REVIEW OF **OPERATIONS**

2021

Extract from Annual Report

BRICKWORKS LIMITED

Five Year

Summary

	2017 $000	2018 $000	2019 $000	2020[1] $000	2021 $000	% Growth
Total revenue	**803,397**	**785,238**	**918,695**	**949,926**	**890,313**	**(6%)**
Earnings before interest and tax[2]						
Building Products Australia	69,943	78,554	57,138	32,596	44,384	36%
Building Products North America	-	-	6,180	10,061	8,525	(15%)
Property	90,588	93,979	157,806	129,437	252,679	95%
Investments	103,097	123,498	103,725	50,771	96,946	91%
Head office and other expenses	(12,432)	(13,664)	(15,026)	(16,849)	(19,417)	(15%)
Total EBIT	**251,196**	**282,367**	**309,823**	**206,016**	**383,117**	**86%**
Total EBITDA	**277,814**	**310,535**	**346,472**	**280,912**	**453,476**	**61%**
Finance costs	(12,436)	(14,456)	(23,883)	(26,243)	(18,735)	29%
Income tax	(38,949)	(42,269)	(51,712)	(33,484)	(79,148)	(136%)
Underlying net profit after tax[2]	**199,811**	**225,642**	**234,228**	**146,289**	**285,234**	**95%**
Significant items net of tax	(8,175)	(46,886)	(37,333)	168,297	(45,061)	NA
Discontinued operations net of tax (inc. sig items)	(5,426)	(3,314)	(42,253)	(16,508)	(1,010)	NA
Net profit after tax (inc sig items, discontinued ops)	**186,210**	**175,442**	**154,642**	**298,078**	**239,163**	**(20%)**
Per share earnings and dividends						
Basic earnings per share (cents)	124.9	117.5	103.3	198.8	158.3	(20%)
Underlying earnings per share (cents)[2]	134.1	151.1	156.5	97.6	188.8	93%
Final dividend per share (cents)	34.0	36.0	38.0	39.0	40.0	3%
Total dividends per share (cents)	**51.0**	**54.0**	**57.0**	**59.0**	**61.0**	**3%**
Ratios						
Net tangible assets per share ($)	11.77	12.42	13.28	14.08	13.88	(1%)
Statutory return on shareholders' equity	9.5%	8.5%	7.1%	12.4%	9.6%	(22%)
Underlying return on shareholders' equity[2]	10.2%	10.9%	10.8%	6.1%	11.5%	89%
Interest cover ratio (underlying)	17.1	18.1	17.9	8.1	20.4	151%
Gearing (net debt to equity)	14.9%	14.7%	11.7%	18.9%	20.9%	11%

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

[1] Certain comparative amounts have been restated as a result of changes to the accounting policy in respect of Software as a Service ("SaaS") arrangements following the IFRS Interpretations Committee agenda decision published in April 2021 (refer to Note 7.6 in the Financial Statements)
[2] This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.

Chairman's

Letter

On behalf of your Board of Directors, it gives me great pleasure to present Brickworks' Annual Report for the 2021 financial year. Despite the continued challenges presented by the COVID-19 pandemic, I am pleased to report that our diversified portfolio of attractive assets has again delivered a strong and resilient performance.

Resilience in challenging times

2021 was another unique year, dominated by the worldwide impact and response to the COVID-19 pandemic. As with all businesses, Brickworks has faced the challenges and uncertainties presented by the pandemic, with each of our divisions impacted in different ways.

The pandemic has accelerated the trend towards online shopping and this has increased demand for prime industrial land located close to transport hubs. This has had a positive impact on the value of our property assets.

Within building products, our North American operations were particularly hard-hit by the pandemic in the first half of the year, with many of our staff directly impacted. I would like to pass on my condolences to all those affected, particularly those staff who have lost loved ones.

With the rapid rollout of the vaccine program, easing of restrictions and government stimulus packages, conditions steadily improved across the United States during the second half.

The Australian operations experienced mixed conditions throughout 2021. Whilst government incentives supported demand for housing across the country, apartment construction was at the lowest level for many years. Extended lockdowns in Melbourne and shorter periods of disruption in other states, together with supply-chain issues across the industry, also presented significant challenges.

More recently, the emergence of the Delta strain of the virus has led to widespread lockdowns in our major capitals, and a range of restrictions on building activity. This has stifled the momentum that was building across the industry.

The latest outbreak underscores the significant uncertainty we continue to face. It is remarkable that 18 months since the onset of the pandemic, our two major cities are currently in lockdown and we have travel restrictions in place across virtually the entire country.

In the face of these immense challenges, I am proud of the resilient response from Brickworks management and staff. Our teams across Australia and North America have responded efficiently to changing regulations and government health orders, to ensure the compliant and safe operation of our facilities.

Record Underlying NPAT

I am pleased to report that the Company has delivered another strong financial result, despite the challenges presented by the pandemic. Brickworks reported a record underlying Net Profit After Tax (NPAT) of $285 million, up 95% on the prior year.

After including significant items and discontinued operations, the statutory NPAT was $239 million, down 20% from the record result achieved in the prior year, which included a large one-off profit in relation to our shareholding in WHSP.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was $453 million, up 61% on the prior year, and after depreciation, EBIT was $383 million, up 86%.

We are proud to have achieved these results without receiving any government assistance or support payments in relation to the pandemic, even though many of our operations have been impacted.

Building our assets

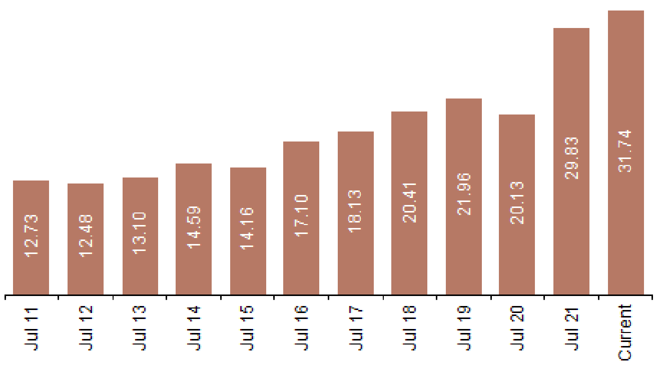
Brickworks' business model is also focussed on building a diversified portfolio of assets with increasing asset value. Therefore, I am particularly pleased to report an exceptional year of asset growth for our Company.

At the end of the financial year, Brickworks was backed by inferred net assets worth $4.5 billion[3], an increase of around $1.5 billion over the year. This includes our 39% stake in WHSP, net tangible assets within Building Products and our 50% share in the Property Trust, offset by net debt.

Since the end of the financial year, the market value of our stake in WHSP has increased by a further $0.3 billion, taking our inferred asset value to $4.8 billion[4].

On a per share basis, inferred net assets has increased by 149% over the past ten years, from $12.73 in 2011, to $31.74 today (as at 21 Sep 2021).

Brickworks Inferred Net Assets ($/share)



Dividends and Capital Management

The Directors have declared a fully franked final dividend of 40 cents per share, up 3% on the prior year. This brings total dividends for the year to 61 cents per share, up 2 cents or 3%.

