

BRICKWORKS

LIMITED

ABN 17 000 028 526

ANNUAL REPORT 2016



BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

FIVE YEAR SUMMARY

	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	% Growth
Total revenue	556,911	606,509	670,268	723,611	750,985	4%
Building Products revenue	547,590	568,654	636,895	700,871	748,128	7%
Earnings before interest and tax (excluding significant items)						
Building products	28,538	32,802	45,081	56,364	75,381	34%
Property	16,438	49,206	61,013	61,735	72,105	17%
Waste management	2,571	413	1,414	2,649	1,346	(49%)
Investments	1,081	493	262	280	442	58%
Associates	66,619	59,509	44,382	54,574	59,117	8%
Head office and other expenses	(6,796)	(7,384)	(8,945)	(9,699)	(12,479)	(29%)
Total EBIT (excluding significant items)	108,451	135,039	143,207	165,903	195,912	18%
Borrowing costs	(25,215)	(18,800)	(18,073)	(19,482)	(14,080)	28%
Income tax	(4,366)	(16,191)	(23,845)	(26,122)	(34,753)	(33%)
Net profit after income tax (excluding significant items)	<u>78,870</u>	<u>100,048</u>	<u>101,289</u>	<u>120,299</u>	<u>147,079</u>	22%
Significant items						
Washington H Soul Pattinson & Co.	756	(18,483)	4,973	(25,140)	129	
Write down of assets to recoverable value						
- Property, plant & equipment	(4,169)	(8,608)	(2,581)	-	(14,523)	
- Building products inventory	(4,192)	-	-	-	-	
Costs related to JV and business acquisition	(1,947)	729	-	(577)	(206)	
Costs on closure of manufacturing facility and site relocation costs	(6,927)	(3,130)	(379)	-	(5,201)	
Costs on start up of manufacturing facilities	(4,147)	(593)	-	(4,333)	(1,025)	
Impairment of goodwill and timber access rights	(31,627)	-	-	(16,761)	(47,258)	
Legal and advisory costs - Perpetual matter	(1,273)	(465)	(2,841)	(1,504)	(2,828)	
Restructuring activities	-	(970)	(578)	(1,236)	(2,929)	
Other significant items	(2,612)	(2,040)	-	-	(315)	
Tax on significant items	7,580	5,424	1,914	2,822	8,109	
Tax benefit arising from WHSP carrying value	12,992	13,253	958	4,520	(2,842)	
Total significant items	<u>(35,566)</u>	<u>(14,883)</u>	<u>1,466</u>	<u>(42,209)</u>	<u>(68,889)</u>	
Net profit after income tax (including significant items)	<u>43,304</u>	<u>85,165</u>	<u>102,755</u>	<u>78,090</u>	<u>78,190</u>	0%
Basic earnings per share (cents)	29.3	57.6	69.4	52.6	52.6	(0%)
Underlying earnings per share (cents)	53.4	67.7	68.4	81.1	98.9	22%
Dividends						
Ordinary dividends per share (cents)	<u>40.5</u>	<u>40.5</u>	<u>42.0</u>	<u>45.0</u>	<u>48.0</u>	
Ratios						
Net tangible assets per share	\$9.44	\$9.82	\$10.32	\$10.59	\$10.96	3%
Return on shareholders equity	2.6%	5.0%	5.7%	4.3%	4.3%	(1%)
Underlying return on shareholders equity	4.7%	5.8%	5.6%	6.6%	8.0%	21%
Interest cover ratio	5.2	6.6	7.3	9.7	14.4	48%
Net debt to capital employed	14.7%	15.7%	14.5%	14.2%	12.8%	(10%)

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REGISTERED OFFICE:

738 - 780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Facsimile: (02) 9830 7797

DIRECTORS:

ROBERT D. MILLNER FAICD (Chairman)
Director since 1997

MICHAEL J. MILLNER MAICD (Deputy Chairman)
Director since 1998

BRENDAN P. CROTTY LS; DQIT; Dip.Bus Admin; MAPI; FAICD; FRICS
Director since 2008

DAVID N. GILHAM FCILT; FAIM; FAICD
Director since 2003

DEBORAH R. PAGE AM B.Ec, FCA, FAICD
Director since 2014

THE HON. ROBERT J. WEBSTER MAICD; MAIM
Director since 2001

MANAGING DIRECTOR:

LINDSAY R. PARTRIDGE AM BSc. Hons.Ceramic Eng; FAICD; Dip.CD
Joined the Company 1985
Director since 2000

CHIEF FINANCIAL OFFICER:

ROBERT C. BAKEWELL B.Comm; CA
From 1 June 2016

ALEXANDER J. PAYNE B.Comm; Dip CM; FCPA; FCIS; FCSA
Until 31 May 2016

COMPANY SECRETARY:

SUSAN L. LEPPINUS B.Ec; LLB; Grad Dip App Fin
From 29 April 2015

AUDITORS:

EY

BANKERS:

NATIONAL AUSTRALIA BANK

SHARE REGISTER:

COMPUTERSHARE INVESTOR SERVICES PTY. LIMITED
GPO Box 2975
Melbourne Victoria 3001
Telephone: 1300 855 080 (within Australia)
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**PRINCIPAL
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OFFICE:**

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BRICKWORKS LIMITED

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DIRECTORS' REPORT

The Directors of Brickworks Limited present their report and the financial report of Brickworks Limited and its controlled entities (referred to as the Brickworks Group or the Group) for the financial year ended 31 July 2016.

Directors

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

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

All Directors have been in office since the start of the financial year to the date of this report.

Principal activities

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

Result of operations

The consolidated net profit for the year ended 31 July 2016 of the Brickworks Group after income tax expense, amounted to \$78,190,000 compared with \$78,090,000 for the previous year.

Dividends

The Directors recommend that the following final dividend be declared:

Ordinary shareholders – 32 cents per share (fully franked)

The record date for the final ordinary dividend will be 10 November 2016, with payment being made on 30 November 2016.

Dividends paid during the financial year ended 31 July 2016 were:

- (a) Final ordinary dividend of 30 cents per share (fully franked) paid on 25 November 2015 (2015: 28 cents).
- (b) Interim ordinary dividend of 16 cents per share (fully franked) paid on 3 May 2016 (2015: 15 cents).

REVIEW OF OPERATIONS

Highlights

- **Statutory NPAT** including significant items, up 0.1% to \$78.2 million
- **Underlying NPAT** before significant items up 22.3% to \$147.1 million
 - **Building Products EBIT** up 33.7% to \$75.4 million (EBITDA \$102.8 million)
 - **Land and Development EBIT** up 14.1% to \$73.5 million
 - **Investments EBIT** up 8.6% to \$59.6 million
- **Net debt/capital employed** of 12.8%, net debt \$269.2 million
- **Final dividend** of 32 cents fully franked, up 2 cents or 6.7%
- **Total full year dividend** of 48 cents fully franked, up 3 cents or 6.7%

Overview¹

Brickworks (ASX: BKW) posted a record underlying Net Profit After Tax ('NPAT') for the year ended 31 July 2016 of \$147.1 million, up 22.3% on the prior year. A feature of the result was the diversified earnings contribution, with Building Products, Land and Development and Investments all delivering an uplift in underlying earnings compared to the prior year.

After including the impact of significant items, statutory NPAT was \$78.2 million. The significant items, totalling \$68.9 million after tax, primarily relate to the impairment of goodwill in Austral Bricks Western Australia. In addition significant restructuring activities in Austral Bricks and Auswest Timbers in that state resulted in the closure of plants and the non-cash write down of assets. The asset carrying values of all other divisions are supported by the net present value of their respective future cash flows².

¹ All underlying profit and earnings measures exclude significant items, unless otherwise stated.

² Further information regarding the annual goodwill impairment assessment is contained in Note 15 (b) to the financial statements.

On record sales revenue of \$748.1 million, **Building Products'** underlying earnings before interest and tax ('EBIT') was \$75.4 million, up 33.7% on the prior year. EBITDA was up 26.0% to \$102.8 million, on a combination of continued volume growth and increased margins.

Land and Development EBIT was \$73.5 million for the 12 months to 31 July 2016, primarily due to a strong revaluation profit in the Joint Venture Industrial Property Trust³ ('Property Trust').

Investment EBIT, including the underlying contribution from Washington H. Soul Pattinson Limited ('WHSP'), was up 8.6% to \$59.6 million. This was due primarily to an increase in earnings from TPG Telecom.

Underlying earnings per share ('EPS') were 98.9 cents, up 21.9% from 81.1 cents for the prior year.

Directors have declared a fully franked final **dividend** of 32 cents per share for the year ended 31 July 2016, up 6.7% from 30 cents. Together with the interim dividend of 16 cents per share, this brings the total dividends paid for the year to 48 cents per share, up 3 cents or 6.7% on the prior year.

The record date for the final dividend will be 10 November 2016, with payment on 30 November 2016.

Financial Analysis

Gearing (gross debt to equity) was 16.3% at 31 July 2016, down from 17.8% at 31 July 2015. Total interest bearing debt decreased to \$300.0 million and net debt reduced to \$269.2 million at 31 July 2016. Net debt to capital employed was 12.8% at the end of the period.

Interest costs were down 20.5% to \$13.6 million for the year on the reduced debt level and a lower average interest rate. **Total borrowing costs** were \$14.1 million, including the mark to market valuation of swaps. Underlying interest cover was 14.4 times, up from 9.7 times at 31 July 2015.

Working capital, excluding land held for resale, was \$189.0 million at 31 July 2016, up \$32.8 million from the prior year, due to an increase in cash, inventory and receivables.

During the year **finished goods inventory** was up by \$8.1 million, due to increases in Austral Bricks Western Australia and a stock build required to launch the new Specialised Building Systems division. Excluding these businesses, stock levels were held relatively steady compared to the prior year.

Total **cash flow from operating activities** was \$148.5 million, up 11.4% from \$133.3 million in the prior year.

Building Products spend on **capital expenditure and acquisitions** increased to \$52.7 million, from \$46.6 million in the prior year. Stay in business capital expenditure was \$23.5 million, 85.8% of depreciation. Spend on major upgrade projects totalled \$20.6 million, primarily consisting of upgrades to the Rochedale plant in Queensland and the Cardup plant in Western Australia. Spending on growth projects and acquisitions totalled \$8.6 million for the year, comprising the purchase of three small metal roofing and fascia and gutter installation businesses based in New South Wales and Queensland, and a sawmill in Western Australia.

Land and Development spend on capital expenditure was \$5.4 million, relating to various site infrastructure works and development applications. In addition, a net amount of \$13.6 million was invested into the Property Trust to reduce gearing to 34.4%, funded by the settlement of the Coles CDC facility in August 2016.

The underlying **income tax** expense for the year increased to \$34.8 million compared to \$26.1 million for the previous year, due to the increased earnings from the Building Products and Land and Development Groups. Actual tax paid during the year was significantly lower at \$10.2 million, due primarily to the benefits associated with the fully franked dividends received from WHSP and the property revaluations booked this year.

Net tangible assets ('NTA') per share was \$10.96 at 31 July 2016, up from \$10.59 at 31 July 2015 and total shareholders' equity was up \$14.2 million to \$1.839 billion, after including the impact of the goodwill impairment.

Return on equity of underlying earnings was 8.0%, up from 6.6% in the prior year. This does not include a \$381.4 million increase in the market value of the company's investment in WHSP over the period. Looking back over the past fifteen years, this investment has delivered an average \$85 million p.a. in value to Brickworks, not recognised on the income statement.

Significant items reduced NPAT by \$68.9 million for the full year, consisting primarily of the non-cash goodwill impairment in Austral Bricks Western Australia of \$47.3 million, in accordance with AASB 136.

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

In response to the current operating conditions in Austral Bricks Western Australia, management has taken decisive action, with a restructuring program well underway. One-off costs of \$4.8 million after tax were incurred in relation to the restructuring initiatives within Austral Bricks Western Australia. This includes a non-cash write-down of plant and equipment due to the planned closure of the Malaga plant, with production being transferred to Cardup to allow the sale of the valuable Malaga site.

Following the acquisition of the Greenbushes sawmill in Western Australia, a restructure of Auswest Timbers operations was implemented in the second half of the year, to significantly improve the efficiency of operations in that state. One-off costs of \$7.6 million after tax were incurred as a result of this restructure, including a non-cash write-down of plant and equipment following the closure of the Deanmill site.

³ The Joint Venture Industrial Property Trust is a 50/50 partnership between Brickworks and Goodman Industrial Trust.

Significant Items (\$m)	Gross	Tax	Net
Goodwill impairment – Austral Bricks WA	(47.3)	-	(47.3)
Austral Bricks WA restructure	(6.8)	2.0	(4.8)
Auswest Timbers Restructure	(10.8)	3.3	(7.6)
Costs relating to Perpetual litigation	(2.8)	0.8	(2.0)
Other significant items	(6.6)	2.0	(4.6)
Significant items relating to WHSP	0.1	(2.8)	(2.7)
TOTAL	(74.2)	5.3	(68.9)

Perpetual Litigation Update

On 20 February 2015, Brickworks announced that Perpetual and Carnegie had agreed to the cancellation of the general meeting of shareholders and Carnegie had withdrawn its cross-claim against Brickworks and WHSP.

The cross-claim brought by Perpetual against Brickworks and WHSP is continuing. Following a lengthy discovery process the parties are now in the process of preparing evidence for trial.

The Perpetual litigation has caused Brickworks to incur approximately \$2.0 million after tax in costs during the twelve months to 31 July 2016.

