbers** were increased by 15 over the year, however with an additional 107 employees joining the business due to acquisitions, a total of 92 staff, representing 6.6% of the workforce, left the business. This reduction in employee levels reflects the restructuring activities previously announced. In the second half, employee numbers in Austral Bricks Victoria increased as contractors were converted to full-time employees at Wollert, ahead of full speed production at this site. It was encouraging to note another year free from industrial disputes.

Brickworks' commitment to providing a safe workplace has seen Lost Time Injuries (LTI's) decrease to a record low of 8 for the year ended 31 July 2012. The Total Reportable **Injury Frequency** Rate ('TRIFR') decreased to 180.5 from 216.1 for the prior year. A particular focus for the Group is the roll-out of best practice national standard occupational health and safety procedures to improve standards across all operations.

Divisional Analysis

Austral Bricks result was significantly lower than the previous year as market conditions continued to deteriorate. Overall sales revenue for the year ended 31 July 2012 was $281.0 million, down 14.8% compared to the prior year, with most states suffering declines in line with reduced building activity.

The **rising prices of gas and electricity** has become a significant impost on the manufacturing cost of clay bricks. Including the impact of the carbon tax, Austral Bricks have experienced a doubling of gas prices since financial year 2008. Over the same period electricity prices have increased by around 70%. Gas and electricity prices combined now account for over 20% of the total manufacturing cost of clay bricks, up from around 15% in 2008.

The price of gas is expected to continue to increase substantially, particularly on the East Coast as increased export opportunities are made available for local LNG suppliers. Brickworks has a strong track record in reducing gas consumption, with investment in modern, energy efficient plants and product re-engineering initiatives placing it in relatively strong position compared to competitors to deal with the impact of rising prices.

To further decrease gas consumption Brickworks will implement a number of alternative fuel projects over the coming years. These projects will directly substitute the use of gas with alternative, low cost fuel sources such as landfill gas, sawdust and commercial and industrial waste streams. A number of these projects are well advanced, with implementation of planned projects forecast to partially offset the impact of gas price increases.

Restructuring activities have been completed across a number of states. Full speed production at Wollert West in Victoria, planned for the coming months, will mark the completion of a seven year business transition that has seen the closure of old, inefficient kilns at Scoresby, Summerhill and Craigieburn. The investment in new state of the art kilns on one site at Wollert places Austral Bricks Victoria in an excellent long term position.

In Queensland, the Riverview plant was closed and operations were consolidated to the more robust and flexible plant at Rochedale, whilst in Western Australia, Plant 3 at Cardup ceased operations in response to the structural changes in that market. The closure of Cardup and transfer of volume to the more modern Malaga manufacturing plant will increase the utilisation and efficiency of this operation. Once stock is depleted at Cardup, the reduced manufacturing footprint comprising Bellevue, Armadale and Malaga will provide a sustainable, efficient and appropriately sized manufacturing operation that will enhance returns in the Western Australian brick business.

During the year, **significant one-off costs** were incurred as a result of these restructuring activities. In Victoria these costs included the closure of Craigieburn, the remediation of Summerhill land and the commissioning of the new Wollert West kiln. There were significant redundancy and write-off costs in Austral Bricks Queensland and Western Australia due to the closure of the Riverview and Cardup plants respectively.

In addition to the capacity reduction by Austral Bricks, continued rationalisation of plant capacity by competitors provides some encouragement for an improved industry structure moving forward. The total capacity removed from service since 2009 now stands at an estimated 570 million standard brick equivalents (SBE). In most states industry capacity is now more closely matched with long term supply requirements and this should drive improved manufacturing efficiencies and increased earnings across the cycle.

Some progress was made in achieving **selling price increases**, up 4.0% compared to the prior year, however these were insufficient to cover the impact of the manufacturing slowdown and input cost increases. Most states have successfully implemented price rises, effective from 1 July 2012 with further increases planned throughout the year in an attempt to ensure that margins are not eroded as a result of rising gas prices and other input cost pressures, including the carbon tax.

Austral Bricks continues to focus on developing fashionable and market leading products to attract premium prices and consolidate the strong position that bricks hold as the material of choice in detached house walling. Examples of this include the launch of product ranges such as Ultrasmooth in New South Wales, Metallix, Reveal and Luxe in Queensland and Colossus and Ceres in South Australia. In addition, the Daniel Robertson premium brick brand was successfully integrated into the Building Products portfolio in March 2012.