We are proud of our long history of increasing dividends, which we have maintained or increased for over 45 years. We have been one of the few ASX200 companies who have increased dividends

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[3] Inferred net assets comprise: Investments based on the market value of Brickworks' shareholding in WHSP (ASX: SOL) at 31 Jul 2021, Property based on Brickworks' 50% share of net property trust assets, Building Products based on net tangible assets, offset by net debt.
[4] As at the close of trade on 21 September 2021

to our shareholders during the pandemic and have not needed to raise equity or receive government support payments.

This is a testament to our strong financial position, prudent capital management and our diversified business model. We know that many of our shareholders rely on this income stream, particularly during these difficult times.

Despite our significant investment program over the past few years, our borrowing level remains conservative, with gearing of 21% at the end of the year.

Board and Governance

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

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

The Board currently comprises seven directors, including four independent non-executive directors.

A period of further board transition is planned over the next few years, with Robert Webster having advised me that he will not seek re-election at the 2022 Annual General Meeting, when his current three-year term concludes.

Michael Millner's term also concludes at the same time. To assist with an orderly transition process, Michael intends to offer himself for re-election in 2022, before retiring at the 2023 Annual General Meeting.

As part of our succession plan, it is the Company's intention to engage external consultants to assist with the appointment of one or more new independent non-executive directors to replace Robert and Michael.

In Conclusion

Brickworks' diversified portfolio of attractive assets and our robust balance sheet provides us with the resilience to overcome any short-term challenges such as the ongoing uncertainty in relation to COVID-19.

We believe the Company is well-positioned for further growth. In particular, we are investing to meet the growing demand for prime industrial property, and we will continue to support our North American business as it expands. We also have two major capital projects well underway in Building Products Australia, both of which will significantly improve our competitive position in the Sydney market.

Our investment in WHSP continues to deliver strong returns and asset growth. The recent merger of WHSP with Milton Corporation provides exciting new opportunities, with increased scale and liquidity.

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

I would also like to thank my fellow directors and our shareholders for your continued support.

Robert Millner
Chairman

Managing Director's

Overview

In a tumultuous year headlined by the widespread disruption caused by the COVID-19 pandemic, it gives me pleasure to report that 2021 has been another successful year for Brickworks. Not only has the Company delivered record underlying earnings, but we have also made significant progress on the implementation of a range of strategic initiatives to position the Company for long-term growth.

COVID-19 Response

The past 18 months have been unlike any other time in my more than twenty years as Managing Director of Brickworks. But I have never been prouder of our employees, who have responded without fuss to the many challenges they have faced.

The pandemic has fundamentally changed how we interact at work. Extended travel restrictions and lockdowns have reduced face-to-face meetings. To compensate we have increased our level of internal communication more than ever, utilising video technology to efficiently carry out daily management meetings and staff communications.

Many of our operations have been impacted by the pandemic, with a number of our building products facilities closed for various periods, as governments enforced intermittent restrictions on sales and manufacturing activities. In North America, the direct impact on our employees meant that some operations needed to be temporarily curtailed due to a lack of operational staff.

The operational and workforce challenges have, to some degree, been at odds with the exceptional results achieved this year, with the Company delivering record underlying earnings.

This is headlined by record Property earnings, driven by a significant uplift in the value of our industrial property assets.

After a subdued start to the year, we have experienced steadily increasing demand for our building products across Australia and the United States, with Government stimulus packages leading to a surge in detached house approvals in both countries.

Sustainability

Sustainability is at the heart of our purpose: to make beautiful products that last forever. Products that stand the test of time.

Our bricks are a sustainable product, made from clay and shale that is naturally abundant. They are guaranteed for 100 years, and many installed 100 years ago remain in service today. Their longevity also allows bricks to be recycled and re-used, unlike many competing building products.

In 2020 we developed our new sustainability strategy, "Build for Living: Towards 2025". This strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable.

It sets a clear pathway with 15 measurable targets and commitments across the pillars: Responsible Business, Environment, Our People and Community.

We are achieving pleasing progress across many aspects of sustainability. For example, across our Australian operations we have achieved a reduction in carbon emissions of 40% since 2006. This is supported by capital investments into modern, fuel-efficient production processes, as well as product redesign, use of recycled material and on-board fuels, and firing our kilns with green fuels such as landfill gas.

We are also proud to offer Australia's only fully certified carbon neutral brick range.

Brickworks is also active in the community and has a long-standing partnership with the Children's Cancer Institute, having made direct and indirect contributions of over $4 million since 2002.

Safety

At Brickworks, we believe there is no task that is so important we can't take the time to find a safe way to do it.

In 2021, we recorded just one injury across our Australian operations. This represents 0.4 lost time injuries per million hours worked, in line with last year's record low injury rate.

A sustained decrease in injuries across Australian operations has been achieved over the past decade, through the disciplined implementation of safety management systems and procedures, together with behavioural leadership and safety training programs.

These initiatives continue to be rolled out across our operations in North America where injury rates are significantly higher than in Australia. In North America there were 10 lost time injuries during the year, translating to 6.2 lost time injuries per million hours worked, up from 3.5 in the prior year. Encouragingly, the total recordable injury rate, a key lead indicator for lost time injuries, decreased to 21.1, from 24.3 last year.

Building Products Australia[5]

Building Products Australia recorded an EBITDA from continuing operations of $97 million in 2021. After including depreciation and amortisation, EBIT was $44 million, up 36% on the prior year.

FY2021 was a year of steady progress for Building Products Australia. Early in the financial year, demand was relatively subdued, due primarily to disruptions and uncertainty in the early stages of the pandemic.

As the year progressed, demand steadily improved, with building activity buoyed by the various government stimulus measures put in place across the country.

Whilst underlying demand was strong and broad-based across all states, sales momentum was stifled by the impact of intermittent lockdowns in our two largest markets, Sydney and Melbourne.

Performance in Austral Bricks Queensland was particularly strong, buoyed by robust growth in detached house building, market share growth, and strong operational performance of the Rochedale plant, following upgrade works completed over the past few years.

During the year, we accelerated several exciting initiatives focussed on the critical areas of new product development, capital projects, customer communications and staff training.

Our work in new product development led to our "B20" event in September 2020, the biggest product launch in the Company's

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

history. This included the release of an exciting range of over 100 innovative new bricks, roof tiles and masonry products. These products have been well received by the market, and building on the success of this event, we are now preparing for a similar event later this year.

Our major investment program continues to progress. Pleasingly, the new Oakdale East masonry plant reached practical completion in July, and our team is currently working through the commissioning process. Meanwhile, construction of our brick facility at Horsley Park is also well underway.

Both of these projects have experienced significant interruptions over the past 18 months, particularly due to travel bans that have restricted the mobility of our engineering crews and overseas-based suppliers. However, our teams have shown persistence and initiative to overcome the unprecedented challenges and keep these projects moving forward.

Building Products North America

In local currency, Building Products North America delivered EBITDA of US$20 million, up 10% on the prior year and EBIT of US$6 million, down 6%. When converted to Australian dollars, EBITDA was relatively flat at $26 million and EBIT was down 15% to $9 million.

Operations in the United States were more significantly impacted by the pandemic compared to Australia, with sales activity across several states being restricted for various periods during the first half. In addition, our operations were directly impacted due to COVID-19 cases across our workforce and the significant challenges with maintaining safe working practices in the midst of the pandemic.

Market conditions steadily improved throughout the second half, albeit the recovery was most pronounced in the detached housing market. In contrast to Australia, our North American operations are more exposed to the non-residential market, and the recovery in this segment was more subdued.