Brickworks' Building Products Group

Summary of Housing Commencements – 12 months to June 2016

Estimated Starts ⁴	Detached Houses			Other Residential			Total		
	Jun 16	Jun 15	Change	Jun 16	Jun 15	Change	Jun 16	Jun 15	Change
New South Wales ⁵	27,739	26,704	3.9%	42,764	34,689	23.3%	70,503	61,393	14.8%
Queensland	22,632	23,174	(2.3%)	25,174	21,998	14.4%	47,806	45,172	5.8%
Victoria	33,735	32,341	4.3%	33,516	32,587	2.9%	67,251	64,928	3.6%
Western Australia	18,379	23,520	(21.9%)	7,004	8,082	(13.3%)	25,383	31,602	(19.7%)
South Australia	7,416	7,729	(4.0%)	2,958	2,867	3.2%	10,374	10,596	(2.1%)
Tasmania	1,991	2,326	(14.4%)	441	510	(13.5%)	2,432	2,836	(14.2%)
Total Australia⁶	112,749	116,662	(3.4%)	112,618	101,824	10.6%	225,367	218,486	3.1%
New Zealand ⁷	26,836	22,969	16.8%	2,261	2,185	3.5%	29,097	25,154	15.7%

Total dwelling commencements for Australia were up 3.1% to 225,367 for the twelve months ended 30 June 2016. This level of residential building activity is the highest on record in Australia, driven by unprecedented growth in other residential commencements over the past four years. In the 12 months to June 2016, other residential developments represented around 50% of total commencements.

Other residential commencements increased a further 10.6% to 112,618 for the twelve months to 30 June 2016. This level of other residential activity is more than double the 25 year average and almost three times the levels recorded seven years ago.

Following three years of growth, detached housing commencements decreased 3.4% on the prior year, with continued momentum in the major east coast states of New South Wales and Victoria offset by sharp declines in Western Australia. Despite the strong conditions detached house commencements remain 15% below the record level.

Conditions in **New South Wales** (including ACT) remain strong, with total residential commencements up 14.8% on the prior year. Following four years of strong growth, total commencements in this region are at a new record peak. Once again, growth was driven by other residential commencements, up 23.3% whilst detached houses continued a trend of steady growth.

⁴ Original data sourced from ABSCat. 8752.0 Number of Dwelling Unit Commencements by Sector, States & Territories. June 16 quarter estimate from BIS Shrapnel.

⁵ Includes ACT, to align with Brickworks divisional regions.

⁶ Includes Northern Territory, not shown separately on table.

⁷ Building Consents data sourced from Statistics New Zealand – Building Consents.

Queensland experienced an increase in overall activity, with commencements up 5.8% to 47,806 for the twelve months to 30 June 2016. Detached housing commencements were down 2.3%, and at levels more than 8% below the 25 year average, represent an area of weakness in the Australian housing market.

Total commencements in **Victoria** of 67,251 for the year are the highest on record for any state, with a relatively even split between detached houses and other residential developments. The rate of growth in Victoria has slowed over the past twelve months, following a period of unprecedented increases in other residential commencements over the prior 2 years.

Western Australia is in the midst of a cyclical decline in building activity, with a 21.9% reduction in detached house commencements and a 13.3% decline in other residential commencements over the period.

Continued growth in **New Zealand** was recorded, with building consents for the year ended 30 June 2016 increasing by 15.7%.

The value of approvals in the **non residential** sector in Australia increased by 8.3% to \$34.3 billion for the twelve months to 30 June 2016. Within the non residential sector, **Commercial** building approvals decreased by 10.7% to \$11.0 billion for the period and **Industrial** building approvals increased 6.1% to \$4.8 billion. The **Educational** sub-sector, an important driver for bricks and masonry demand, was up 20.5% to \$4.9 billion.

Building Products' Results in Detail⁸

Year Ended July		2016	2015	Change %
Revenue	\$mill	748.1	700.9	6.7
EBITDA	\$mill	102.8	81.6	26.0
EBIT	\$mill	75.4	56.4	33.7
Capital Expenditure and acquisitions	\$mill	52.7	46.6	13.1
EBITDA margin	%	13.7	11.6	18.1
EBIT margin	%	10.1	8.0	26.3
Net Tangible Assets	\$mil	620.0	590.6	28.4
Return on Net Tangible Assets	%	12.2	9.5	5.0
Full Time Employees		1,490	1,468	28.4
Safety (TRIFR) ⁹		19.2	22.5	(14.7)
Safety (LTIFR) ¹⁰		1.6	2.0	(20.0)

Revenue for the year ended 31 July 2016 was up 6.7% to a record \$748.1 million, compared to \$700.9 million for the prior year. Financial year 2016 saw continued growth in building materials demand, with sales revenue exceeding the prior year in all divisions except Auswest Timbers.

EBIT was \$75.4 million, up 33.7% on the prior year, and **EBITDA** was \$102.8 million. Earnings in the second half of \$42.8 million were 31.2% higher than the first half and 41.4% up on the prior corresponding period. This acceleration of earnings growth was achieved despite extended periods of rain and cold weather during June and July that impacted sales during the latter part of the year.

Unit margins were significantly higher for the year, supported by the growth of premium, higher priced products across most divisions. This follows a sustained investment in product development and marketing over many years, and the company's collaboration with key influencers to position Brickworks as the leading style brand in the industry.

Manufacturing costs were well controlled during the year, supported by an increase in production volume to meet the higher demand, and prior period plant upgrades in some divisions.

Despite the ongoing success in managing production costs, Brickworks continues to face significant uncertainty in relation to the availability and price of natural gas. With energy representing around 20% of the total cost of bricks, securing a reliable and cost effective gas supply is critical to Brickworks' operations.

Although gas has now been secured across all operations until the end of calendar 2018, pricing is extremely volatile in each state from one year to the next. In response, the company is continuing to investigate and make significant capital investments in a range of energy reduction, alternative fuels and green synthetic natural gas ('GSNG') projects to mitigate the uncertainty surrounding future supply.

Sales and overhead costs were significantly lower as a percentage of revenue. This outcome was particularly pleasing given the continued investment in marketing and increased spend on information technology to better support our customer requirements.

Building Products earnings for the year also included a \$7.2 million adverse impact due primarily to lower clay receipts from building sites, and to a lesser extent the costs associated with launching the new Specialised Building Systems division and a range of other minor items.

⁸ All references to earnings within Building Products represent underlying earnings, pre significant items.

⁹ Total Reportable Injury Frequency Rate (TRIFR) measures the total number of reportable injuries per million hours worked.

¹⁰ Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked.

Following four consecutive years of earnings growth, Building Products' underlying Return on Net Tangible Assets ('**RONTA**') was 12.2%, up from 9.5% in the prior year.

Full time equivalent **employees** increased by 22 during the year, taking the total number to 1,490 at 31 July 2016. This includes the addition of 20 employees as a result of acquisitions during the year. Brickworks' on-going commitment to maintaining a pro-active approach to workforce productivity is demonstrated by the increase in revenue per employee to over \$500,000, up 6.0% compared to the prior year.

There were 5 Lost Time **Injuries** ('LTIs') during the year, down from 6 in the prior year. This translated into a reduction in the Lost Time Injury Frequency Rate ('LTIFR') to 1.6, compared to 2.0 in the 2015 financial year. The Total Reportable Injury Frequency Rate ('TRIFR') decreased to 19.2 from 22.5 in the prior financial year.

Divisional Results

Austral Bricks delivered a 21.5% increase in earnings for the twelve months ended 31 July 2016, with sales revenue up 6.9% to \$405.8 million on sales volume of over 670 million bricks.

The company's sustained investment in style and branding has contributed to the renaissance of face brick over the past few years. Together with a focus on building strong and collaborative relationships with architects and specifiers, this has resulted in Austral Bricks products being specified in many land-mark projects across the country.

In New South Wales alone, Austral Bricks products were specified in over 50 high rise developments during financial year 2016¹¹. For example, the 20 storey residential developments in Darling Square Sydney, utilising 500,000 bricks in 22 custom made shapes, and the Arc Development by Crown, also in Sydney that incorporates 8 storeys of intricate brickwork.

The success of this strategy has delivered increased sales of premium products, resulting in higher margins for the 12 months to 31 July 2016.

At the recent Horbury Hunt awards that recognise excellence in the use of bricks in architectural design, Austral Bricks feature in four of the six winning projects, including the residential, commercial, landscaping and overall categories.

Performance on the **east coast** was particularly strong, driven primarily by the major markets of New South Wales and Victoria. Austral Bricks has forged a strong competitive position in these markets following years of investment in manufacturing plants and product development initiatives. Buoyant market conditions in these states supported an increase in sales volume, and unit margins were significantly higher on the back of manufacturing efficiencies and improved prices. In Victoria, the Wollert plant is performing well ahead of the original design expectations, with production for the year at record levels.

Earnings in **Queensland** were also ahead of the prior year and gathered momentum in the second half. This follows the completion of the first phase of the Rochedale plant upgrades, resulting in much improved product quality and lower unit production costs. The final phase of the refurbishment program, comprising upgrades to the kiln, kiln cars and packaging plant, is planned for financial year 2017.

Earnings in **Western Australia** were lower, with this market in the midst of a cyclical downturn in market activity and intense competition for sales. As a result, sales volume was down on the prior year, despite a small decrease in average selling price. Prices in this market are now lower than they were eight years ago.

A comprehensive restructuring plan is currently underway, aimed at delivering a market leading position in Western Australia. During the year, work progressed on a major refit to the previously mothballed Cardup plant to fit advanced automation, set to deliver improved product quality and significantly lower production costs. These upgrade works will be completed early in calendar year 2017, allowing the transfer of production from the less efficient Malaga plant, to be closed and made available to the Property Group for sale.

Earnings from the **New Zealand Brick Distributors** joint venture were lower for the year. Although overall market activity in New Zealand remains robust, sales have been adversely impacted by bricklayer shortages and the limited release of land suited to brick veneer construction as part of the Christchurch rebuild program.

Austral Masonry delivered another increase in earnings on sales revenue of \$90.9 million, up 4.4% on the prior year. Total sales volume increased to 479,000 tonnes for the year, driven by strong growth in south east Queensland and New South Wales. In these markets, grey block sales were significantly higher, buoyed by the increase in multi-residential building where blocks continue to be a popular choice for a wide range of walling applications. Elsewhere, the Central Queensland market is currently depressed due to a downturn in mining related activity, whilst demand remains stable in the tourist based economy of North Queensland.

The improved earnings were supported by a sustained focus on premium products in both the commercial and residential sectors that delivered improved pricing outcomes. Over the year a number of new honed and polished blocks were launched and are now gaining traction in applications such as feature walls in residential dwellings. Meanwhile, increased sales of higher margin engineered retaining wall systems such as "Keystone" and "Magnumstone" had a positive impact on the result.

Bristle Roofing earnings increased on the prior year, with revenue up 11.5% to \$124.2 million, on sales volume of almost 3.7 million square metres of tiles. On the east coast, demand in Victoria was particularly strong, driving strong earnings growth in this state. Premium imported La Escandella terracotta tiles continue to gain market traction with sales volume increasing by a further 24.0% on the prior year.

Despite the difficult conditions in Western Australia resulting in a significant decline in sales volume, earnings in this state were held relatively steady, due to a range of initiatives implemented to control costs and an increased focus on securing higher margin sales.

¹¹ Buildings greater than four storeys.

Over the past 12 months, Bristile Roofing has expanded its product offer, through the acquisition of two metal roofing and fascia and gutter installers in New South Wales and one in Queensland. These acquisitions provide diversification and earnings growth opportunities, allowing Bristile to offer an all inclusive product range that includes locally manufactured concrete tiles, premium imported ceramic tiles, metal roofing, re-roofing and fascia and guttering.

Austral Precast delivered a strong turn-around in performance with earnings significantly higher than the prior year and sales volume in excess of 20,000 panels for the year. Sales revenue of \$74.0 million was up 11.4%, with strong sales growth in New South Wales and Victoria offset by weakness in Western Australia. An increased focus on the growing high rise market, through developing “whole of structure” solutions is progressing well, with over 50% of sales now generated from this segment.

A range of process improvements and low cost capital initiatives resulted in improved operational efficiency across all plants. Another key focus during the period was the creation of a unified national approach to back office functions such as estimating, drafting and quoting.

Auswest Timbers revenue was down 5.7% to \$52.5 million on sales volume of 62,000m³ for the year. Significant progress has been made to enhance operational efficiency, with productivity improvements being wide spread across all sites. Domestic demand benefited from the strong detached housing activity on the east coast, with the Fyshwick mill supplying roof tile battens into this market. Export demand increased from the Korean, US and UK markets, helping to offset weaker demand from China.

In February Auswest Timbers completed the purchase of a previously shut down timber mill at Greenbushes, in the southwest of Western Australia. This low cost modern mill was purpose built to process smaller sized Jarrah resource, in line with expected future log supply.

Since the purchase, the mill has been recommissioned, with production volume being transferred from the now closed Deanmill site. Operational performance is ahead of expectation with the mill delivering almost 25% lower costs and greater throughput.

Specialised Building Systems was established during the first half of the year, with a focus on distributing high quality, market leading products to meet the evolving demands of the building industry. All products are rigorously tested to ensure they meet or exceed the requirements of the Building Code of Australia.

Pronto™ panels have been well accepted by the market as a lightweight, durable, non load bearing walling solution, with significant interest from our vast network of residential and commercial customers.

INEX™ boards, a range of lightweight cementitious sheets that can be used in a wide range of flooring and walling applications, are also proving extremely popular. Production capacity is currently being increased to meet the large pipeline of orders and strong demand for this product.

Terracade™ façade systems also continues to gain traction with increasing sales volume, particularly in commercial and high rise residential applications. The product range has recently been expanded to include baguettes, an important accessory that allows the business to offer a full product solution to architects.

Strategic update

“We believe in making beautiful products that last forever”

Our goal is to be Australia's best building products company

Brickworks goal of being Australia's best building products company is supported by a strategy that comprises:

1. Strengthening the core business:

- Operations excellence
- Consolidation and growth
- Customer and key influencer relationships
- Style & product leadership

2. Building new growth businesses:

- Investing in affiliated businesses
- Distributing market leading products
- Creating better building solutions

3. Sustaining our strong culture

- Embed our values across the organisation

Strengthening the core business

Operational excellence activities are focussed on achieving the lowest cost position in each of our markets. Restructuring and productivity improvements are a fundamental requirement in achieving this. As such the company will always take a pro-active approach and act decisively when required, as illustrated by initiatives underway in our Western Australian operations.