These initiatives have contributed to the strong trend back to face brick, as evidenced by face brick featuring in 85% of the 330 display homes built over the last two years in New South Wales, with Austral Bricks securing over 50% of all new display homes in that state. The renaissance of face brick is particularly encouraging for Austral Bricks as these products deliver higher margins than general purpose commons used for rendering, and the differentiated look and low maintenance finish combats the threat of alternative products.

Although clay brick continues to uphold its' dominant share of detached house walling, challenges remain in the multi-residential segment where market share of clay brick has been eroded over many years at the expense of alternatives such as precast concrete and lightweight inter-tenancy walling solutions. Encouragingly, face brick has maintained a strong presence in the lower storeys of high rise apartment developments, as part of the overall trend towards a low maintenance composite look.

New South Wales had a relatively strong year, with sales revenue stable compared to the prior year. Earnings were adversely impacted by lower volumes and extended plant shutdowns to reduce stock levels although strong price increases were able to offset these impacts to some extent. The three year retail upgrade strategy is now almost complete with the display centre at Beresfield opening early in financial year 2013.

Queensland delivered a negative contribution for the year, although performance improved significantly in the second half following the closure of the Riverview plant in January 2012. Significantly improved pricing outcomes were achieved, however required increases remain challenging, compromised by strong competition in the market.

Victoria had a particularly challenging year, as market activity declined sharply from the record high level of the previous year. Volume was also impacted as a result of interruptions in the integration of the new Wollert West plant. Commissioning of the new plant is now nearing completion, including the successful transition of the product range. An enhanced pressed brick product offering and the ramp up to full speed of the new kiln will significantly enhance the performance of Austral Bricks Victoria.

Western Australia suffered a significant fall in sales volume and profits as a result of the poor market conditions. In the last quarter in particular, changes to the Western Australian Building Act caused a significant reduction in residential approvals and Austral Bricks sales volume. These changes have meant that a strong increase in house sales has not yet been reflected in approvals data. Furthermore, strong competition in this market compromised the ability of the business to achieve target price increases, although progress has been made with major builders.

South Australia earnings were down on the prior period, with significantly lower volumes in line with market activity. Price growth of 5.4% compared to the prior year was unable to fully offset the impact of reduced volumes on manufacturing costs.

Tasmania delivered a lower EBIT result, on the back of lower sales revenue, down 15.0%. The exit of K&D Bricks from the Tasmanian market, announced in February, leaves Austral as the only remaining locally based manufacturer. Since the announcement, initiatives have been implemented to increase plant output to meet the expected increase in demand going forward.

New Zealand delivered a substantially improved result, driven by the uplift in building activity and increased market share. Results in the second half were particularly encouraging, with a strong position in the South Island allowing it to benefit from the Christchurch re-build.

Bristile Roofing earnings were down on the prior year, largely as a result of a decline in sales revenue of 15.7%, to $104.4 million. The exit of a major competitor in Queensland provided a significant boost to sales volume in that state.

The Western Australian business delivered a marginally improved result compared to the prior year despite the significant fall in housing starts, due to a re-structure of plant operations completed in the first half.

In July 2012 Bristile Roofing was appointed as an exclusive distributor for Spanish manufacturer La Escandella, to supply a premium range of terracotta tiles into the Australian and New Zealand market. On the East Coast, the La Escandella products will compliment the locally manufactured range and provides the business with significant growth opportunities at the higher margin premium end of the market.

In Western Australia the La Escandella relationship will facilitate a transition to imported roof tiles from local production. This transition is economical as a result of favourable exchange rates and the escalating costs of local terracotta rooftile manufacture. Local production costs have become uncompetitive due to the limitations of the Caversham plant, poor volumes and the sharp increase of gas and electricity price increases, exacerbated by the impost of the carbon tax.

Austral Masonry total sales revenue was down 3.3% to $53.4 million, primarily as a result of decreased volume. After a solid first half result, sales volume declined in the second half as wet weather and strong competition impacted deliveries along the East Coast.

The acquisition of the Cairns operation in March has enhanced Austral Masonry's position in Far North Queensland and together with the existing plant in Ayr, just south of Townsville, places the business in a leading position in this not only growing region, but dominant concrete block market.

Austral Masonry continues to expand its' product range, with the development of new products such as Magnumstone and Cornerestone allowing growth into the engineered retaining wall market.

Austral Precast delivered another increase in earnings on the back of a solid increase in sales revenue, up 20.3% to $68.1 million.

On the East Coast, the installation of a batching plant at the Wetherill Park in Sydney, enabling 24 hour operation, is nearing completion. This will allow the rationalisation of the current manufacturing footprint and further enhance manufacturing efficiencies.