In response to the buoyant detached housing activity, we have increased penetration into the southern residential market, including sales into Texas. This large market is well serviced by our low-cost Adel plant in Iowa, acquired in 2019 as part of the Sioux City Brick acquisition.

During July, I was fortunate to spend two weeks with our team in the United States, where I visited many of our facilities and customers.

Having only recently established our operations in North America, with three acquisitions since 2018, it was pleasing to see the strong sense of identity and unified culture across all of our operations.

I am extremely proud of our leadership team, who have navigated this newly consolidated business through the extreme challenges of the past 18 months, whilst also making strong progress on our numerous strategic initiatives.

In August, we were pleased to announce our further expansion, with the acquisition of IBC[6], the leading brick distributor in Illinois and Indiana. This will significantly increase the scale of our direct distribution network, increasing our store count from 10 to 27.

Importantly, sales volume through the IBC network will underpin production volume at our Midwest plants, which have ample capacity to accommodate additional sales growth.

We know the business well, having enjoyed a strong relationship with IBC since our entrance into the North American market 3 years ago.

We are pleased to welcome IBC's 225 staff to the Brickworks Group, and we look forward to building on the strong position they have established since their inception in 1981.

The acquisition will bring our total workforce in the United States to more than 1,000.

Property

Property delivered another year of strong asset growth and earnings in 2021. Brickworks share of net Property Trust assets increased by another $184 million over the past 12 months, to finish the year at $911 million.

Property also generated a record EBIT of $253 million, almost double the prior year.

Property Trust earnings were again the key driver of the result. All Property Trust assets were revalued during the year and this resulted in a strong revaluation profit of $149 million, representing Brickworks' 50% share of the overall valuation gain.

We have seen unprecedented demand for our industrial property facilities. The rapid growth in online shopping has increased the importance of well-located distribution hubs and sophisticated supply chain solutions. This was highlighted by a number of significant industrial property transactions in western Sydney over the past 6 months, with the pricing of these transactions underpinning the valuations of our high-quality portfolio.

Also within the Property Trust, development profits of $24 million were recorded on the completion of facilities at Oakdale South and Oakdale East. The Oakdale East development reached practical completion just prior to the end of the financial year. In addition to our new masonry plant, this precinct includes a new display, sales centre and office space for many of our Sydney based staff, as well as four other facilities to be tenanted by other customers.

During the year, a land sale profit of $52 million was recorded, primarily relating to the recognition of previously unrealised profits associated with the prior sale of Oakdale West, after lease agreements with a number of tenants became unconditional.

Investments

Brickworks holds a 39% stake in WHSP, and this investment is a core asset of Brickworks that has brought diversity and reliable earnings to the Company for more than 50 years.

Our investment in WHSP provides a cash flow stream via dividends that allows long term strategic decision making by sheltering the business during cyclical downturns. In total, cash dividends of $58 million were received during the year, up 3% on the prior year.

EBIT from Investments was up 91% to $97 million in 2021, with WHSP earnings benefitting from higher contributions from New Hope Corporation and Round Oak Minerals.

Group Outlook

The outlook varies across each of our divisions.

Within **Building Products Australia**, underlying demand across the country is strong, with a large backlog of detached house construction work in the pipeline. This follows the various state and federal incentives which prompted an unprecedented surge in approvals early in 2021.

In most states across the country, this healthy pipeline of work is translating to strong sales into the detached housing segment, and we expect this will continue for the remainder of the financial year. In some areas, sales volume is being limited by the availability of

[6] The acquisition comprised certain assets of Southfield Corporation, including Illinois Brick Company ("IBC").

trades, with bricklayers in Western Australia and roof tilers across all regions, in particularly short supply.

In New South Wales, sales in the first 2 months of the financial year have been impacted by the latest outbreak of COVID-19 and the restrictions put in place to reduce the spread. In early August, daily brick sales were down by around 50%. Since then we have seen a steady improvement, with sales now back to around 90% of the level prior to the outbreak. To control inventory, our Punchbowl kiln and one of our two kilns at Plant 3, Horsley Park, were taken offline. In recent weeks, we have restarted the kiln at Plant 3, in response to the increasing sales.

In the short term significant uncertainty persists, with the potential for new restrictions remaining ever-present across all states. A case in point is the snap two-week shutdown of construction sites in Melbourne, as announced by the Victorian government in recent days.

However, with vaccination rates across the country now approaching government targets, we are hopeful that by the second half of the financial year, the prospect of any further restrictions will be behind us, and all states will experience a period of elevated activity.

Looking further ahead, the outlook is clouded by uncertainty around the timing and extent of a return to immigration. It is also clear that government stimulus has brought forward a large volume of work that has the potential to leave a void once the existing pipeline is exhausted.

The ongoing completion of major projects and upgrade works will support earnings over the medium and longer-term. This includes the new Austral Masonry facility at Oakdale East and the Horsley Park brick plant.

Additional capital investments are also under consideration in New South Wales, including an upgrade to increase capacity at Plant 1 (Horsley Park), and a dry press brick plant on our land at New Berrima, to replace the Bowral plant.

In the short term, mixed market conditions are expected to persist in **North America**. Like in Australia, there has been a strong increase in single-family residential approvals across the country. Offsetting this, the key non-residential building segment remains relatively subdued.

With extensive plant rationalisation activities undertaken to increase utilisation, and upgrades almost completed at Hanley and Sergeant Bluff to improve efficiency, significant manufacturing cost reductions are anticipated once production volumes normalise.

The integration of IBC has been progressing well since the acquisition in August, and performance has so far been in line with expectations.

Assuming there are no further major disruptions caused by the pandemic, we expect improved sales, manufacturing cost reductions and the additional contribution from IBC to deliver higher earnings from North America in the 2022 financial year.

Over the long term, North American operations are expected to deliver further earnings growth for many years to come, with Brickworks focussed on implementing our proven market strategy focussed on style and premium product positioning.

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

The Oakdale West Estate is now 58% pre-committed, with several new tenants joining Amazon and Coles. Demand for remaining space is high and availability is becoming limited, particularly for facilities over 35,000m^2.

The completion of the new brick plant at the Horsley Park Plant 2 site in late 2022, will allow the release of additional land at Oakdale East, where Plant 3 is currently located.

This land is likely to be sold into the Trust, and will therefore allow further expansion of the Oakdale East estate to meet the growing demand from tenants.

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

We are also excited by the outlook for our **investment in WHSP**, following the recent merger with Milton Corporation.

The effect of this merger will be that Brickworks ownership interest in WHSP will reduce to 26.1%. However, WHSP will become significantly larger, with net assets post the merger of over $9 billion.

The merger will provide WHSP with increased scale, diversification and liquidity to pursue additional investment opportunities, and we expect WHSP to continue to deliver superior long-term returns and consistent dividend growth well into the future.

Our People

The past 12 months has been another extremely challenging period for our employees in both Australia and North America. We have been forced to work remotely, with many of our staff impacted by lockdowns, and working from home for long periods.

Travel restrictions have meant that we have seen less of each other, even at a time when many have needed more support.

Whilst this had the potential to impact our culture, which is built on care, collaboration and teamwork, we have found new ways to stay connected. Whilst it might not always be the same, video technology has allowed us to communicate regularly and maintain personal connections across our operations.