Achieving the lowest cost position also requires a willingness to invest capital in facilities in order to replace outdated equipment or make significant cost improvements. In financial year 2016 major capital investments were made to upgrade facilities and improve the competitive position in Austral Bricks Western Australia, Austral Bricks Queensland and Auswest Timbers.

Looking ahead, a range of other capital investment opportunities across the Group are under consideration, including a new technology skate kiln plant in Austral Bricks WA, a state-of-the-art masonry plant in New South Wales, an automated precast facility in Victoria and a new brick kiln at Bowral.

Brickworks is also committed to market consolidation and growth opportunities within its core business. In recent years market consolidating acquisitions in Austral Masonry have delivered a much improved industry structure, resulting in increased scale and profitability.

Our investment during the year to expand into metal roofing, fascia and gutter installation is an example of the growth opportunities that are available within our core business and the company will continue to consider other opportunities as they arise.

Developing the strongest customer and key influencer relationships is an ongoing priority for Brickworks. For more than 30 years, the company has been investing in customer relationships through industry leading incentive programs that now extend across the entire customer base.

The roll out of our CBD design studios was completed during the year, with studios now established in all major capital cities. Over the past 12 months, these studios have hosted hundreds of events and attracted thousands of customers, architects and other key influencers. This has resulted in the increasing penetration of Brickworks products in a number of key markets such as high rise and commercial developments, as outlined earlier.

The company has continued its sustained investment in style and product leadership. This strategy starts with the creation of desirable products, but is ultimately aimed at consumers, to drive demand. For our customers this provides greater product choice, versatility in design and ultimately a better end product. For Brickworks, our leadership in style and our premium products allows us to differentiate from our competitors, penetrate new markets and secure higher margins.

A national Austral Bricks branding campaign covering television, digital and print media was launched during the year to support this priority. This campaign, featuring brand ambassador Kate Waterhouse, promotes Brickworks personality as stylish, aspirational, innovative, beautiful and confident.

Building new growth businesses

Just over a decade ago, the Building Products Group was a two state brick manufacturer with operations in New South Wales and Queensland. Since that time the company has invested in affiliated businesses to become a diversified national building products business. Acquisitions in masonry, precast concrete and timber have provided increased end-market exposure and geographic diversification.

Brickworks has maintained a disciplined approach to expansion, with each new acquisition being closely aligned with existing products, allowing the company to leverage customer relationships by offering an expanded range of complimentary products. The company will continue to maintain a diligent approach to assessing acquisition opportunities beyond the existing core businesses.

The company is well placed to leverage its strong relationships and channels to market to distribute new market leading products. The launch of Specialised Building Systems during the year is an example of this. This business utilises a low capital cost model, through establishing manufacturing and distribution partnerships with “best in class” suppliers and leveraging Brickworks market leading customer relationships.

During the year the company also executed a distribution agreement for INEX™ boards. This follows the success of our exclusive distribution arrangements in place for premium La Escandella roof tiles and specialised bricks from Spain.

The Building Products Group is continually developing new and innovative products and creating better building solutions to meet our customers’ needs. For example, over the past 12 months the company has launched the Pronto™ panel lightweight cladding system, introduced Swiftdeck, an easy to install timber decking system, and continued to expand its “whole of structure” precast solution.

Sustaining our strong culture

Brickworks is proud of its dynamic, hard working, “can-do” culture that has evolved over many years as the company has grown from a two state brick manufacturer to an ASX200 company.

The company recognises that this culture is a key differentiator from competitors and a fundamental component of its success. As such, sustaining this strong culture and embedding it across the organisation is critical, and forms an integral part of the Building Products strategy.

Significant work was undertaken during the year to define the key values that drive the company’s culture and ensure that these values are embedded throughout the organisation, including through the recruitment, performance review and succession planning processes.

Building Products Outlook

Current residential building activity in Australia is at the highest level on record, driven by strong population growth over the past five years, low interest rates and rising house prices. With approvals remaining elevated, commencements are likely to stay high for some time to come, particularly considering the significant weather related delays experienced in June, July and August.

Although the overall housing market remains very strong, conditions vary significantly across the country. On the east coast, strong demand in Victoria is being fuelled by the highest rate of net interstate migration in the country. Meanwhile in New South Wales, housing activity is expected to stay robust for an extended period of time, due to a large undersupply of housing that developed during the 2000’s and remains significant even today. Recent analysis from BIS Shrapnel estimates that in New South Wales there is around 15 months of unsatisfied housing demand, even at the current record rate of building.

These conditions are reflected in a full order book in all east coast divisions with builders in the major markets of Sydney and Melbourne reporting a long pipeline of work. In Austral Precast, work in hand extends over 9 months, fuelled by numerous large scale projects in the commercial and multi-residential high rise sector.

The continued buoyancy of the housing market on the east coast is being offset by a cyclical decline in building activity in Western Australia, as employment prospects in this state deteriorate, leading to slowing population growth, high vacancy rates and reduced housing demand.

Despite the current downturn, Western Australia has a strong and entrenched tradition of brick usage, with sales per capita being more than 3 times any other state in Australia. Therefore as the country’s largest brick maker this is a very attractive market to Brickworks. As such the company is making the necessary investment to upgrade facilities and rationalise manufacturing operations in that state.

The ongoing capital upgrade works at the Cardup brick plant will be a key focus in the first half of financial year 2017, whilst further rationalisation of Auswest Timbers’ Western Australian production facilities are planned over the coming months. These initiatives will deliver significantly lower costs and much improved prospects for these operations over the long term; however earnings will be impacted in the short term.

Elsewhere, isolated issues remain a concern in some businesses. After many years of negotiation, the Victorian state government continues to frustrate efforts to make the required investments in our East Gippsland timber mills, by denying certainty of log supply.

These operations now have only 9 months supply contracted, with no clarity being provided beyond that term. As one of the largest employers in this region, these investments would provide an important boost for the local community, as well as enabling Auswest to cost effectively meet the strong demand for product from these mills. However, if an acceptable log contract is unable to be secured, the East Gippsland facilities will be closed.

Overall, the short term outlook for Building Products remains positive, with a full order book and a long pipeline of work at higher margins in our major east coast markets set to support earnings in 2017. Business growth initiatives will provide diversification and underpin earnings in the event of a cyclical decline in market activity over the medium term.

Land and Development

FY2016 Result

Year Ended July (\$million)	2016	2015	Change %
Net Trust Income	15.3	15.3	-
Revaluation of properties	41.8	30.9	35.3
Development Profit	17.8	2.7	>500
Sale of assets	-	12.1	-
Property Trust	74.9	61.1	22.6
Land Sales	1.4	4.6	(69.6)
Waste	1.3	2.6	(50.0)
Property Admin and Other	(4.2)	(3.8)	(10.5)
Total	73.5	64.4	14.1

Land and Development produced an EBIT before significant items of \$73.5 million for the year ended 31 July 2016, up 14.1% from \$64.4 million for the prior year.

The improved result was due to growth in the industrial Property Trust, generating an EBIT of \$74.9 million, up 22.6% from \$61.1 million in the prior year.

Net property income distributed from the Trust was \$15.3 million, in line with the prior year, despite the settlement of the Coles CDC facility in August 2015. The lost rent from this sale was offset by lower interest payments, rent increases on stabilised assets and the additional rental income of new developments at Oakdale Central and Rochedale.

The reduction in interest payments were the result of lower average interest rates and reduced gearing within the Property Trust. The Property Trust gearing¹² level was 34.4% at 31 July 2016, down from 38.0% a year earlier.

Three new developments were completed during the period, including two facilities for DHL at Oakdale Central, and the Beaumont Tiles facility at Rochedale. Revaluation profit on completion of these developments totalled \$17.8 million.

Property revaluations contributed a profit of \$41.8 million. This was made up of the revaluation profit of stabilised assets of \$33.4 million, due to compression in capitalisation rates, and an additional EBIT of \$8.4 million following pre-leases being secured at Oakdale Central.

Land Sales contributed an EBIT of \$1.4 million for the year. Transactions included the sale of 16 properties and 2 blocks of vacant land at Pemberton, Western Australia, originally part of the Pemberton mill leasehold land parcel.

Waste Management contributed a profit of \$1.3 million for the year, down from \$2.6 million in the prior year. This was due to the completion of the royalty period on the Horsley Park landfill in February 2016.

Property administration **expenses** totalled \$4.2 million, up from \$3.8 million in the prior year. These expenses include holding costs such as rates and taxes on properties awaiting development.

Property Trust

The total value of assets held within the Property Trust at 31 July 2016 was \$1.011 billion. This includes \$787.3 million in leased properties and a further \$223.8 million in land to be developed.

Borrowings of \$347.4 million are held within the Property Trust, giving a total net asset value of \$663.7 million. Brickworks Group share of net asset value was \$331.9 million, down \$5.1 million from \$337.1 million at 31 July 2015 due to the Coles CDC sale. Since this sale, Brickworks Group share of the Trust's net asset value has increased by \$53.9 million.

The entire Property Trust portfolio consists of "A grade" facilities, each less than seven years old, with long lease terms and stable tenants. The annualised gross rent exceeds \$51 million, capitalisation rates range from 6.3% to 8.3% and there are currently no vacancies.

¹² Borrowings divided by total Property Trust assets including land to be developed.

Summary of Property Trust Assets – Leased Properties Only

Note: The Trust also holds land to be developed with a value of \$223.8 million

Estate	Asset Value (\$m)	Gross Lettable Area (m ²)	Gross Rental (\$m p.a.)	WALE ¹³ (yrs)	Cap. Rate
M7 Hub	117.6	64,125	8.2	4.1	6.4%
Interlink Park	356.8	192,207	23.1	6.2	6.3%
Wacol	12.8	10,384	1.2	2.1	8.3%
Oakdale	276.0	146,556	17.1	6.8	6.3%
Rochedale	24.1	12,912	1.5	12.0	6.3%
Total	787.3	426,184	51.1	6.1	6.4%

Brickworks Development Land

Development land is excess to Building Products operations requirements and is held within the Land and Development Group. Where appropriate, development land is rezoned residential and sold. Alternatively the land is rezoned industrial and transferred into the Property Trust for future development.

Development Land	Gross Land Area (ha)			Development Area (ha)	Book Value (\$m)	Potential Value (\$m)
	FY16	FY15	Change			
NSW	154	154	-	97	14	73
VIC	332	332	-	196	29	146
QLD	36	36	-	14	2	11
WA	-	187	(187)	-	-	-
Total	522	709	(187)	307	45	230

In total development land has the potential to be worth at least \$230 million, assuming rezoning and development approval of these properties.

The largest site held for development is at Craigieburn in Victoria. Delays have been experienced on the rezoning of part of this site to residential, with the Metropolitan Planning Authority ("MPA") still working on the finalisation of its Quarry Investigating Area Plan. As a result Brickworks is now collaborating with other landowners in this Area Plan to produce development concepts that may accelerate the project, subject to regulatory approvals.

Brickworks Operational Land

Operational land is utilised in the day to day activities of the Building Products Group. The total value of operational land is around \$368 million¹⁴, due primarily to valuable land held within New South Wales and Western Australian operations.

Operational Land	Gross Land Area (ha)			Book Value (\$m)	Valuation (\$m)
	FY16	FY15	Change		
NSW	486	435	51	47	163
VIC	567	567	-	22	23
QLD	464	470	(6)	29	41
WA	1,968	1,781	187	40	128
SA & TAS	272	272	-	7	13
Total	3,757	3,525	232	145	368

During the year a 51 hectare parcel of industrial land adjoining Brickworks existing quarry was purchased at Berrima. In addition the 187 hectare Cardup site in Western Australia was re-classified as operational land as a result of the works in progress to re-start this facility.

¹³ Weighted average lease expiry.

¹⁴ Based on feasibility assessment by independent valuers on the future land value if rezoned and rehabilitated and excludes any development profit to Brickworks.

Land and Development Outlook

Development activity in the Property Trust in financial year 2017 will be extremely strong, with a number of new developments at both the Oakdale Central and Rochedale estates. At Oakdale Central in New South Wales, a total of 83,945m² of new developments will be commenced during FY2017, whilst at Rochedale in Queensland 63,000m² will be commenced.

	Asset Value (\$m)	Gross Lettable Area (m ²)	Gross Rental (\$m p.a.)	WALE (yrs)	Cap. Rate
Current Leased Assets	787.3	426,184	51.1	6.1	6.4%
New developments at Oakdale	149.4	83,945	9.4	8.2	6.4%
New developments at Rochedale	111.3	63,000	6.8	13.2	6.1%
Future Leased Assets¹⁵	1,048.1	573,129	67.3	7.1	6.3%

Once completed, these new developments will contribute in excess of \$16 million in gross rental income to the Property Trust (greater than the \$15.1 million rent received from the Coles CDC facility). Together with the significantly lower interest payments within the Property Trust, net trust income attributable to Brickworks will grow strongly over the next two years.

Medium term growth is also expected to be strong with further expansion to be focussed on the remaining land at Oakdale Central (2.8 hectares) and Rochedale (7.0 hectares), followed by the vast Oakdale South Estate.

At Oakdale South, 28 hectares of land sales were secured in financial year 2016, subject to DA approval and conditions. This includes a 6.4 hectare parcel to Toyota Motor Corporation Australia and 7.0 hectares to Sigma Pharmaceuticals, and will generate sales to the Property Trust of around \$90 million late in 2017. These sales will underpin the commencement of infrastructure to the entire 70 hectare estate, opening up 43 hectares of land to meet the pre-commitment market. Development of this land is likely to extend for around five years.

Looking further ahead, planning work is also well underway for the Oakdale West site, owned by Brickworks, with a State Significant Development Applications for this 100 hectare (developable area) property lodged by early October 2016. The first section of this property will then be ready for sale into the Property Trust in financial year 2017, generating a land sale profit to Brickworks. Development of this site within the Property Trust will then likely extend for up to a decade from 2020.