In Queensland, the acquisition of an independent operator in March 2012 will deliver additional scale and manufacturing efficiencies following the consolidation of operations to one site in August.

Following a loss in the prior year, the Western Australian operation posted a positive result, on the back of solid price increases, together with improved manufacturing efficiencies resulting from plant upgrades and strong volume increases.

Auswest Timbers domestic sales revenue was up 12.4% on the prior year to $40.6 million, and earnings were up 29.4%, due in part to the integration of acquired operations in Western Australia. However export earnings were significantly lower than the prior year as the high Australian dollar adversely impacted demand from Asia.

The contribution from acquired assets in Western Australia was supported by another solid contribution from the roof tile batten operation in Fyshwick, where strong cost controls alleviated the impact of lower throughput caused by the current weakness in detached house construction activity.

Working capital was impacted by the requirement to re-build feedstock levels in the acquired Gunns business in Western Australia. Despite the short term impact of this stock re-build process, the substantial synergies that this acquisition brings to the Auswest operations in the Pemberton and Manjimup region delivered improved manufacturing efficiencies in the second half.

A long term log license agreement is in place in Western Australia, placing operations in that state in a secure position. However uncertainty remains over log supply for the Orbost mill in Victoria, with a final decision from VicForests on future supply arrangements in that state yet to be announced.

Land and Development

Land and Development produced an EBIT of $19.0 million for the year ended 31 July 2012, down 34.9% from $29.2 million in the prior year.

Property Sales were limited, contributing an EBIT of $0.7 million for the year, with the largest transaction being the sale of two hectares at the M7 Business Hub, Eastern Creek into the Property Trust to accommodate the expansion of the existing Toll facility.

The **Property Trust** generated an EBIT of $19.6 million, up from $12.5 million in the year ended 31 July 2011.

Net property income distributed from the Trust was $9.0 million for the year, up 26.8% on the prior year due to rental reviews, two new DHL facilities at Oakdale and the extension of the existing Linfox facility at Interlink, Erskine Park.

The revaluation profit of stabilised Trust assets totalled $5.3 million, up from $4.7 million in the previous year on flat capitalisation rates and increased income.

An EBIT of $4.5 million was contributed through the recognition of unrealised profit on the completion of two new DHL facilities on the Oakdale Estate. In addition, $0.8 million was contributed through the sale, above book value, of two vacant lots from the Heritage Trust.

The total value of the Property Trust assets as at 31 July 2012 was $655.4 million, with borrowings of $286.4 million, giving a total net value of $369.0 million. Brickworks share of the Trust's net asset value was $184.5 million up $0.5 million from $184.0 million at 31 July 2011. Revaluation uplift was offset by the sale of Lot 3 and Lot 5 from the Heritage Trust resulting in a capital distribution to Brickworks.

During the year, financing arrangements for the Trust were restructured and diversified, with significant headroom made available to fund additional growth opportunities.

Waste Management contributed a profit of $2.5 million from operations at Horsley Park in New South Wales, in line with the previous corresponding period.

Property administration **expenses** totalled $3.8 million for the year to 31 July 2012, significantly higher than the prior year due primarily to increased land tax on the remaining Oakdale property, due to its favourable zoning.

Investments

The EBIT from total investments was down 0.3% to $67.7 million in the year ended 31 July 2012.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

The normalised profit from this investment was $66.6 million for the year, up marginally from $66.2 million in the year ended 31 July 2011.

The market value of Brickworks 42.72% shareholding in WHSP was $1.345 billion at 31 July 2012, up 1.7% on the value at 31 July 2011. This investment continues to provide diversity and stability to earnings, with cash dividends totalling $42.9 million received during the year.

WHSP has delivered outstanding returns over the short, medium and long term, outperforming the ASX All Ordinaries Accumulation Index by 12.4% p.a. over five years, 6.6% p.a. over ten years and 3.8% p.a. over fifteen years.

WHSP maintains a substantial investment portfolio in a number of listed companies including significant holdings in Brickworks, New Hope Corporation, TPG Telecom Limited, API, Clover, Ruralco Holdings and Copper Chem Limited.

Significant Items Since Balance Date

On 1 August a fire at Auswest Timbers' Deanmill facility in Western Australia destroyed some of the product transfer infrastructure in part of the mill. Jarrah production has been temporarily transferred to Pemberton, whilst repair work is carried out at Deanmill. It is anticipated that Deanmill will return to production by Christmas.