In these difficult times, we are fortunate to have a strong group of leaders, and a positive and committed workforce. Including our new IBC employees, we now have 2,225 employees, and it is their energy and dedication that will continue to drive our success.

I would also like to take this opportunity to thank the Board of Directors and the executive team who have provided steadfast support and guidance as we navigate these unprecedented times.

Lindsay Partridge AM
Managing Director

Financial

Overview

- **Statutory NPAT** including significant items, down 20% to $239 million
- **Underlying NPAT from continuing operations** before significant items, up 95% to $285 million
- **Underlying EBIT from continuing operations** before significant items, up 86% to $383 million. EBITDA up 61% to $453 million
  - **Building Products Australia EBIT** up 36% to $44 million, EBITDA up 7% to $97 million
  - **Building Products North America EBIT** down 6% to US$6 million, EBITDA up 10% to US$20 million (AU$9 million EBIT, AU$26 million EBITDA)
  - **Property EBIT** up 95% to $253 million, net Property Trust assets up $184 million
  - **Investments EBIT** up 91% to $97 million, BKW share of WHSP market value up $1.235 billion during FY2021
- **Operating cashflow** up 89% to $140 million
- **Final dividend** of 40 cents fully franked, up 1 cent or 3% (Record date 3 November 2021, payment date 24 November 2021)
- **Total full-year dividend** of 61 cents fully franked, up 2 cents or 3%

Earnings[7]

Brickworks posted a statutory Net Profit After Tax (**NPAT**) from continuing operations of $239 million for the year ended 31 July 2021, down 20% on the prior year.

Last year's Statutory result included a significant one-off profit in relation to our shareholding in WHSP, triggered by the merger of its associate TPG with Vodafone.

After excluding the impact of significant items and discontinued operations, **Underlying NPAT** in financial year 2021 was up 95% to $285 million.

Underlying earnings before interest, tax and depreciation (**EBITDA**) from continuing operations was $453 million, up 61% on the prior year. After depreciation and amortisation, **EBIT** was $383 million, up 86%.

On revenue of $687 million, **Building Products Australia** EBIT was $44 million, up 36% on the prior year (EBITDA was $97 million, up 7%). The higher earnings were due to a broad-based reduction in operating costs that supported improved margins across all business units. In addition, there was a steady increase in building activity during the year, translating to growing sales volume and a strong second half EBIT of $28 million.

In New South Wales, this sales momentum came to an abrupt halt in the last two weeks of the year, with a new COVID-19 outbreak resulting in the state government imposing a temporary pause on construction activity in greater Sydney.

Building Products North America contributed an EBIT of US$6 million (AU$9 million), down 6% on the prior year. EBITDA was up 10% to US$20 million (AU$26 million). Building activity in Glen-Gery's key non-residential markets was significantly lower, especially in the first half, with many major projects being delayed or withdrawn due to disruptions and uncertainty caused by the pandemic. The lower market activity in key markets resulted in reduced like-for-like sales volume and lower plant utilisation across the network, increasing unit production costs.

Like in Australia, conditions improved in the second half in response to government stimulus and pent-up housing demand.

Property EBIT was a record $253 million, driven by another strong performance from the 50/50 joint venture property trust with the Goodman Group ("Property Trust"). Brickworks share of the net asset value within the Property Trust increased by $184 million during the year, and now stands at $911 million. The increasing value of the Property Trust assets reflects a wider structural change across the economy, as companies modernise their supply chains in response to consumer preferences, such as online shopping.

Investments EBIT was up 91% to $97 million, primarily due to higher contributions from New Hope Corporation and Round Oak Minerals to WHSP earnings. The market value of Brickworks 39.4% shareholding in WHSP increased by $1.235 billion during the year and stood at $3.079 billion at 31 July 2021.

Total **borrowing costs** were down 29% to $19 million, with underlying **interest cover** finishing the year at a conservative 20 times.

Underlying **income tax** from continuing operations was $79 million, up from $33 million in the prior year, due to the higher earnings from the combined Building Products and Property Groups.

Significant items reduced NPAT from continuing operations by $45 million for the period. This comprised:

- Costs of $11 million in relation to WHSP significant items.
- An $18 million cost arising from the net impact of the income tax expense in respect of the equity accounted WHSP profit, offset by the impact of fully franked WHSP dividend income, adjusted for the movements in the franking account and the circular dividend impact.
- Restructuring costs of $13 million (net of tax), including ERP implementation costs, the relocation of the Austral Masonry plant in Sydney and the post-upgrade commissioning of the Austral Bricks plant in Cardup (Perth). In North America, costs were incurred in relation to the closure of several retail outlets and the staged decommissioning of production at the York plant.
- COVID-19 related costs of $3 million (net of tax), reflecting the unabsorbed fixed costs in relation to manufacturing plant

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

slowdowns as a result of COVID-19 absenteeism in North America, and incremental COVID-19 costs incurred across the Group.

- Acquisition costs of $3 million (net of tax) during FY2021, primarily in relation to the purchase of certain assets of Southfield Corporation ("IBC"), completed in August 2021.
- A tax benefit of $4 million, in relation to US acquisition costs incurred in prior years, previously considered non-deductible.
- Other costs of $1 million (net of tax).

Significant Items ($m)	Gross	Tax	Net
Significant items relating to WHSP	(11)	-	**(11)**
Income tax from the carrying value of WHSP	-	(18)	**(18)**
Restructuring activities	(18)	5	**(13)**
COVID-19 costs	(5)	2	**(3)**
Acquisition costs incurred in FY2021	(4)	1	**(3)**
Acquisition costs incurred in prior years	0	4	**4**
Other costs	(2)	1	**(1)**
Total (Continuing Operations)	**(39)**	**(6)**	**(45)**

Cash Flow

Total **cash flow from operating activities** was $140 million, up 89% from $74 million in the prior year, which was adversely impacted by $54 million in tax on the December 2018 sale of 7.9 million WHSP shares.

Capital expenditure was $117 million during the year, with the Company midway through a significant investment program across a range of major projects. Project spend included deployment of a new enterprise resource planning (ERP) system across Australia, a new masonry plant at Oakdale East in New South Wales, a new brick plant at Horsley Park in New South Wales and a major upgrade to the Hanley brick plant in Pennsylvania.

Balance Sheet

During the year total shareholders' equity was up $77 million to $2.480 billion.

Net tangible assets ('NTA') per share was $13.88 at 31 July 2021, down from $14.08 at 31 July 2020. The decline was due to a decrease in the market value of WHSP's listed investments, and the recognition of lease liabilities in relation to a number of significant new long-term leases (with the corresponding right-of-use assets excluded from the NTA calculation in line with financial reporting guidelines).

Total interest-bearing debt was $658 million at 31 July 2021. After including cash on hand, **net debt** at the end of the year was $519 million, an increase of $64 million for the 12-month period.

Gearing (net debt to equity) was 21% at 31 July 2021, up from 19% at 31 July 2020.