Investments

The underlying EBIT from total investments was up 8.6% to \$59.6 million in the year ended 31 July 2016.

Washington H. Soul Pattinson Limited ('WHSP') ASX Code: SOL

Brickworks Group's investment in WHSP returned an underlying contribution of \$59.1 million for the year ended 31 July 2016, up 8.3% from \$54.6 million in the prior year. This was due primarily to an increase in earnings from TPG Telecom.

The market value of Brickworks 42.72% share holding in WHSP was \$1.782 billion at 31 July 2016, up \$381.4 million from \$1.401 billion at 31 July 2015. This investment continues to provide diversity and stability to earnings, with cash dividends totalling \$52.2 million received during the year, up 4.2% on the prior period.

WHSP has delivered outstanding returns over the long term, with fifteen year returns of 12.6% per annum to 31 July 2016 being 4.5% ahead of the All Ordinaries Accumulation Index.

WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation, Australian Pharmaceutical Industries, BKI Investment Company, Ruralco Holdings and Apex Healthcare Bernhard.

The investment in WHSP has been an important contributor to Brickworks' success for more than four decades. Over this period it has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from Brickworks' Building Products and Land divisions.

Investments Outlook

The diversified nature of our holding in WHSP's investments is expected to deliver steadily increasing earnings and dividends to Brickworks over the long term.

Building Products Group Outlook

Building Products earnings for the 2017 financial year will be underpinned by a full order book and a long pipeline of work at higher margins in our major east coast markets. Land and Development earnings will be supported by the sale of Oakdale West into the Property Trust, and an unprecedented level of development activity within the Trust. Investment earnings are expected to deliver steadily increasing earnings and dividends over the long term.

Significant changes in state of affairs

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

¹⁵ Excludes land to be developed and any changes in value of current leased assets.

After balance date events

On 17 August 2016 the Group's \$100 million working capital facility was extended until December 2018. This facility was not drawn as at 31 July 2016.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected the current financial year, or may significantly affect in subsequent financial years:

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

Likely developments and expected results of operations

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

Workplace Health and Safety

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

Brickworks is committed to minimising the risks to health and safety of its employees, contractors and the general public. A strong safety culture is fundamental to our Company's ongoing WHS performance with an unremitting determination to achieve continual improvement in safety.

The safety performance continued to improve for the Brickworks Group in FY2016. The lost time injury frequency rate (LTIFR) reduced by 19.9% down to 1.6 while the total recordable injury frequency rate (TRIFR) was 19.2 down by 14.6%. Total workplace injury frequency rates also declined recording a 17.5% reduction from the previous year.

Key to Brickworks' continual improvement in safety performance are a number of initiatives which include employee wellbeing programs focusing on employee health and welfare, ongoing employee education utilising the Brickworks Online ELearning platform, diligent recruitment processes which include functional health assessments for all new recruits and a robust WHS Management system specifically developed for Brickworks businesses underpinned by a structured rigorous audit program. Another focus this year was trialling the effectiveness of emerging technologies to improve health and safety outcomes in Brickworks. Employee fatigue measurement devices are under evaluation.

The standardisation of the WHS management system in all divisions of the Company has provided a consistent approach to managing safety to reduce risk. The computerisation of this management system has commenced which will add a new dimension to managing safety providing real-time information throughout the Brickworks Group. Engaging employees and contractors through consultation, to identify physical hazards and effective controls has also proven to be another key activity in reducing workplace injury rates.

Brickworks has a strong measurement culture with workplace health and safety goals effectively communicated throughout all levels of the business. Safety activities are monitored utilising lead and lag performance indicators which are benchmarked both internally and externally to guide Brickworks workplace health and safety performance.

This result reflects the sustained commitment of all Brickworks personnel to safety.

The Environment

The Brickworks Group understands and accepts its responsibility for environmental protection which is integral to the conduct of its commercial operations. Brickworks' objective is to comply with all applicable environmental laws and regulations and community standards in a commercially effective way. We are committed to encouraging concern and respect for the environment and emphasizing every employee's responsibility for environmental performance. Management of Brickworks' environmental responsibilities, objectives and commitments will be further improved by the national integration of management systems that is underway to form a Safety, Health and Environment Management System (SHEMS). The manual elements and procedures common to both safety and environment have been written, with the SHEMS to be implemented progressively during 2016/17 and onwards. A key component of the implementation will be the migration of the SHEMS from a paper-based system to one that operates on-line with greater performance and higher efficiency.

Brickworks maintains its commitment to reducing its energy consumption and carbon footprint through the use of clean, renewable fuels as substitutes for natural gas which aligns with the Australian Government's commitment following the historic Conference of the Parties COP21 in Paris in December 2015.

Brickworks is continuing its initiatives to reduce energy usage and cost across all divisions. These include fuel-switching projects from natural gas to cheaper and lower emissions intensity sources such as landfill gas, sawdust and other organic materials. Brickworks has been working with its suppliers of landfill gas to increase available volumes and invests in kiln technology to accept the additional landfill gas. The network tariff reassignment project and capacity management continued throughout the year, which resulted in substantial reductions in electricity and network charges. The Group is continuing to introduce ways to reduce energy consumption and emissions through product re-engineering such as redesigning the bricks to reduce their mass and incorporating other waste streams and fluxes to reduce peak firing temperatures.

An innovative reduction system was commissioned in Bowral, NSW. It is the first of its kind in Australia and significantly reduced energy requirements. The site has seen a 33% reduction in electricity and 46% reduction in natural gas consumption. The upgrade has also resulted in a decrease of carbon emissions by 12,456 tonnes of carbon dioxide per year and reduction in air emissions.

The successful launch of the Carbon Neutral brick has created much interest from the design and architectural community and we are currently reviewing the opportunity to undertake Environmental Product Disclosures on similar products utilizing clean renewable fuel sources with lower embodied carbon.

Austral Bricks NSW won the Government of NSW inaugural Green Globe Award for Energy Efficiency in October 2015. The company was recognized for its efforts in relation to the switch from natural gas to landfill gas and the addition of sawdust in its bricks. The project has resulted in a reduction of natural gas consumption and 12,000 tonnes a year of greenhouse gases.

The Group actively participates in energy efficiency and greenhouse gas reporting schemes which have assisted in reducing costs, energy consumption, and greenhouse gas emissions. The programs have also led to measurable improvements of systems and processes for data capture and storage, measuring and calculating emissions and implementing energy saving initiatives. These programs include:

- National Greenhouse and Energy Reporting (NGER) Act 2007 – this program requires organisations to measure and report their energy consumption, production and greenhouse gas emissions under strict protocols. Brickworks has been measuring its energy consumption and emissions for some 15 years and this program has assisted Brickworks to streamline its processes for data capture, measuring, calculating and reporting energy and emissions. The data is subsequently collated and reported monthly to Senior Management and the Board; and
- National Pollution Inventory (NPI) – the NPI provides the government, community and industry with information on substances and emissions estimates for 93 toxic substances. Brickworks continues to fulfil its mandatory reporting requirements under this scheme.

There is significant environmental regulation requiring compliance for Brickworks' building products manufacturing and associated activities in each state of Australia, as set out below referencing key legislation. Each operational manufacturing and quarry site holds a current licence and/or consent in consultation with the local environment protection authorities. Annual returns were completed where required for each licence stating the level of compliance with site operating conditions.

Queensland production facilities and mining leases operate and are licensed under the Environmental Protection Act 1994 and Regulations. Each site is regulated by Environmental Management Overview Strategy documentation or plans of operations.

New South Wales production facilities and mine areas are administered under the Protection of the Environment Operations Act 1997, which licences organisations and regulates the level of all discharges into the environment. Load based licensing fees are determined by the Environmental Protection Authority based on the level of discharges. The Environmental Planning and Assessment Act 1979 apply to the approval conditions of the Group's activities. Some sites also operate within additional requirements imposed by local government and NSW Department of Primary Industries.

Victorian production sites are licensed under the Environment Protection Act 1970, including various state environmental protection policies and regulations. Mining leases operate under the Extractive Industries Development Act 1995.

South Australian production facilities are licensed under the Environment Protection Act 1993, while mining and rehabilitation plans are approved in accordance with 2011 Regulations under the Mining Act 1971.

Western Australian operations operate under the Environmental Protection Act 1986. They have licences issued from a number of government agencies, including the Department of Environment and the Department of Mines and Petroleum. A number of our sites also operate under additional requirements issued by local shires and councils.

Tasmanian operations and mining leases operate under the Environmental Protection Act of 1973 and the Mineral Resources Development Act 1995.

Audit and assurance programs are an integral aspect of Brickworks' environment management systems assisting in measuring performance and mitigating environmental risks. A total of 17 independent annual audit reports covering 21 sites were completed this year, which were supplemented by two internal audits carried out by Brickworks' environmental personnel. The independent environmental auditors complete an environmental compliance audit of all factory and quarry sites every one to three years, with the audit frequency determined by risk analysis and the results of previous audits. The purpose of this is to ensure compliance with all current licences and regulations and identify risks of an adverse environmental event under any other relevant legislation.

During the year, results of our environmental management process indicated that some emissions were in excess of licence limits. The Group continues to investigate all these instances of non-compliances, working closely with the relevant authorities to resolve these issues. The Queensland Department of Environment and Heritage Protection issued a summons to Austral Masonry (Qld) regarding the unlicensed operation of a small sand quarry at Bundaberg. The site has been completely rehabilitated and the Company is working with the regulator to resolve the matter without a need for a trial.

Risk Management

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

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

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

Building Products

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

Risk	Mitigation
Serious Safety Incidents	The Group has a strong safety culture and a well developed WHS system (refer further "Safety").
Environmental incident	The Group has a comprehensive environmental compliance system and strong commitment to environmental protection (refer further "Environment").
Alternate products	The Group has a strong focus on research and development, monitors market trends and has strategies to diversify its range of building products and its marketing approach.
Shift in housing trend	The movement away from detached housing threatens the Group's traditional market. The Group has strategies to diversify its range of building products and its marketing approach.
New competitor	Whilst barriers to entry are significant, the Group monitors both domestic manufacturing and import competitors and has adopted a customer relationship and quality model, supported by investment in research and development.
Plant performance	All plants are subject to regular preventative maintenance programs and appropriately qualified staff are employed to monitor and oversee production activities. Plant performance is measured and monitored daily, weekly and monthly.
Production capacity	The Group manages production capacity by restarting, building and mothballing plant to adapt to cyclical market conditions. In the 2016 financial year, the Group commenced the recommissioning of the Cardup plant and announced the planned closure of the Malaga plant in WA.
Business Interruption	There are multiple facilities throughout Australia that can transport products between locations as and when required. The major facilities have rolling risk reviews and reporting by outside parties. The business also maintains significant insurance policies to manage the physical loss of assets and any loss of income due in an insurable interruption.
Asbestos Risk	There has been a comprehensive review of all locations for the presence of asbestos. Building cladding is regularly removed and replaced with non-asbestos based materials. Where any asbestos is found, either within a plant or during rehabilitation, it is immediately quarantined and removed by qualified, reputable contractors, using the most diligent safety standards.

Land and Development

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

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

Investment

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

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

Group

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

Risk	Mitigation
Financing Risk	The Group maintains conservative gearing levels below 20% in recognition of its cyclical nature. Senior debt facilities are maintained with five lenders with whom an open and transparent relationship is maintained. Facilities are maintained over various tenors ranging from 2 to 5 years, ensuring that a maximum of \$200 million will expire at any one point in time.

Information on Directors

Robert D. Millner FAICD Chairman

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

Other directorships:

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

Michael J. Millner MAICD Deputy Chairman

Mr M. Millner is a non-executive Director who was appointed to the Board in 1998. He is on the board and a councillor of the Royal Agricultural Society of NSW, including Chair of the RAS Foundation, and has extensive experience in the investment industry. Mr Millner is the Deputy Chairman of the Board, and a member of the Remuneration Committee and the Nomination Committee.

Other directorships:

Ruralco Holdings Ltd	Director since 2007
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Brendan P. Crotty LS; DQIT; Dip.Bus Admin; MAPI; FAICD; FRICS Director

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

Other directorships:

Barangaroo Delivery Authority	Appointed 2009, Resigned 2014
GPT Group	Director since 2009

David N. Gilham FCILT; FAIM; FAICD Director

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

Deborah R. Page AM B.Ec, FCA, FAICD Director

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

Other directorships:

Service Stream Ltd	Director since 2010
BT Investment Management Ltd	Director since 2014
GBST Holdings Ltd	Director since 2016
Investa Listed Funds Management Ltd (responsible entity of ASX listed Investa Office Fund)	Appointed 2011, Resigned 2016
Australian Renewable Fuels Ltd	Appointed 2012, Retired 2015
The Colonial Mutual Life Assurance Society Ltd (wholly owned subsidiary of CBA)	Appointed 2007, Resigned 2014
Commonwealth Insurance Ltd (wholly owned subsidiary of CBA)	Appointed 2007, Resigned 2014

**The Hon. Robert J. Webster MAICD
Director**

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

Other directorships:

Greater Sydney Land Services Board	Appointed 2013
Allianz Australia Insurance Ltd	Appointed 1997, Resigned 2013

**Lindsay R. Partridge AM BSc. Hons. Ceramic Eng; FAICD; Dip CD
Managing Director**

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

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

In 2012 he was awarded the Member of the Order of Australia for services to the Building and Construction Industry, particularly in the areas of industry training and career development, and to the community. He is a director of Children's Cancer Institute Australia.

Information on Chief Financial Officer and Company Secretary

**Robert Bakewell B.Comm; CA
Chief Financial Officer from 1 June 2016**

Mr Bakewell was appointed Chief Financial Officer in June 2016. He is a finance and commercial executive with more than 20 years experience in listed Australian and international industrial companies including significant experience in mergers and acquisitions, restructuring, balance sheet and capital management and investor relations. Mr Bakewell was previously Chief Financial Officer of Arrium Limited since 2010 and prior to this held various senior management roles with ABB.