On 15 August a fire in the new clay mill at Wollert resulted in a temporary slow down of production, with clay grinding shifted to the less efficient old mill. Repair work is now complete, following a round the clock effort by the Major Projects team to rebuild the mill and return it to full production on Saturday 15th September, exactly one month after the fire.

Whilst the Deanmill and Wollert fires are fully covered by insurance policies, additional measures and precautions are being instituted across all sites to reduce the likelihood of future fires.

Brickworks have signed a Heads of Agreement with CSR Building Products (NZ) Limited, outlining an intention to establish a Joint Venture arrangement for the sale and distribution of bricks in the New Zealand market. A submission to the New Zealand Commerce Commission was lodged on Monday 3rd September seeking approval for the Joint Venture.

Outlook

Building Products Group

Barring any unforseen external shocks, the latest forward indicators of housing activity indicate that we may be close to the bottom of the residential building cycle. However the recovery in building activity is likely to be patchy over the next twelve months with weak full-time employment growth, low confidence and poor affordability likely to eliminate any impact of cash rate reductions by the Reserve Bank of Australia. Furthermore, varying state government policies are expected to drive diverging outcomes across the major states.

The New South Wales government has taken unprecedented measures to revive building activity with extra resources made available to deal with development applications, and funds committed to build roads, sewerage and other infrastructure for new housing sites. The increase in the First Home Owners Grant from October 1, for properties up to $650,000 will also strongly assist.

The Victorian government on the other hand has cut the first home owners grant at a time when that state is in the midst of a significant decline in activity, albeit from record high levels. This is likely to result in a further decrease in demand, despite the release of significant parcels of land for development.

In Western Australia, a backlog of activity caused by changes to to the Building Act in mid 2012, forecast robust employment growth and low vacancy rates support anecdotal evidence of a strong recovery in that state.

In Queensland, an increase in activity in the first half is expected as projects signed up prior to the expiry of the Building Boost grant on 30th April 2012 flow through. This work will be largely completed by December 2012. The government has now announced a new incentive for first home buyers, available from October 1, that should support building activity in the second half.

On balance, Brickworks anticipates a total of around 140,000 residential commencements for the year ending 31 July 2013, marginally up on the prior year, with increased activity in New South Wales and Western Australia likely to be offset by continuing declines in Victoria.

The outlook for the New Zealand market is positive, with the strong increase in building activity in the past six months expected to continue in the 2013 financial year, assisted by the Christchurch rebuild gathering momentum.

The majority of internal restructuring activities within the Building Products Group has now been completed, with all businesses now focussed on improving profitability with existing resources, and fully recovering cost imposts.

Land and Development

Two major **Property Trust** developments are currently under construction and due for completion in late calendar 2012. This comprises the Reedy Creek development on the M7 Business Hub in Sydney and Interlink, at Erskine Park in Sydney. The conclusion of these projects will provide additional rental returns and capital growth for the Property Trust.

The demand for new site developments is improving from a weak base across the broader market. DHL has pre-commited to a new 20,000m^2 facility at Oakdale in Sydney (DHL's third facility on this estate). Toll Holdings has also pre-committed to a 6,000m^2 expansion to its existing facility on the M7 Business Hub. Both of these projects are due for completion mid calendar 2013.

Land sales are expected to increase in the next twelve months with a strong pipeline of potential sales in place. Sales into the Property Trust during financial year 2013 are forecast to include a 60 hectare parcel of land at the Oakdale South site in Sydney and the first stage of the 30 hectare Rochedale site in Queensland, in both saces pending resolution of council and infrastructure issues.

In addition, following the closure of the Riverview brick operation in Queensland, the 12.2 hectare site will be developed, including refurbishment of the former factory building and the sub-division of vacant land, to occur in early calendar 2013.

Looking further ahead, a 120 hectare lot at Oakdale West in Sydney is also under review by the Department of Planning, to be rezoned from industrial to residential. If successful, this would bring forward the development of this land as well as increase its value. A response is expected by late calendar 2012.

Investments

The outlook for the Investments Group is clouded by continued volatility in global investment markets and commodity pricing. However on balance, the diversified nature of WHSP's investments should continue to deliver stable earnings to Brickworks.

Brickworks Group

Building Products earnings are expected to recover in the 2013 financial year, following internal restructuring activities completed in 2012. In the medium term, industry rationalisation and improvements in building activity will provide additional impetus to Building Products earnings.

A significant increase in land sales is also expected to boost earnings, whilst Investment earnings are expected to remain stable.

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