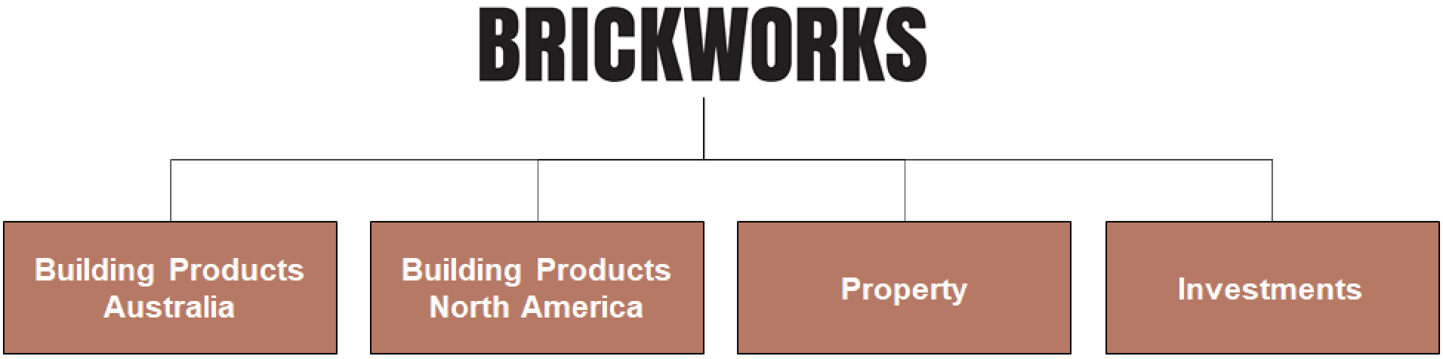
Net **working capital** was $352 million at 31 July 2021, including finished goods inventory of $226 million, up $8 million on the prior year.

Dividends

Directors declared a fully franked final **dividend** of 40 cents per share for the year ended 31 July 2021, up 3% from 39 cents. Together with the interim dividend of 21 cents per share, this brings the total dividends paid for the year to 61 cents per share, up 2 cents or 3% on the prior year.

Group

Structure



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

- Building Products Australia;
- Building Products North America;
- Property; and
- Investments.

Building Products Australia

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

In total, Building Products Australia comprises 28 manufacturing sites and more than 45 design centres and design studios across the country. This is complemented by an extensive reseller network that includes over 100 additional displays.

The portfolio includes:

- **Austral Bricks:** Australia's largest clay brick manufacturer with significant market positions in every state
- **Bristile Roofing:** A leading roof tile manufacturer, offering supply and install of locally produced concrete and imported terracotta tiles
- **Concrete Products:** Recently been formed as a separate division within Brickworks, bringing together Austral Masonry, Austral Precast and a 33% interest in the Southern Cross Cement joint venture

Building Products North America

Building Products North America was established upon the acquisition of Glen-Gery in November 2018. This was followed by further bolt-on acquisitions of Sioux City Brick in August 2019 and Redland Brick assets in February 2020.

Brickworks North America now has a leading position in the Midwest, Northeast and Mid-Atlantic states, and has a strong focus on architectural and premium products.

It has 10 brick plants and one manufactured stone plant. Following the recent acquisition of IBC, it has 27 company-operated distribution outlets and a vast reseller network.

Property

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

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

The Property Trust was established in 2005, for the specific purpose of capturing the initial valuation uplift from re-zoning and then benefitting from the long-term value appreciation and the stable, growing annuity-style income stream derived from the developed assets.

Given the prime location of Brickworks land assets, the value creation opportunity through rezoning, development, and ongoing capital gains was foreseen at the inception of the Trust and was a key strategic rationale for its creation.

Over the past decade, it has grown significantly and now has a total asset value of $2.7 billion. After including debt, Brickworks 50% share of the Property Trust has an equity value of $911 million.

In addition to the Property Trust, the Company holds around 3,600 hectares of operational land and 330 hectares of development land in Australia, and 3,200 hectares of operational land in the United States.

Investments

Investments consists primarily of a 39.4% interest in Washington H. Soul Pattinson, an ASX listed company (ASX: SOL) with a market capitalisation of $7.814 billion as at 31 July 2021 (market value of Brickworks share $3.079 billion).

WHSP is a diversified investment house with a portfolio encompassing many industries including its traditional field of pharmaceuticals, as well as mining, building materials, property investment, telecommunications, financial services and other equity investments.

This strategic investment in WHSP dates back to 1969 and delivers a stable dividend stream that provides Brickworks with security to weather periods of weaker building products demand.

The investment has also delivered strong long-term returns to shareholders.

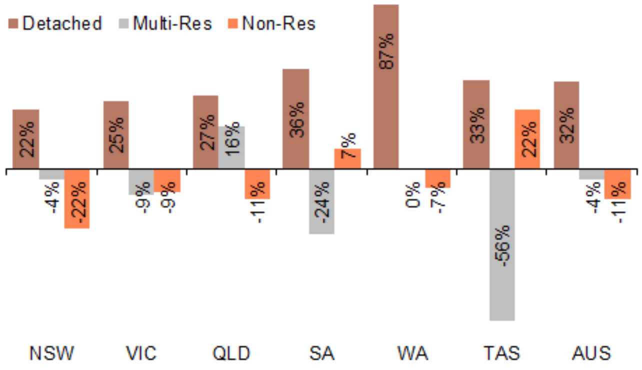
Post year end, WHSP completed a merger with Milton Corporation (ASX: MLT), resulting in Brickworks shareholding reducing to 26.1% of the larger entity.

Building Products

Australia

Market Conditions

Change in Commencements (FY2021 vs FY2020)[8]



Building activity in Australia was mixed during the 12 months to June 2021. Despite the impacts of the pandemic, detached housing activity was very strong, with a 32% increase in commencements compared to the prior year. By contrast, multi-residential and non-residential building activity decreased 4% and 11% respectively.

The pandemic has resulted in increased consumer demand for lower density living, and this is resulting in a shift towards detached housing from multi-residential alternatives. This is favourable for Austral Bricks and Bristile Roofing, due to the relatively high usage of bricks and roof tiles in detached houses. However, the full impact of the increased detached housing activity was not felt during the year. Usage of bricks and roof tiles on-site typically lags a housing commencement by 3-6 months, however this has extended during the current upturn. Supply chain delays have been caused due to a range of factors such as the sudden surge in demand following government incentives introduced in 2020, shortages of some building products such as timber, and site constraints in some areas due to COVID-19 related restrictions.

Detached housing commencements increased across all states, with total starts of 135,100 for the twelve months to June 2021. Western Australia was the standout, with an 87% increase vs the prior year, albeit this comes off a 30-year low point for activity in that state.

Annualised multi-residential commencements across the country were 66,900 at June 2021, the lowest level since 2012. All states other than Queensland were down on the prior year.

The increased consumer preference for lower density housing has also resulted in a surge in regional demand. Detached house approvals in regional areas across the country increased by 51% for the 12 months to June 2021, compared to the prior year.

Non-residential building was lower across all major states during the year, with private investment in offices, accommodation and retail all scaled back in response to the pandemic.

Overview of FY2021 Result

Year Ended July ($ million)	2020	2021	Change
Revenue	684	687	1%
EBITDA	91	97	7%
EBIT	**33**	**44**	**36%**
EBITDA margin	13%	14%	7%
EBIT margin	5%	6%	35%

Revenue from continuing operations for the year ended 31 July 2021 was up marginally to $687 million. An increase in revenue in Austral Bricks was offset by lower revenue in Concrete Products and Bristile Roofing.

EBIT from continuing operations was $44 million, up 36% on the prior year, and **EBITDA** was $97 million.