**Alexander J. Payne B.Comm; Dip CM; FCPA; FCIS; FCSA
Chief Financial Officer until 31 May 2016**

Mr Payne is an accountant with significant financial experience, who joined The Austral Brick Company in 1985. In 1987 he was appointed Group Company Secretary, and was appointed Chief Financial Officer in 2003. He is a Director of BKI Investment Company Ltd. In 2011, Mr Payne completed the Stanford University Executive Development Program. Mr Payne will retire on 30 September 2016 after 30 years with the Company.

**Susan Leppinus B.Ec; Lib; Grad Dip App Fin
Company Secretary and General Counsel**

Susan Leppinus was appointed as Company Secretary and General Counsel in April 2015. Ms Leppinus has ten years experience as a company secretary and general counsel, working with boards of directors and senior management in publicly listed companies most recently with David Jones Limited and Crane Group Limited.

Meetings of Directors

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

	Directors' meetings	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Independent Board Committee
Number of meetings held:	11	2	3	2	6
Number attended:					
R.D. Millner	11	N/A	3	2	N/A
M.J. Millner	9	N/A	3	2	N/A
L.R. Partridge	11	N/A	N/A	N/A	6
B.P. Crotty	11	2	3	2	6
D.N. Gilham	11	N/A	3	2	6
D.R. Page	11	2	3	2	5
R.J. Webster	10	1	3	2	6

Directors interests

As at 20 September 2016, Directors had the following relevant interests in Brickworks shares:

	ORDINARY SHARES
R.D. Millner	5,774,100
M.J. Millner	5,748,142
L.R. Partridge	189,982
B.P. Crotty	15,209
D.N. Gilham	102,268
D.R. Page	4,800
R.J. Webster	15,922

As at 20 September 2016, no Director had relevant interests in debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

As at 20 September 2016, no Director had any rights or options over shares in debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

As at 20 September 2016, there were no contracts entered into by Brickworks or a related body corporate to which any Director is party, or under which any Director is entitled to benefit nor were there any contracts which confer any right for any Director to call for or deliver shares in, debentures of, or interests in a registered scheme made available by Brickworks or a related body corporate.

DIRECTORS' REPORT – REMUNERATION REPORT

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

1. Overview

1.1 Executive Summary

The Brickworks Board of Directors is committed to ensuring that the remuneration framework is focused on driving a performance culture that is closely aligned to the achievement of the Company's strategy and business objectives. During financial year 2015 the Board made a number of changes to its remuneration structure as disclosed in last year's Remuneration Report as follows:

- enhanced disclosure particularly around the payment of short term incentives to Key Management Personnel (KMP);
- placed greater emphasis on and enhanced the level of disclosure of the performance criteria used to determine shares allocated under the long term incentive plan (LTI); and
- introduced a new TSR performance measure for the LTI which applies to the Managing Director (MD) and the Chief Financial Officer (CFO).

Following the vote on the Remuneration Report at the Company's 2015 Annual General Meeting and a review of the relevant proxy advisor reports, the Board has enhanced its disclosure of the Company's remuneration framework particularly regarding:

- the link between performance and payment of short term incentives (STI) to KMP including outcomes against various performance hurdles of the STI;
- the rationale behind the LTI and selected TSR measure for the MD and CFO;
- enhanced disclosure regarding the pre-allocation performance measures for the LTI; and
- historical performance of the Brickworks share price against index returns.

The key remuneration objectives remain driving higher performance and retaining key staff.

1.2. Details of Key Management Personnel

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

Directors

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

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

Executives

Mr A. Payne	Chief Financial Officer until 31 May 2016. He remains a KMP until his retirement on 30 September 2016
Mr R. Bakewell	Chief Financial Officer from 1 June 2016
Ms M. Kublins	Executive General Manager – Property & Development
Mr D. Fitzharris	Group General Manager Sales – Brickworks Building Products
Mr M. Finney	Group General Manager – National Operations and Austral Bricks East Coast until 1 April 2016
Mr P. Scott	Group General Manager WA – Brickworks Building Products

1.3. Remuneration Committee

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

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

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

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

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

1.4. Use of remuneration consultants

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

- During the financial year, the Remuneration Committee appointed Guerdon & Associates (Guerdons) as the remuneration adviser to provide remuneration information regarding remuneration benchmarking for executive KMP.
- The consideration paid for the remuneration benchmarking for executive KMP provided by Guerdons was \$35,695.
- Remuneration information was provided to the Remuneration Committee as an input into decision making only. The Remuneration Committee considered the information in conjunction with other factors in making its remuneration determinations.
- The Committee is satisfied the advice received from Guerdons is free from undue influence from the executive KMP to whom the remuneration information applies, as Guerdons were engaged by, and reported to, the Chairman of the Remuneration Committee.
- During the year no remuneration recommendations, as defined by the Corporations Act, were provided.

1.5. Board Policies for determining remuneration

Policies for determining the nature and amount of remuneration for the executive KMP are developed by the Remuneration Committee for approval by the Board. Once approved by the Board, these policies are applied consistently across all divisions within the Group. Brickworks' remuneration policy is designed to ensure that every executive KMP's remuneration reflects their duties and responsibilities, as well as ensuring that the Group is able to attract and retain key talent cost effectively.

The Board of Brickworks recognises that the Group's performance is very dependent on its capacity to attract, retain and develop highly skilled and motivated employees. Whilst remuneration is a key factor in achieving these objectives, the Board recognises there are other factors which influence this capacity, including the culture, reputation, work environment, human resource and professional development policies of the Group. Executive KMP remuneration policies reflect the unique business environment and circumstances in which Brickworks operates as well as its strategic and operational responses to competitor activity and market volatility.

2. Remuneration components

2.1 Group performance, shareholder wealth and remuneration

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

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

Brickworks' remuneration policy has been tailored to help align executive interests with those of shareholders through the use of variable components. Brickworks STI has been designed to focus executives on the necessity to achieve a range of agreed targets for their respective businesses.

The Board aims to improve profit and cash flows, improve production and operational efficiencies, rationalise non – performing assets, retain key employees who have developed key skills and expertise in the industries in which the Group operates, ensure the health and safety of employees and provide demonstrated leadership on environmental compliance.

The remuneration strategy supports this through its short term performance incentive program and its long term incentive program.

The short term incentive program has as key performance measures for each executive KMP the financial and non- financial performance measures to support its strategy as outlined further in section 2.4. Short term incentives paid reflect the increased profit generated by the Building Products and the Land and Development division in FY2016.

The primary purpose of Brickwork's LTI is the retention of the Company's senior executive team, as many years may be required for an individual to develop a complete knowledge of the operating and manufacturing

processes for building materials. An executive who knows the Company's clients extremely well and has a long history of successful negotiations with them will also be difficult to replace. The Board has developed an effective retention based long term incentive plan which operates over a series of rolling 5 year periods. In addition, for share allocations to the Managing Director and the Chief Financial Officer approved after 31 July 2015 a TSR performance measure applies, recognising their Group roles and their overall responsibility for the long term value of the Company.

The Board considers the LTI has been effective in increasing shareholder wealth, and will continue to be effective in creating additional shareholder value over the long term, placing Brickworks in a strong position to outperform its competitors. Because of the 5 year vesting periods that apply to all of the shares granted to Brickworks executives, there are very strong incentives for share price growth to be achieved and maintained at an individual and a group level. The ongoing inclusion of a TSR component in the long term incentive plans for the Managing Director and the Chief Financial Officer further enhances the alignment of executive interests with those of shareholders.

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

- An increase in the annual EBIT (before significant items) generated by the Building Products and Land and Development divisions from \$47.5 million in the 2012 financial year to \$148.8 million in the year to 31 July 2016.
- The Returns on NTA for the Building Products and Land and Development divisions demonstrate an increase from 6.2% in 2012 to 16.1% in 2016.
- The Operating Cash Flows generated by the Building Products and Land and Development divisions has demonstrated continuous improvement from \$45.7 million for the year ending 31 July 2012 to \$121.8 million for the year ending 31 July 2016.

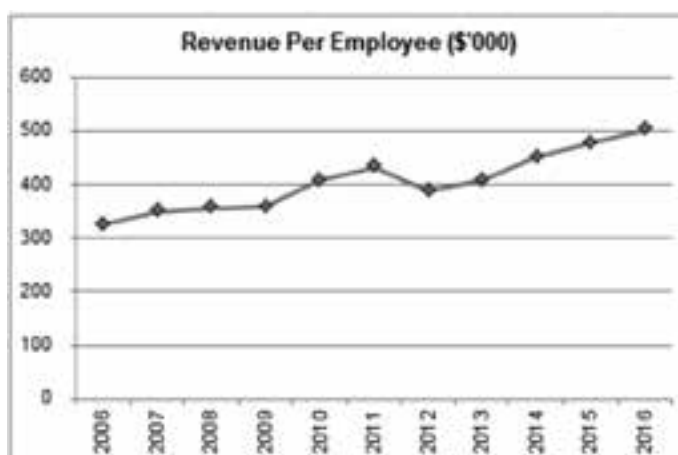
While the Board is of the opinion that the Company's current strategies and operational initiatives will deliver superior long term results to shareholders and performance based remuneration is tied to the financial results delivered by the building products and property segments, Brickworks' share price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

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

	2012	2013	2014	2015	2016
Total revenue (millions)	\$556.9	\$606.5	\$670.3	\$723.6	\$751.0
Combined Building Products & Property EBIT before significant items (millions)	\$47.5	\$82.4	\$107.5	\$120.7	\$148.8
Net profit before significant items after tax (millions)	\$78.9	\$100.0	\$101.3	\$120.3	\$147.1
Net profit after tax (millions)	\$43.3	\$85.2	\$102.8	\$78.1	\$78.2
Net Tangible Assets (millions)	\$1,393.1	\$1,450.9	\$1,516.8	\$1,572.1	\$1,630.2
Share price at year end	\$10.08	\$12.20	\$14.30	\$14.90	\$15.03
Dividends – ordinary shares (cents)	40.5	40.5	42.0	45.0	48.0

Employee Productivity

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



Total Shareholder Returns

In addition, as can be seen in the graph below, Brickworks continues to outperform the All Ordinaries Accumulation Index in terms of Total Shareholder Return over the medium to long term.

Returns for the 3 years to 31 July 2016 were 10.4%, representing a 1.9% outperformance compared to the All Ordinaries Accumulation Index of 8.5%. Similarly returns over 5 years to 31 July 2016 were 12.3%, representing a 2.9% outperformance compared to the All Ordinaries Accumulation Index of 9.4%.

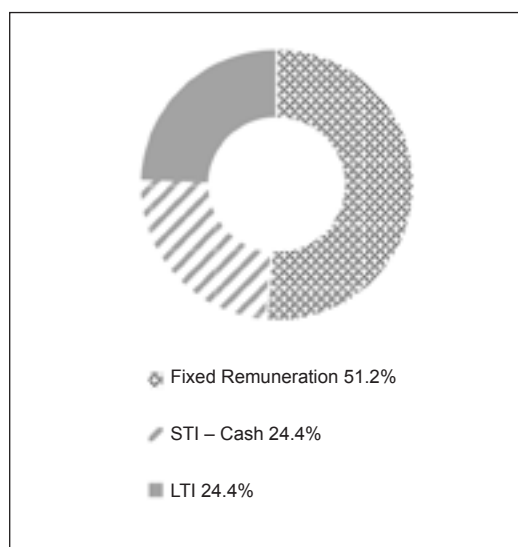
Over 15 years, Brickworks has delivered returns of 8.7% per annum, compared to index returns of 8.1% per annum.



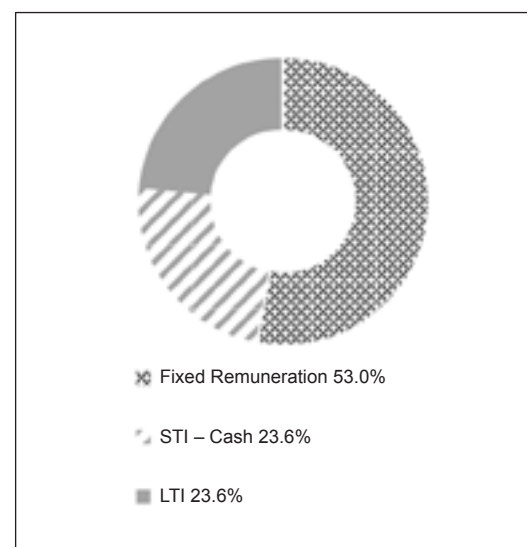
2.2 Potential Remuneration Mix

Total remuneration for the Managing Director (MD) and the other executive KMP comprises both fixed remuneration and an at risk component (STI and LTI). The mix shown in the graph below is the potential remuneration based on the current remuneration at 31 July 2016 with STI and LTI based on maximum opportunities. Any excess STI earned above 50% of total fixed remuneration will not be paid as a cash bonus but will be added to the long term incentive share allocation for that year with deferral over 5 years. This structure is designed to pay executives competitively based on their performance.

POTENTIAL MANAGING DIRECTOR REMUNERATION MIX



AVERAGE POTENTIAL OTHER EXECUTIVE KMP REMUNERATION MIX



2.3. Remuneration Component- Fixed Remuneration

There has been no material increase in total fixed remuneration for executive KMP during the 2016 financial year.

2.4. Remuneration Component - Short Term Incentives (STI)

The table below outlines the STI Plan:

Purpose	The STI is an annual bonus designed to reward executives for meeting or exceeding financial and non financial objectives over a one year period.
Timing	The STI is awarded in cash up to a maximum of 50% of total fixed remuneration (including base salary, superannuation and car allowance). Any excess STI earned above 50% of total fixed remuneration will not be paid as a cash bonus but will be added to the long term incentive share allocation for that year with deferral over 5 years.

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

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

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

Payments under the STI are determined by performance against KPIs.

STI performance measures and weightings vary by executive depending on individual accountabilities for the financial year 2016. The metrics and their rationale for selection are as follows:

Rationale for selection

Financial measures

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

Non-financial measures

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

Weighting of performance measures The STI for all KMP is weighted 75% for financial measures and 25% for non-financial measures.

The payout schedule against the financial measures is outlined below:

Percentage of financial component payable (ie. 75% of total STI)

% of profit target achieved

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

% of cash target achieved

Between base target and upper target	Straight line between 50% and 100%
--------------------------------------	------------------------------------

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

Performance assessment

MD and CFO

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

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

Other Executives

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

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

Other features

Unvested Performance Shares

On retirement or redundancy of KMP unvested performance shares remain on foot and vest according to the original terms of the five year grant period.

Clawback

Although there are currently no clawback clauses for STI payments, each executive has a strong ongoing interest in the financial performance of the Company and thereby the value of the Company's shares.

Termination

For resignations or terminations for cause, the STI payment is forfeited unless otherwise determined by the MD or the Board.

STI outcomes

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive KMP for financial year 2016 and the performance achieved. Unless otherwise stated all earnings measures exclude significant items.

Executive	Financial 75%		Non-financial 25%	
	Measure(s)	Performance	Measure(s)	Performance
MD & CFO	<ul style="list-style-type: none"> NPAT for Building Products and Land & Development against target Operating cash flow for Building Products and Land & Development against target 	<p>109% achieved</p> <p>111% achieved</p>	<ul style="list-style-type: none"> Mixture of Strategic, Operational, Safety, Health and Environment and People relevant to the executive 	<p>100% achievement of non-financial KPIs</p>
EGM Land & Development	<ul style="list-style-type: none"> NPAT against target Divisional cash generation against target 	<p>114% achieved</p> <p>107% achieved</p>	<ul style="list-style-type: none"> Mixture of Strategic and Operational relevant to the executive 	<p>100% achievement of non-financial KPIs</p>
GM Sales – Brickworks Building Products	<ul style="list-style-type: none"> Divisional EBIT against target for Bristle Roofing East Coast, Austral Bricks East Coast, Austral Masonry, Austral Precast and Export Divisional cash generation against target for Bristle Roofing East Coast, Austral Bricks East Coast, Austral Masonry, Austral Precast and Export 	<p>107% achieved</p> <p>124% achieved</p>	<ul style="list-style-type: none"> Mixture of Strategic, Operational, Safety, Health and Environment and People relevant to the executive 	<p>98% achievement of non-financial KPIs</p>

GM WA Brickworks Building Products	• Divisional EBIT against target	Not achieved	• Mixture of Strategic, Operational, Safety, Health and Environment and People relevant to the executive	60% achievement of non-financial KPIs.
	• Divisional cash generation against target	Not achieved		

STI achieved

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive KMP for 2016 and the performance achieved.

The following table outlines the percentage of target STI achieved (and forfeited) in relation to financial and non-financial KPI's, and the total STI awarded, for each executive KMP for 2016.

Executive	STI On Target Opportunity	Financial			Non-financial			STI awarded \$	STI over performance subject to LTI \$
		Weighting %	Achieved %	Forfeited %	Weighting %	Achieved %	Forfeited %		
MD	637,500	75%	114%	0%	25%	100%	0%	669,000	34,067
CFO	300,000	75%	114%	0%	25%	100%	0%	324,250	6,605
EGM Land & Development	227,500	75%	107%	0%	25%	100%	0%	239,045	–
GM Sales – Brickworks Building Products	280,000	75%	103%	0%	25%	98%	2%	280,000	5,427
GM WA Brickworks Building Products	163,875	75%	0%	100%	25%	60%	40%	25,000	–

2.5. Remuneration Component – Long- Term Incentives (LTI)

What is the LTI?	The Group operates an LTI Plan through the Brickworks Deferred Employee Share Plan in which employees receive Brickworks Limited shares. No consideration is payable by participants for shares under the terms of the plan.
Scope	The LTI is a broad based employee share plan with 590 employees participating as at 31 July 2016 via 1,399,459 shares on allocation of which 50.62% remain unvested (and 49.38% vested). In addition 46,818 shares in the plan were forfeited during the year to 31 July 2016.
Purpose	The primary purpose of the LTI is the retention of the Company's senior executive team. For example, acquisition of the necessary knowledge to successfully manage the manufacturing processes for building materials usually requires an immersion period of at least 5 years and in some sectors, such as brick production, as much as 10 years. Similarly, an executive who knows the Company's clients extremely well and has a long history of successful negotiations with them will also be difficult to replace. Not surprisingly, Brickworks seeks to retain as many of its experienced executives as practically possible.
Opportunity	For the 2016 financial year, the value of shares granted was dependent upon the employee's position within the Group and their base salary. For the MD and all other executive KMP, this entitlement was up to 50% of base salary. However, the value of LTI shares may exceed these percentages as a consequence of STI cash payments being capped at 50% of fixed remuneration and outperformance against the STI measures being recognised by the grant of additional LTI shares.
Pre-allocation performance measures	Performance criteria will be considered by the Board at its discretion before plan shares are allocated. This includes an assessment of the factors below and having regard to general market conditions that have an impact on demand for Brickworks products. LTI allocations to KMP will reflect the level of performance achieved against these criteria. Unless otherwise stated all earnings measures exclude significant items.

Executive	Measure	Performance
MD & CFO	• Return on NTA Building Products and Land and Development over past 3 years against target	Achieved
	• NPAT for Building Products and Land and Development over past 3 years against target	Achieved
	• Operating cash flow for Building Products and Land & Development against target over the past 3 years	Achieved
	• Strategic goals including consolidation and growth, securing lowest cost manufacturing facilities and create better building solutions	Achieved
EGM Land & Development	• Return on NTA Land and Development over past 3 years against target	Achieved
	• EBIT for Land and Development over past 3 years against target	Achieved
	• Divisional cash generation for Land and Development against target over the past 3 years	Achieved
	• Strategic goals including on-going rezoning of surplus land and its reallocation to the Property Trust	Achieved
GM Sales – Brickworks Building Products	• Return on NTA for Bristile Roofing East Coast, Austral Bricks East Coast, Austral Masonry, Austral Precast and Export over the past 3 years against target	Achieved
	• EBIT for Bristile Roofing East Coast, Austral Bricks East Coast, Austral Masonry, Austral Precast and Export over the past 3 years against target	Achieved
	• Divisional cash generation against target for Bristile Roofing East Coast, Austral Bricks East Coast, Austral Masonry, Austral Precast and Export over the past 3 years	Achieved
	• Strategic goals including development and strengthening of customer relationships and channels to market with a focus on complementary products across the Group	Substantially achieved

	GM WA Brickworks Building Products	<ul style="list-style-type: none"> • Return on NTA for Austral Bricks WA and Bristile Roofing West Coast over the past 3 years against target • EBIT for Austral Bricks WA and Bristile Roofing West Coast over the past 3 years against target • Divisional cash generation against the target for Austral Bricks WA and Bristile Roofing West Coast over the past 3 years • Strategic goals including plant rationalisation and modernisation 	<p>Not achieved</p> <p>Not achieved</p> <p>Not achieved</p> <p>Partially achieved</p>
Post-allocation performance measures	<p>For allocations approved and made after 31 July 2015, 50% of shares allocated to the MD and CFO will be assessed for vesting against an annual TSR target of 7.0% (TSR Shares). A TSR based vesting test will not apply to any allocation made or agreed to be made before 31 July 2015 and not yet vested.</p> <p>The assessment of TSR Shares against the TSR target is undertaken progressively for 20% of the TSR Shares on 31 July for each of the 5 years following the allocation date. 50% of the shares allocated to the MD and the CFO will continue to vest progressively at 20% per year based on tenure.</p> <p>The share price used at commencement of each tranche for assessing TSR performance of Brickworks shares is the Volume Weighted Average Price (VWAP) for the month of July prior to the allocation of TSR Shares. The actual share price used to compare to the TSR target share price is the July VWAP in the year of testing.</p> <p>In any one year up to five TSR Share tranches allocated will be tested. The TSR performance target for each allocation in that year is the average of 5 Brickworks share prices calculated from 5 different commencement VWAPs on 5 different years (i.e. it will include the average of a Brickworks one year TSR, a two year TSR, a three year TSR, a four year TSR and a five year TSR).</p> <p>The level of vesting applicable to each tranche will be as follows subject to the overriding requirement that for each allocation shares can only vest up to the maximum of the amount of that allocation:</p> <ul style="list-style-type: none"> • If the 7.0% TSR target (as explained above) is met, 100% of TSR Shares will vest; • If a 6.0% TSR target (as explained above) is met, then 50% of the TSR Shares will vest; • If the TSR target (as explained above) of 6.0% is not met, then no shares will vest in that initial year of testing. To ensure a long term focus is maintained by the MD and CFO, to the extent that any tranche does not vest in one year it will be deferred and form part of the shares that are eligible for vesting in the following years. In other words, underperformance in one year can be made up by over performance in the following years, provided that underperformance may only be made up by outperformance by the end of the 6th year from the date of first allocation; • If the TSR target (as explained above) of 8.0% is met, there will be an incremental vesting of up to 50%, of each prior year's entitlement, if any of the allocation did not vest. To ensure long term focus is maintained, by the MD and CFO this enables underperformance in previous years to be partially made up by this over performance in this and the following years. The cumulative vesting can therefore reach a level that will be equivalent to but not more than the total number of shares that would have been allocated and vested as at that date, if all TSR hurdles had been satisfied. <p>TSR performance between 6.0% and 8.0% and above will generate pro-rata vesting entitlements on a straight-line basis.</p>		
Rationale for chosen performance measures and hurdles	<p>The broad based nature of the LTI that applies to 40% of the Company's workforce means that a TSR target is appropriately applied to the MD and CFO who have a material impact on the overall share price. This TSR measure should not be extended to employees that do not have control over Brickworks share price.</p> <p>An absolute TSR target was chosen over a relative TSR measure. A primary concern about using relative TSR was the volatility in companies' performance ranking which can be perceived by plan participants as of more limited value than an absolute performance measure due to an executives' lack of direct control over relative TSR. The Board is also wary of the potential for TSR to reward share price volatility, as companies with more volatile TSR are more likely to achieve maximum vesting.</p> <p>Furthermore, relative TSR ranking is highly dependent on the peer group selection and the choice of performance period, as the selection of the date or averaging period over which relative TSR is measured can have a significant impact on the outcome. An absolute TSR target has also been chosen due to the difficulty of choosing a meaningful benchmark of companies to use for a relative TSR assessment. This is particularly so given the diverse nature of the Company's operations which include Building Products, Land and Development and Investments.</p>		

There has been actuarial input in relation to the new TSR performance measure which, confirms that the vesting tests provide an appropriate balance between the key objectives of performance and retention. The share price graph on page 22 also helps to illustrate the appropriateness of a 7% absolute TSR given historical performance of Brickworks shares against the All Ordinaries Accumulation Index on a 1, 3 and 5 year basis.

An absolute TSR also avoids the situation where an LTI may be awarded despite particularly low or negative TSR being achieved which aligns the plan with shareholder interests.

Also aligned with shareholders' interests, for tranches of shares that are being tested for vesting in any particular year, a TSR of at least 6.0% must be achieved for 50% of TSR Shares to vest.

In addition, the TSR performance target for each allocation in any year is the average of 5 Brickworks share prices calculated from 5 different commencement VWAPs on 5 different years (i.e. it will include the average of a Brickworks one year TSR, a two year TSR, a three year TSR, a four year TSR and a five year TSR). The purpose of this is to average the share price calculation over a particular cycle to remove vesting exposure and to ensure a long term focus on the business by the MD and CFO is achieved.

Other features Unvested Performance Shares

On retirement or redundancy unvested performance shares for executive KMP remain on foot and vest according to the original terms of the five year grant period including TSR performance testing.

Clawback

Although there are currently no clawback clauses for LTI payments, each executive has a strong ongoing interest in the financial performance of the Company and thereby the value of the Company's shares.

Change of Control

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

Treatment of Dividends

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

Sources of Shares

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

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

Derivatives

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

2.5.1. Other Company wide share plan

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

2.5.2. Market purchases

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

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

At 31 July 2016, there were 722 employees participating in the Brickworks Deferred Employee Share Plan and the Brickworks Exempt Employee Share Plan, holding 1,508,253 shares (1.01% of issued capital).

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

3. Employment Contracts

3.1 Termination payments

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

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

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

3.2 Executive Restraint

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

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

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

4. Non-executive Directors

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

The maximum aggregate level of fees which may be paid to non-executive Directors is required to be approved by shareholders in a general meeting. This figure is currently \$1,000,000, and was approved by shareholders at the 2014 Annual General Meeting. Brickworks' constitution requires that Directors must own a minimum of 500 shares in the Company within two months of their appointment. All Directors complied with this requirement during the year.

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

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

5. Remuneration of Key Management Personnel

5.1 Table of Remuneration to KMP

The fees payable to non-executive Directors and the remuneration payable to other KMP during the financial year ending 31 July 2016 are disclosed in the following table.