EBIT of $28 million was achieved in the second half, significantly higher than the first half. Early in the financial year, demand was relatively subdued, due in part to disruptions and uncertainty caused by the pandemic. However, demand steadily increased over the period, as consumer confidence recovered and building activity was buoyed by the various government stimulus measures put in place across the country.

This momentum came to an abrupt halt in New South Wales late in the financial year, with the State Government announcing a two-week pause of all construction work in greater Sydney, in response to a new outbreak of COVID-19. The significantly reduced sales volume across our largest and most profitable market had an estimated $3 million adverse impact on earnings in July.

Austral Bricks

Austral Bricks' earnings increased 8% for the twelve months ended 31 July 2021, with sales revenue up 5% to $417 million.

The increased earnings were primarily due to a strong performance in Queensland, where a significant uptick in building activity, market share growth and lower manufacturing costs all contributed to the improved result.

Prior to the restrictions imposed in Sydney at the end of the financial year, all east coast kilns were operating at capacity, with one kiln at Plant 3, Horsley Park in New South Wales having been restarted in February to alleviate supply pressures across the East Coast. In August (post financial year-end), in response to the new restrictions in New South Wales, kilns at Punchbowl and Horsley Park Plant 3 were taken off-line.

[8] Source: BIS Oxford Economics Australian Building Forecasts, June 2021. Figures shown are for the 12 months ended in June.

The sharp recovery in housing activity in Western Australia has resulted in a strong increase in demand. This has necessitated a ramp-up in production during the second half, amidst tight industry supply.

The acquisition of Midland brick assets by BGC, approved by the ACCC in December, provides improved clarity in relation to the competitive environment, after many years of corporate restructuring and industry uncertainty.

Building works have recommenced at Horsley Park for a new $130 million face brick plant at Plant 2, following a temporary pause during July and August in relation to COVID-19 restrictions. This facility, with a capacity of 130 million bricks per annum, will be the most advanced brick plant in the world, and is expected to be completed by the end of the 2022 calendar year.

During the year, development approval was secured for the construction of a new 50 million brick capacity dry press brick plant on Brickworks owned land at New Berrima. With a budget of circa $70 million, this plant will replace the current Bowral plant, which has been in operation for almost a century. The new plant will deliver significant cost savings and environmental benefits, through utilising on-site clay reserves, and a modern fuel-efficient kiln.

Concrete Products

Concrete Products has recently been formed as a separate business unit within Building Products Australia, bringing together the established Austral Masonry and Austral Precast operations, and Brickworks' 33% share of the Southern Cross Cement joint venture.

Concrete Products earnings improved on the prior year, despite a 9% decline in revenue to $159 million for the twelve months to 31 July 2021.

The decrease in revenue is primarily due to the exit from precast operations in Western Australia and a reduced operation in Queensland. In addition, sales in New South Wales were lower, as a result of the sharp decline in multi-residential and commercial building in Sydney.

Austral Precast earnings improved, despite the lower revenue, driven by manufacturing efficiency and lower overhead costs.

Austral Precast continues to focus on a range of product development initiatives such as "Double Wall", a cost-effective product that offers significant advantages over alternative systems such as lightweight permanent formwork solutions. Sales of this product increased significantly over the year and continues to gain market acceptance in a range of applications.

In December operations ceased at the **Austral Masonry** plant at Prospect in Sydney, to be replaced by a new facility on Property Trust land at Oakdale East.

This new plant reached practical completion in July, with the commissioning program now well underway. The new facility will be one of the most advanced masonry plants in the world. Whilst there has been some disruption and increased costs during the transition phase, the new plant will deliver lower costs and a broader product range, placing the business in a very strong competitive position in this key market.

The disruptions caused by the plant transition in New South Wales resulted in a decreased contribution from masonry operations in New South Wales during the year. However, performance across other key states improved, with particularly strong demand in North Queensland.

Improved margins were driven by cost reduction initiatives, productivity improvement programs and the continued growth of premium paving and retaining wall products. The business continues to pursue diversification from traditional grey block products, and the appeal of this broader market offer has improved the competitive position within the home building, trade and retail segment.

In its first full year of operation, **Southern Cross Cement** has successfully provided quality, cost-effective cement to Austral Masonry and Bristile Roofing operations in Brisbane, as well as to other Joint Venture shareholders.

Operational performance has been pleasing, albeit a sharp increase in shipping rates had an adverse impact on performance during the second half.

Bristile Roofing

Bristile Roofing earnings were significantly higher than the prior year, despite a slight decrease in revenue to $111 million. This includes sales from the Fyshwick roof tile batten mill, operating as "Capital Battens".

Roof tile sales volume across the country was relatively steady, with an increase in Queensland, offset by small declines across other states. In Queensland, major hail storms in October, November and March provided a boost to sales volumes.

The business has implemented a refocussed and simplified business strategy, with an emphasis on the core roof tile range. A reduction in unit manufacturing costs and prior year restructuring initiatives resulted in improved margins during the year. In addition, improved product quality from both the Wacol and Dandenong production plants has gained positive market feedback.

During the second half, as sales volume increased, supply chain issues emerged, with trade shortages across the country and a shortage of timber trusses becoming an increasing issue for tile and metal roof installations.

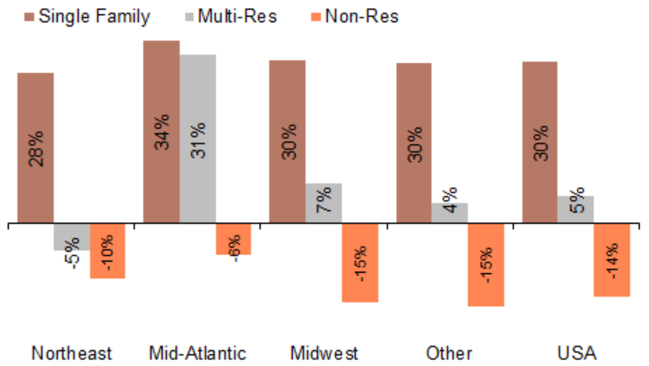
Capital Battens recorded increased revenue and earnings, with the mill operating at capacity for the entire year.

Building Products

North America

Market Conditions

Change in Commencements (FY2021 vs FY2020)[9]



The COVID-19 pandemic has had a significant impact on building activity across the United States, with wide-ranging implications across building segments and regions.

Building activity, particularly in the non-residential segment, was heavily impacted in the first half of the financial year, with many major projects delayed or cancelled by state authorities due to financing concerns. In addition, approvals for new projects slowed significantly in the lead-up to the US presidential election in November.

Throughout the second half, there was a steady improvement in activity in all segments and regions, in response to government stimulus programs and a general re-opening of the economy in response to the vaccine roll-out.

Across the country, the total value of building activity commenced for the 12 months to June 2021 was up 5% compared to the prior year. A 30% increase in single-family residential commencements and a 5% increase in multi-residential commencements was offset by a 14% reduction in non-residential activity.

Glen-Gery's primary exposure is the non-residential building segment in the Northeast, Mid-Atlantic and Midwest regions. Activity in these markets was down 10%, 6% and 15% respectively.

By contrast, the single-family home segment, which accounts for 38% of Glen-Gery volume, was up 28% in the Northeast, 34% in the Mid-Atlantic and 30% in the Midwest.