Directors	Year	Base fees / salary	Non-monetary benefits	Post Employment (Super)	Total fixed remuneration	Short Term Incentive	Long Term Incentive	Total
RD Millner	2016	218,995	–	20,805	239,800	–	–	239,800
	2015	214,612	–	20,388	235,000	–	–	235,000
MJ Millner	2016	109,589	–	10,411	120,000	–	–	120,000
	2015	107,306	–	10,194	117,500	–	–	117,500
BP Crotty	2016	120,776	–	11,474	132,250	–	–	132,250
	2015	114,155	–	10,845	125,000	–	–	125,000
DN Gilham	2016	109,589	–	10,411	120,000	–	–	120,000
	2015	107,306	–	10,194	117,500	–	–	117,500
DR Page	2016	120,776	–	11,474	132,250	–	–	132,250
	2015	118,037	–	11,213	129,250	–	–	129,250
RJ Webster	2016	116,667	–	11,083	127,750	–	–	127,750
	2015	114,155	–	10,845	125,000	–	–	125,000
LR Partridge	2016	1,318,667	5,965	19,333	1,343,965	669,000	658,072	2,671,037
	2015	1,269,173	6,891	18,827	1,294,891	642,084	530,803	2,467,778
Total Directors	2016	2,115,059	5,965	94,991	2,216,015	669,000	658,072	3,543,087
	2015	2,044,744	6,891	92,506	2,144,141	642,084	530,803	3,317,028

Other Key Management Personnel	Year	Base fees / salary	Non-monetary benefits	Post Employment (Super)	Total fixed remuneration	Short Term Incentive	Long Term Incentive	Total
AJ Payne ¹	2016	629,167	12,432	19,333	660,932	320,638	290,636	1,272,206
	2015	609,673	7,532	18,827	636,032	304,007	244,899	1,184,938
RC Bakewell ²	2016	121,756	2,039	3,244	127,039	–	–	127,039
M Kublins	2016	480,167	5,728	19,333	505,228	239,045	244,317	988,590
	2015	465,673	5,358	18,827	489,858	242,500	182,490	914,848
DT Fitzharris	2016	540,667	31,743	19,333	591,743	280,000	179,435	1,051,178
	2015	521,173	41,916	18,827	581,916	270,000	140,805	992,721
M Finney ³	2016	414,635	15,729	12,872	443,236	–	–	443,236
	2015	605,259	6,332	18,827	630,418	290,000	137,505	1,057,923
P Scott	2016	466,667	5,621	19,333	491,621	25,000	88,310	604,931
	2015	455,173	4,457	18,827	478,457	84,000	98,890	661,347
D Millington ⁴	2015	159,188	13,744	10,957	183,889	–	–	183,889
Total Other KMP	2016	2,653,059	73,292	93,448	2,819,799	864,683	802,698	4,487,180
	2015	2,816,139	79,339	105,092	3,000,570	1,190,507	804,589	4,995,666

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

- L R Partridge: net increase of \$3,024 in accrued leave entitlements (2015: \$35,593 decrease)
- A J Payne: net decrease of \$16,229 (2015: \$889 decrease)
- R C Bakewell: net increase of \$7,839
- M Kublins: net decrease of \$16,522 (2015: \$15,532 increase)
- D T Fitzharris: net increase of \$8,016 (2015: \$9,631 increase)
- M Finney: net increase of \$30,975 (2015: \$28,747 increase)
- P Scott: net decrease of \$20,502 (2015: \$12,286 decrease)
- D Millington: (2015: \$23,231 increase)

¹ Alex Payne was CFO until 31 May 2016. He remains a KMP until his retirement on 30 September 2016. In addition to the remuneration presented in the table above an additional liability of \$630,195 has been recognised in the Group's financial statements as at 31 July 2016 in relation to Mr Payne's contractual retirement benefit.

² Robert Bakewell was appointed CFO from 1 June 2016.

³ Mark Finney is no longer KMP from 1 April 2016.

⁴ David Millington is no longer KMP from 1 February 2015 but still remains a senior Brickworks executive.

The profit (before tax and excluding significant items) generated by the Land and Development division increased by 14% whereas the total remuneration paid to the Executive General Manager – Land and Development increased by 8%.

The profit (before tax and excluding significant items) generated by the Building Products division increased by 34% whereas the total remuneration received by the Group General Manager Sales – Brickworks Building Products increased by 6%.

5.2 Director and Key Management Personnel shareholdings

	Held 31 July 2015	Granted as Remuneration	Date Granted as Remuneration	Purchases	Shares Disposed of	Held 31 July 2016
<i>Directors</i>						
RD Millner	5,674,100	-	-	100,000	-	5,774,100
MJ Millner	5,648,142	-	-	100,000	-	5,748,142
B Crotty	15,209	-	-	-	-	15,209
DN Gilham	102,268	-	-	-	-	102,268
DR Page	2,400	-	-	2,400	-	4,800
RJ Webster	15,922	-	-	-	-	15,922
LR Partridge	158,434	74,805	2 October 2015	-	(43,257)	189,982
<i>Other Key Management Personnel</i>						
AJ Payne	246,449	31,587	2 October 2015	-	(50,062)	227,974
RC Bakewell	-	-	-	-	-	-
M Kublins	84,516	28,976	2 October 2015	-	(7,089)	106,403
DT Fitzharris	87,592	21,438	2 October 2015	-	(32,999)	76,031
P Scott	59,841	5,457	2 October 2015	-	(13,858)	51,440

Shareholdings shown above reflect all direct, indirect and beneficial holdings by KMP, and include unvested shares held through the Brickworks Deferred Employee Share Plan which may not vest to the employee if they do not satisfy vesting criteria.

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

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

Auditor's independence declaration

The Directors received an independence declaration from the auditor, EY. A copy has been included on page 33 of the report.

Provision of non-audit services by external auditor

During the year the external auditors, EY, provided non-audit services to the Group, totalling \$87,542. The non-audit services were for the provision of other assurance services, tax and accounting advice of general in nature, relating to the interpretation and application of tax laws and accounting standards.

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

The details of total amounts paid to the external auditors are included in note 6 to the financial statements.

Indemnification of auditors

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

Auditor rotation

In accordance with section 324DAA of the Corporations Act 2001 a new lead audit partner has been appointed for the financial year ended 31 July 2016.

Proceedings on behalf of the Company

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

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

Indemnification of Directors and officers

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

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

Rounding of Amounts

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000 where allowed under that class order.

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

Dated 22 September 2016.



R.D. MILLNER
Director



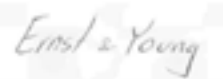
L.R. PARTRIDGE AM
Director

Auditor's Independence Declaration to the Directors of Brickworks Limited

As lead auditor for the audit of Brickworks Limited for the financial year ended 31 July 2016, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Anthony Jones
Partner
22 September 2016

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2016

	NOTE	CONSOLIDATED	
		31 JULY 16 \$000	31 JULY 15 \$000
Revenue	3	750,985	723,611
Cost of sales		(518,579)	(513,908)
Gross profit		232,406	209,703
Other income	3	2,128	3,483
Distribution expenses		(63,792)	(61,419)
Administration expenses		(27,880)	(26,621)
Selling expenses		(70,043)	(64,107)
Borrowing costs expense	4	(14,080)	(19,482)
Impairment of non-current assets	14,15	(62,185)	(16,907)
Other expenses		(23,577)	(17,215)
Share of net profits of associates and joint ventures accounted for using the equity method	24, 25	134,699	89,435
Profit before income tax expense		107,676	96,870
Income tax expense attributable to profit	5	(29,486)	(18,780)
Profit after income tax expense		78,190	78,090
Other comprehensive income			
Items that may subsequently be reclassified to net profit			
Foreign currency translation		20	(2)
Share of (decrements) / increments in reserves attributable to associates and joint ventures		(18,388)	(2,472)
Income tax on items of other comprehensive income		5,517	742
Other comprehensive income for the period, net of tax		(12,851)	(1,732)
Total comprehensive income for the period		65,339	76,358
Net profit attributable to members of the parent entity		78,190	78,090
Total comprehensive income for the period attributable to members of the parent entity		65,339	76,358
Basic earnings per share (cents per share)	8	52.6	52.6
Diluted earnings per share (cents per share)	8	52.6	52.6

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2016

	NOTE	CONSOLIDATED	
		31 JULY 16 \$000	31 JULY 15 \$000
CURRENT ASSETS			
Cash and cash equivalents	9	30,783	23,051
Receivables	10(a)	106,558	103,104
Inventories	11(a)	188,394	178,706
Land held for resale	12(a)	9,652	5,455
Prepayments		8,781	6,536
TOTAL CURRENT ASSETS		<u>344,168</u>	<u>316,852</u>
NON-CURRENT ASSETS			
Inventories	11(b)	7,998	8,129
Land held for resale	12(b)	4,137	8,182
Investments accounted for using the equity method	13	1,462,830	1,455,673
Property, plant and equipment	14	488,454	477,570
Intangible assets	15	208,274	252,111
TOTAL NON-CURRENT ASSETS		<u>2,171,693</u>	<u>2,201,665</u>
TOTAL ASSETS		<u>2,515,861</u>	<u>2,518,517</u>
CURRENT LIABILITIES			
Payables	16	81,593	88,335
Interest-bearing liabilities	17(a)	-	24,445
Derivative financial instruments	18(a)	-	234
Income tax provision		13,771	16,488
Provisions	19(a)	50,134	50,703
TOTAL CURRENT LIABILITIES		<u>145,498</u>	<u>180,205</u>
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	17(b)	299,224	299,239
Derivative financial instruments	18(b)	5,820	5,152
Provisions	19(b)	9,287	8,685
Deferred taxes	20	217,547	200,986
TOTAL NON-CURRENT LIABILITIES		<u>531,878</u>	<u>514,062</u>
TOTAL LIABILITIES		<u>677,376</u>	<u>694,267</u>
NET ASSETS		<u>1,838,485</u>	<u>1,824,250</u>
EQUITY			
Contributed equity	21	336,905	334,165
Reserves	22	311,255	322,444
Retained profits		1,190,325	1,167,641
TOTAL EQUITY		<u>1,838,485</u>	<u>1,824,250</u>

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2016

	NOTE	Ordinary Shares \$000	Treasury Stock \$000	Capital Profits Reserve \$000	Equity Adjustments Reserve \$000	General Reserve \$000	Foreign Currency Reserve \$000	Share Based Payments Reserve \$000	Associates & JV's Reserve \$000	Retained Earnings \$000	Total \$000
Total equity as at 1st August 2014		338,204	(6,784)	88,102	(26,057)	36,125	(1,514)	3,068	223,834	1,141,518	1,796,496
Net profit for the year		-	-	-	-	-	-	-	-	78,090	78,090
Other comprehensive income for the year		-	-	-	742	-	(2)	-	(2,472)	-	(1,732)
Total comprehensive income for the year		-	-	-	742	-	(2)	-	(2,472)	78,090	76,358
Transactions with owners in their capacity as owners											
Net Dividends provided or paid during the year	7	-	-	-	-	-	-	-	-	(51,755)	(51,755)
Issue of shares	21(a)	4,904	(4,916)	-	-	-	-	-	-	-	(12)
Purchase of shares through employee share plan	21(b)	-	(1,037)	-	-	-	-	-	-	-	(1,037)
Shares vested to employees	21(b)	-	3,794	-	-	-	-	(3,794)	-	-	-
Share of associates transfer to outside equity interests		-	-	-	-	-	-	-	-	(216)	(216)
Share of associates transfer (to)/from retained earnings		-	-	-	-	-	-	-	(4)	4	-
Share based payments expense		-	-	-	-	-	-	4,416	-	-	4,416
Total equity as at 31 July 2015		4,904	(2,159)	-	-	-	-	622	(4)	(51,967)	(48,604)
Net profit for the year		-	-	-	-	-	-	-	-	78,190	78,190
Other comprehensive income for the year		-	-	-	5,517	-	20	-	(18,388)	-	(12,851)
Total comprehensive income for the year		-	-	-	5,517	-	20	-	(18,388)	78,190	65,339
Transactions with owners in their capacity as owners											
Net Dividends provided or paid during the year	7	-	-	-	-	-	-	-	-	(55,519)	(55,519)
Issue of shares	21(a)	5,123	(5,136)	-	-	-	-	-	-	-	(13)
Purchase of shares through employee share plan	21(b)	-	(1,151)	-	-	-	-	-	-	-	(1,151)
Shares vested to employees	21(b)	-	3,904	-	-	-	-	(3,904)	-	-	-
Share of associates transfer to outside equity interests		-	-	-	-	-	-	-	-	13	13
Share of associates transfer (to)/from retained earnings		-	-	-	-	-	-	-	-	-	-
Share based payments expense		5,123	(2,383)	-	-	-	-	1,662	-	(55,506)	(51,104)
Total equity as at 31 July 2016		348,231	(11,326)	88,102	(19,798)	36,125	(1,496)	5,352	202,970	1,190,325	1,838,485

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2016

	NOTE	CONSOLIDATED	
		31 JULY 16 \$000	31 JULY 15 \$000
Cash flows from operating activities			
Receipts from customers		815,781	769,483
Payments to suppliers and employees		(758,613)	(702,444)
Proceeds from land held for resale		-	18,256
Interest received		442	280
Borrowing costs		(13,405)	(18,360)
Dividends and distributions received		114,548	66,425
Income tax paid		(10,246)	(388)
Net cash flows from operating activities	23(a)	<u>148,507</u>	<u>133,252</u>
Cash flows from investing activities			
Purchases of investments		(20,050)	(892)
Proceeds from the sale or return of investments		27,572	-
Payment for business net of cash acquired	28(b)	(3,321)	(5,495)
Proceeds from sale of property, plant and equipment		3,241	477
Purchases of property, plant and equipment		(54,798)	(60,685)
Net cash flows used in investing activities		<u>(47,356)</u>	<u>(66,595)</u>
Cash flows from financing activities			
Proceeds from borrowings		99,000	441,000
Repayment of borrowings		(124,000)	(442,000)
Dividends paid		(68,419)	(63,814)
Net cash flows used in financing activities		<u>(93,419)</u>	<u>(64,814)</u>
Net increase in cash held		7,732	1,843
Cash at beginning of year		<u>23,051</u>	<u>21,208</u>
Cash at end of year	9	<u><u>30,783</u></u>	<u><u>23,051</u></u>

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brickworks Limited is a listed public company, incorporated and domiciled in Australia, and is a for-profit entity. These accounts were authorised for issue in accordance with a resolution of the directors on 22 September 2016.

The financial report includes financial statements for the consolidated entity consisting of Brickworks Limited and its subsidiaries ("the Group").