Overview of FY2021 Result

Year Ended July ($ million)[10]	2020	2021	Change
Revenue ($US)	155	152	(2%)
EBITDA ($US)	18	20	10%
EBIT ($US)	**7**	**6**	**(6%)**
Revenue ($AU)	230	202	(12%)
EBITDA ($AU)	27	26	(1%)
EBIT ($AU)	**10**	**9**	**(15%)**
EBITDA margin	12%	13%	13%
EBIT margin	4%	4%	-

Building Products North America revenue was US$152 million (AU$202 million) for the twelve months to 31 July 2021, 2% below the prior year. EBITDA for the year was up 10% to US$20 million (AU$26 million) and EBIT was down 6% to US$6 million (AU$9 million).

The revenue and earnings delivered in financial year 2021 were significantly impacted by the pandemic, and do not accurately reflect the rapid growth phase currently underway and the significant achievements of the North American business over the past 12 months.

The decrease in sales primarily reflect the lower level of building activity in Glen-Gery's core markets, partially offset by the full year impact of the acquisition of Redland Brick assets in February 2020.

In response to the pandemic, various local and state government restrictions were intermittently imposed during the first half, including limitations on trades at building sites in key regions such as New York, New Jersey, Massachusetts and Pennsylvania. The reduced building activity was compounded further by severe winter weather conditions.

Following the winter low in February, sales increased month on month through until June, as the vaccination program rapidly increased and the economy re-opened. However, sales momentum was adversely impacted in July, with the summer holiday period causing construction activity to slow in many areas.

Earnings were impacted by lower plant utilisation and the workforce challenges associated with maintaining safe working practices in the midst of the pandemic. This challenge was most pronounced in the first half, with more than half of all staff being unable to work for various periods. As such, operations at many plants were disrupted by staffing issues.

In July, a fire at the Lawrenceville grinding plant resulted in reduced production and increased costs.

Despite the challenging year, the business has made strong progress on a range of key strategic priorities.

Significant rationalisation of manufacturing plants and retail outlets has been accelerated through the pandemic. The number of

[9] Source: Dodge Analytics USA Building Starts Forecast – June 2021. Figures shown are for the 12 months ended in June.

[10] An average exchange rate for each half year period is used to convert from US$ to AU$. The conversion rates used are: 1H21 US$0.73; 2H21 US$0.77; 1H20 US$0.68; 2H20 US$0.66

operating brick plants has been reduced from 16 to 10, resulting in the average age of the kiln fleet being halved, and all but one kiln being fully automated. This process has involved the transfer of almost 200 products to new plants and required a significant effort from technical staff across the business.

This smaller network of more efficient, modern plants also offers production flexibility, with three facilities having mothballed kilns with additional capacity. This production flexibility has long been an important competitive advantage in our Australian operations and is critical to meet market cycles and fluctuations in demand.

The rationalisation process resulted in the release of surplus land, with sales of these properties contributing US$5 million in EBIT during financial year 2021.

The plant rationalisation activities have also allowed for a more focussed capital spending program. Upgrade works are now almost complete at the Hanley plant in Pennsylvania, to deliver improved product quality and plant efficiency. Modifications to the clay preparation area were successfully commissioned in November 2020, and this was followed by work on the extruder and the setting line during the second half. Elsewhere, new kiln cars have been installed at Sergeant Bluff in Iowa.

Upgrades are planned at Lawrenceville in Virginia, during the next 12 months.

In August 2020, a new design studio in central Philadelphia was officially opened, and this was followed in May 2021, by a new supply centre in Des Moines. Additional studios in New York City and Baltimore are scheduled to open in the coming months. These studios and design centres will further enhance Glen-Gery's strong reputation for premium products and competitive position in the high-value architectural segment.

Acquisition of Assets from Southfield Co.

On 2 August, just following the end of the financial year, Brickworks completed the acquisition of certain assets of Southfield Corporation, including Illinois Brick Company ("IBC").

IBC was established in 1981 and has expanded over the past 4 decades through organic growth and acquisitions. It is the largest independently owned and operated brick distributor in the U.S., with 17 showrooms and distribution yards, all located in Illinois and Indiana. Glen-Gery previously lacked a direct distribution presence in these key Midwest states, with both having a strong heritage of brick construction.

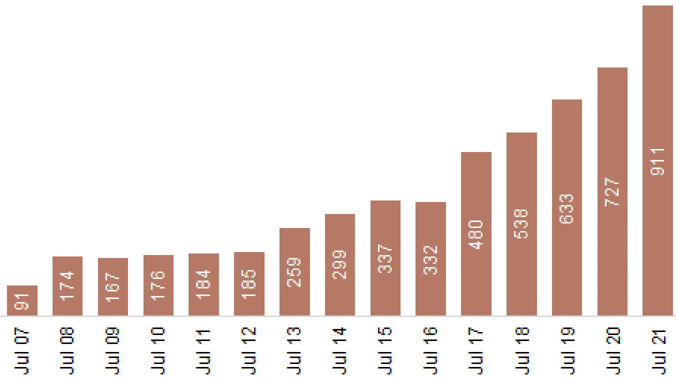
In addition to sales of around 70 million bricks per annum, IBC offers a range of complementary building materials and supplies such as stone, masonry, construction materials and tools. These additional products make up around 50% of total IBC sales.

The additional brick sales volume will underpin production volume and increase utilisation at Glen-Gery's Midwest plants, including Marseilles in Illinois, Adel and Sergeant Bluff in Iowa, Caledonia and Iberia in Ohio, and the manufactured stone plant in Kentucky.

Property

Overview of FY2021

Brickworks Net Property Trust Assets ($million)



FY2021 was another great year for Property, with record earnings, continued strong growth in the value of the Property Trust, and unprecedented customer demand for industrial property, resulting in lease pre-commitments ending the year at record levels.

Continued capitalisation rate compression over many years has crystallised the value that the Property Trust was specifically established to capture. Since its inception over a decade ago, Brickworks net asset value has increased at 18% per annum, generating significant value for shareholders.

During FY2021, net property trust assets rose a further $184 million to finish the year at $911 million.

Year Ended July ($million)	2020	2021	Change
Net Trust Income	30	31	3%
Revaluation of properties	53	149	181%
Development Profit	25	24	(4%)
Property Trust	**108**	**204**	**89%**
Land Sales	26	52	100%
Property Admin and Other	(4)	(4)	-
Total	**129**	**253**	**95%**

Record Property EBIT of $253 million for the 2021 financial year was up 95% on the prior year.

The Property Trust delivered an EBIT contribution of $204 million, up 89% on the prior period.

Net trust income was up 3% to $31 million for the year. This reflects the rental contribution from one new facility at Oakdale South and rent increases across the balance of the portfolio.

Property Trust assets were revalued during the first half, resulting in an average 25-basis point compression across the portfolio. Subsequent to this revaluation process, there were a number of significant industrial property transactions in western Sydney. Given the number of sales and the steep movement in transaction pricing, a further independent revaluation of Property Trust assets was completed during the second half. This process resulted in further compression of capitalisation rates by circa 60 to 65 basis points across the portfolio, resulting in an overall revaluation profit of $149 million for the year.

This revaluation gain continues strong demand and sustained growth in the value of the Property Trust over a number of years. The COVID-19 pandemic has only fuelled this growth, by accelerating industry trends towards online shopping and increasing the importance of well-located distribution hubs and sophisticated supply chain solutions.

Property Trust earnings were also boosted by a $24 million development profit, following the practical completion of new facilities at Oakdale East in July.

Property sales contributed a $52 million profit during the year, primarily relating to the recognition of a portion of the previously unrealised profits associated with the prior sale of Oakdale West into the Property Trust. This follows a reclassification of all the precincts within the Estate to “investment property”, following the Coles and Amazon lease arrangements becoming unconditional and additional pre-lease commitments being secured.

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

Property Trust Asset Value

As at 31 July 2021, the total value of leased assets held within the Property Trust was $1.982 billion. The annualised gross rent generated from the Property Trust is $89 million, and the average capitalisation rate is 4.2%. There are currently no vacancies in the portfolio.

Leased Facilities	Asset Value ($m)	Gross Lettable Area ($000m^2$)	Gross Rental ($m p.a.)	WALE[11] (yrs)	Cap. Rate
M7 Hub	191	64	8	2.6	4.3%
Interlink	509	192	26	2.5	4.2%
Oak Central	711	245	31	4.6	4.1%
Oak South	327	111	13	7.5	4.0%
Rochedale	244	96	11	10.3	4.3%
Total	**1,982**	**709**	**89**	**4.9**	**4.2%**

The Property Trust also holds a further $686 million in land and infrastructure that is currently under development. This increased significantly over the year due to development works at Oakdale East (Stage 1) and the Amazon facility at Oakdale West.

Including the development land, the total value of assets held within the Property Trust was $2.668 billion at the end of the year.

Borrowings of $845 million are held within the Property Trust, giving a total net asset value of $1.822 billion. Brickworks’ 50% share of net asset value was $911 million, up $184 million during the year.

The total return on leased assets was 27% for the year, including a rental return of 5% and a revaluation return of 22%.

[11] Weighted average lease expiry by income

Year Ended July ($million)	2020	2021	Change
Leased properties	1,663	1,982	19%
Land to be developed	397	686	73%
Total Property Trust assets	**2,060**	**2,668**	**30%**
Borrowings	(606)	(845)	39%
Net Property Trust assets	**1,455**	**1,822**	**25%**
Brickworks 50% share	**727**	**911**	**25%**
Rental return leased assets[12]	6%	5%	(17%)
Reval. return leased assets[13]	10%	22%	120%
Total return on leased assets	16%	27%	69%
Gearing on leased assets[14]	36%	32%	(11%)

Property Trust – Development Pipeline

The continuing strong demand for industrial land reflects structural changes across the economy, as companies modernise their supply chains in response to consumer preferences, such as online shopping.

The Property Trust is ideally placed to take advantage of these trends, with well-located prime industrial land on large lot sizes. Current development activity at Oakdale in New South Wales and Rochedale in Queensland will drive growth in rent and asset value over both the short and medium-term.

In total, there is 284,100m^2 of pre-committed gross lettable area ("GLA") across the various Property Trust Estates. The completion of these facilities over the next two years will result in gross rent within the Property Trust increasing by around $51 million, representing an uplift of almost 60% from the current level.

The rental income per GLA achieved for these new developments is significantly greater than the current leased portfolio. This reflects the evolution towards more sophisticated and specialised facilities, incorporating features such as robotics, automation and multi-storey warehousing. The development of these advanced facilities has become a critical competitive advantage for many businesses in the new economy and will continue to support the increasing value of the Property Trust's prime industrial land.

In addition to the pre-committed facilities, a further 227,900m^2 of GLA remains available for development within the Trust and will provide further opportunity for growth in the years ahead.

At Oakdale South, construction is well underway on a 25,100m^2 GLA pre-committed facility ("Site 1C"), with completion expected in October 2021. Amber Tiles and Yusen will each occupy approximately half of this facility. Construction will soon commence on the final lot within this Estate, consisting of a 12,900m^2 GLA three-unit development and a 27,595m^2 GLA facility, with completion expected in the first quarter of the 2023 financial year.

At Oakdale West, the construction of the state-of-the-art Amazon facility is well advanced. In total, this facility has a total floor area of 190,000m^2, across multiple levels, on a GLA of 53,500m^2. This facility is due for practical completion in December 2021.

Major infrastructure works, including a roadway and bridge to access the estate, were completed during the 2021 financial year. These infrastructure works allowed the construction of the Coles distribution warehouse to commence in January. The Coles facility has a GLA of 66,000m^2, with construction expected to take around 18 months.

In the last six months, several new tenants have pre-committed to facilities at Oakdale West. This includes a 35,500m^2 GLA facility for Woolworths and an 11,000m^2 GLA warehouse for Xylem. Including these new developments, the committed GLA for Oakdale West is now 200,900m^2, representing 58% of the available building area. Demand for the remaining 180,000m^2 of GLA is strong.

At Rochedale, three pre-commitments have now been secured for the remaining 30,200m^2 of GLA available at this Estate. This comprises a 10,600m^2 facility for Woolworths, a 16,800m^2 facility for CHEP and a 2,800m^2 facility for Franklyn. All developments at Rochedale, including these facilities, are expected to reach practical completion during the 2022 financial year.

Operational and Development Land

Outside of the Trust, Brickworks retains other significant parcels of surplus land, suitable for development in the future. The largest site held for development is at Craigieburn in Victoria. Brickworks is currently reviewing the option of an industrial development on this land, given recent strong land growth in the Melbourne industrial market.

In addition, operational land is utilised in the day to day activities of Building Products Australia and North America. The total area of operational land is around 3,600 hectares in Australia and 3,200 hectares in North America.

[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.

Investments

The EBIT from total investments (including interest income) was up 91% to $97 million in the year ended 31 July 2021.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

Brickworks holds 94.3 million WHSP shares, equivalent to a 39.4% interest in the Company (as at 31 July 2021). This shareholding in WHSP is an important source of earnings and cash flow diversification for the Company and has been a key contributor to Brickworks' success for more than four decades.

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

Over more than five decades, WHSP has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from Brickworks' Building Products and Property divisions.

The market value of Brickworks shareholding in WHSP was $3.079 billion at 31 July 2021, up $1.235 billion from $1.844 billion at 31 July 2020.

WHSP has delivered outstanding returns over the long term, with a 20-year return of 13.4% per annum to 31 July 2021 being 4.7% ahead of the All Ordinaries Accumulation Index.

Brickworks' investment in WHSP returned an underlying contribution of $97 million for the year ended 31 July 2021, up 92% from $50 million in the prior year. The increase was driven by higher earnings from New Hope Corporation and Round Oak Minerals.

During the year cash dividends of $58 million were received, up 3% on the prior year.

Merger with Milton Corporation

In June 2021, WHSP announced a proposed merger with Milton Corporation (ASX: MLT). After receiving MLT shareholder approval in September, this merger became effective on 21 September 2021.

The merger creates a larger and more diversified investment house, with end-market exposure as shown in the chart below. Total net asset value will increase to over $9 billion (up from around $6 billion prior to the merger).

Importantly, the merger will provide WHSP with increased liquidity to pursue new investment opportunities, with a continued focus on long-term market outperformance and growth in dividends.

Due to the addition of new MLT shareholders to the WHSP register, Brickworks share in WHSP will reduce to 26.1%.

The merger will trigger a one-off non-cash profit for Brickworks, due to the deemed disposal of WHSP shares. This profit is expected to be in the range $375-425 million (after-tax).