(a) Basis of preparation and Statement of compliance

The financial statement is a general purpose financial statement that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial statement complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, held for trading financial assets, derivatives and investment property, which have been measured at fair value.

(b) New accounting standards and interpretations

The principal accounting policies adopted in the preparation of the financial statement are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The following amendments to accounting standards became effective for the Group during the year:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'.

The application of these standards did not result in any changes to profit or carrying value of balance sheet items in either the current or comparative financial year.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Brickworks Limited (the parent entity) and all entities that Brickworks controlled from time to time during the period and at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

There are no non-wholly owned entities in the group which are solely controlled by Brickworks. All non-wholly owned entities are either jointly controlled or subject to significant influence (in which case these entities are equity accounted), or treated as a held for trading financial asset.

There are no dissimilarities in reporting periods or accounting policies between Brickworks or any of its controlled entities.

Investments in subsidiaries in the parent entity financial statements are shown at cost.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the period, their operating results have been included from the date control was obtained or excluded from the date control ceased.

(d) Revenue

Sales revenue is recognised when the significant risks and rewards of ownership of the items sold have passed to the buyer, and the revenue is also able to be measured reliably.

For revenue from the sale of goods, this occurs upon the delivery of goods to customers.

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

Revenue from construction contracts is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Stage of completion is measured by reference to the number of units installed as a percentage of the number of units for the total contract, which is determined under the contract with the customer. As the number of units is defined in the contract, any level of judgement required is minimal.

Interest revenue is recognised on a time proportionate basis that takes into account the effective interest rate applicable to the net carrying amount of the financial asset.

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

Rental revenue from investment properties is accounted for on a straight line basis over the lease term.

Profits on disposal of investments and property, plant and equipment are recognised at the point where title to the asset has passed.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Finance costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised up to the point that the asset is ready for its intended use. Other finance costs are recognised as an expense over the period to which the expense relates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(f) Income tax****Current tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax cost base of assets is calculated based on management's intention for that asset on either use or sale as appropriate. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. In addition, no deferred income tax is recognised for a taxable temporary difference arising from an investment in a subsidiary, associate or joint venture where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. These amounts are reviewed at each balance date.

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

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

Tax consolidation

Brickworks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation regime. Brickworks Limited is the head entity of that group. The tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable based on the current tax liability or current tax asset of the entity. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Such amounts are reflected in amounts receivable from or payable to other entities in the group. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

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

(g) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, after eliminating the effect of earnings related to the Company's shareholding arrangements and excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

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

(h) Cash and cash equivalents

Cash and cash equivalents on the statement of financial position includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Cash and cash equivalents for the statement of cash flows are shown as a net of the cash and cash equivalents and bank overdraft liability.

Cash and cash equivalents are stated at nominal value.

(i) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. A provision for doubtful debts is established when there is existence of objective evidence that the Group may not be able to collect the debts. Bad debts are written off against the provision for doubtful debts as incurred, when there is objective evidence that the Group will not be able to recover the debt. Objective evidence of an impairment loss can include when a debtor is unable to be physically located, or when a report from a liquidator or administrator of a debtor indicates that recovery of any amounts outstanding is unlikely.

Receivables from related parties are recognised and carried at nominal amounts due.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(j) Inventories**

Raw materials are measured at the lower of actual cost and net realisable value. Finished goods are measured at the lower of standard cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Land held for resale

Land held for development and resale is recognised when properties have been identified and incorporated into specific developments that have been approved by relevant planning authorities and commenced. These properties are valued at the lower of cost and fair value less costs to sell. Cost includes the cost of acquisition and development.

(l) Property, plant and equipment

Land is carried at cost less any impairment losses.

Plant and equipment (including buildings) are measured at cost, less depreciation and impairment losses.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell, and the value in use, assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts, using pre-tax discount rates.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all property, plant and equipment including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of asset	Depreciation rate
Buildings	2.5% - 4.0% prime cost
Plant and equipment	4.0% - 33.0% prime cost; 7.5% - 22.5% diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds on disposal with the carrying amount of the asset at the time of disposal. These gains and losses are included in the income statement. When previously revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(m) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the term of the lease.

Leases of fixed assets are classified as finance leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset, or over the term of the lease.

(n) Financial assets

Regular way purchases and sales of investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, net of transaction costs.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss (held for trading)

The Group has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value (subsequent to initial recognition), with any resultant gain or loss recognised in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(n) Financial assets (cont.)****Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These investments are carried at amortised cost using the effective interest method, with any gains or losses recognised in income when the investments are derecognised or impaired.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value (subsequent to initial recognition). Gains and losses arising from changes in fair value are recognised directly in reserves, until the investment is disposed of, at which time the cumulative gain or loss previously recognised in the reserve is included in profit or loss for the period.

The fair value of financial instruments traded in active markets is based on quoted market bid prices at the reporting date. Where shares are held in listed entities that are not actively traded on the market, quoted market bid prices are used as the best information on the amount obtainable from an arm's length transaction.

Loans and Receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

Derecognition

Sales of investments are recognised on trade date – the date the Group commits to sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(o) Investments in associates

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

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After applying the equity method, the Group determines whether it is necessary to recognise an additional impairment loss with respect to the net investment in the associate. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of movements in equity.

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

(p) Investments in joint ventures

Investments in joint ventures are accounted for in the parent entity's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

Under the equity method, the investment is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

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

Profits or losses on transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on sale.

(q) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(r) Intangibles**Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets (including contingent liabilities) at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Any goodwill acquired in a business combination is allocated to each of the cash generating units (CGU's) expected to benefit from the combination's synergies. Impairment is determined by assessing the

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(r) Intangibles (cont.)**

recoverable amount of the CGU to which the goodwill relates. Where this recoverable amount is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

Goodwill is tested for impairment annually and when indicators of impairment exist, and following initial recognition is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

Other intangible assets are valued at cost on acquisition. If the intangible is considered to have an indefinite life, it is carried at cost less any impairment write down required to ensure it is not carried in excess of recoverable amount. If the intangible has a definite life, it is amortised on a straight line basis over the expected future life of that right, which varies according to the term of the issue.

(s) Acquisition of assets

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

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

(t) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill that have had an impairment write-down are reviewed for possible reversal of the impairment at each subsequent reporting date.

(u) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Deposits received on land sale agreements relate to amounts received as deposits on pending property transactions where the revenue and associated profit has not been brought to account due to uncertainty surrounding the completion of the transaction.

(v) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects the risks specific to the liability. Any increase in the provision due to the passage of time is recognised as a borrowing cost.

(w) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Consideration is made of expected future wage and salary levels, employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash flows.

Share-based payments

Share-based compensation benefits are provided to employees through the Brickworks Employee Share Plan, details of which can be found in the Remuneration Report in the Directors' Report. Unvested shares are included in contributed equity as Reserved Shares. The fair value of the shares (market value at purchase date) is recognised as an employee benefits expense over the period in which the service conditions are fulfilled with a corresponding increase in equity when the employees become entitled to the shares.

(x) Restoration and rehabilitation

The landfill opportunities created through the extraction of clay and shale is considered to be a valuable future resource. No provision is made for future rehabilitation costs when the rehabilitation process is expected to be cash flow positive.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(x) Restoration and rehabilitation (cont.)**

Where the relevant site is identified as being unable to be used for landfill purposes once the clay and shale reserves are exhausted, a provision is generated. This provision is raised based on the expected net present value of future cash flows associated with the total rehabilitation cost of the site, and charged to expenses on a tonnes extracted basis.

(y) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(z) Financial instruments issued by the Group

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of financial instruments are recognised directly as a reduction, net of tax, of the proceeds of the financial instruments to which the costs relate. If the financial instrument has an identifiable lifespan, these costs are amortised in the income statement over the period of the instrument.

Interest and dividends are classified as expenses or as distributions of profit consistent with the classification of the related debt or equity instruments.

(aa) Derivatives

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

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

Cash flow hedge

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

When a hedging instrument expires or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such instrument are recognised immediately in the income statement.

Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

(ab) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires, with any resulting gain or loss taken to the income statement.

(ac) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of fixed assets are deducted from the carrying amount of the asset, and recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(ad) Reserved shares

Own equity instruments which are acquired for later payment as employee share-based payment awards are deducted from equity. These shares are held in trust by the trustee of the Brickworks Deferred Employee Share Plan and vest in accordance with the conditions attached to the granting of the shares, as outlined in the Remuneration Report. The fair value of the shares (market value at purchase date) is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares. No gain or loss is recognised in profit or loss on the purchase, sale or issue of the Group's own equity instruments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(ae) Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating segments have been identified based on the information provided to the Managing Director.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products;
- Nature of the production process;
- Type or class of customer for the products;
- Methods used to distribute the products; and
- Nature of the regulatory environment.

Management has determined that reportable segments are based around products. A number of identified operating segments have been aggregated to form both the Building Products segment and the Property segment.

The accounting policies used by the Group in reporting segments internally are the same as those used by the Group in these consolidated financial statements.

Some items which are not attributable to specific segments, such as finance costs and some other expenses, are listed separately in the segment note as 'unallocated' items.

(af) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(ag) Foreign currency transactions and balances**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period;
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the income statement in the period in which the operation is disposed.

(ah) Fair Value

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(ai) Significant accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future, and the resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Judgements that are made by management in the application of accounting standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year, are disclosed in the relevant notes to the financial statements, where applicable.

(aj) Accounting standards issued but not yet effective

A number of Australian accounting standards have been issued but have not been adopted for the financial year ended 31 July 2016.

The application of the following standards may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review:

AASB 16: Leases	The standard will be first applicable for the year commencing 1 August 2019. The impact of this standard is expected to be material to the Group. However, until the Group undertakes a detailed review, it is not practicable to provide a reasonable estimate of the effect of this standard.
AASB 15: Revenue from Contracts with Customers	The standard will be first applicable for the year commencing 1 August 2018. The impact of this standard is not expected to be material to the Group, however the impact on the profits of associates is yet to be determined.
AASB 9: Financial Instruments	The standard will be first applicable for the year commencing 1 August 2018. The impact of this standard is not expected to be material to the Group.

(ak) Comparative information

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

	31 JULY 16 \$000	31 JULY 15 \$000
NOTE 2: PARENT ENTITY INFORMATION		
Information relating to Brickworks Ltd		
Current assets	7,436	549
Total assets	1,079,267	1,099,626
Current liabilities	18,103	30,239
Total liabilities	607,151	604,156
Issued capital	336,905	334,165
Reserves		
– capital profits	84,479	84,479
– general	11,645	11,645
– share based payments	5,351	3,690
Total reserves	101,475	99,814
Retained earnings	33,736	61,491
Total shareholders' equity	472,116	495,470
Net profit after income tax	40,664	38,508
Total comprehensive income	40,664	38,508

Information regarding guarantees entered into by the parent entity in relation to the debts of its subsidiaries are contained in note 28(d).

There are no contingent liabilities or contractual commitments for the acquisition of property, plant or equipment of the parent identity.

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NOTE 3: REVENUE

Trading revenue		
Sale of goods	746,424	695,233
Sale of land held for resale	–	18,256
	746,424	713,489
Other operating revenue		
Interest received – other corporations	442	280
Rental revenue	1,496	1,759
Other	2,623	8,083
Total operating revenue	750,985	723,611
Other income		
Net gain on sale of property, plant and equipment	1,765	317
Property development profits	–	2,932
Other items	363	234
Total other income	2,128	3,483

		CONSOLIDATED	
	NOTE	31 JULY 16 \$000	31 JULY 15 \$000
NOTE 4: INCOME AND EXPENSES			
(a) Specific expense disclosures			
Depreciation and amortisation			
– Buildings		4,209	3,824
– Plant and equipment		23,168	21,308
Total depreciation		<u>27,377</u>	<u>25,132</u>
– Intangible assets		24	98
Total amortisation		<u>24</u>	<u>98</u>
Total depreciation and amortisation expense		<u><u>27,401</u></u>	<u><u>25,230</u></u>
Borrowing costs			
– Paid to other corporations		13,646	17,112
– Mark to market swap valuation losses / (gains)		434	2,370
Total borrowing costs expensed		<u>14,080</u>	<u>19,482</u>
Rental expense on operating leases			
– Minimum lease payments		<u>23,035</u>	<u>22,451</u>
Employee benefit expense		167,898	157,550
Defined contribution superannuation expense		11,659	10,976
Research and development expenditure		903	2,268
Bad and doubtful debts – trade debtors		472	786
Write down of inventories to net realisable value		3,067	1,972
(b) Property related income			
The following items are relevant in explaining the financial performance for the year:			
Profit from sale of land held for resale		–	4,601
Development profits from joint ventures		–	2,664
Fair value adjustment on recognition as investment property		8,439	1,916
Share of fair value adjustment of properties		51,220	29,137
Share of property Trust rental profits		15,263	15,335
Share of profit on disposal of investment property held by JV		–	12,141
Total profits from Property Trusts	25	<u><u>74,922</u></u>	<u><u>58,529</u></u>

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\$000 **\$000**

NOTE 4: INCOME AND EXPENSES (cont.)

(c) Significant items

Profit before income tax expense includes the following significant benefits/(expenses):

Significant one-off transactions of associate ⁽¹⁾	129	(25,140)
Write down of property, plant and equipment to recoverable value ⁽³⁾	(14,523)	–
Costs related to business acquisition ⁽²⁾	(206)	(577)
Costs on closure of manufacturing facilities and site relocation ⁽²⁾	(5,201)	–
Costs on commissioning of manufacturing facilities ⁽²⁾	(1,025)	(4,333)
Impairment of goodwill and timber access rights ⁽³⁾	(47,258)	(16,761)
Legal & advisory costs – Perpetual matter ⁽²⁾	(2,828)	(1,504)
Restructuring activities ⁽²⁾	(2,929)	(1,236)
Other significant items ⁽²⁾	(315)	–
Income tax benefit / (expense) on significant items ⁽⁴⁾	8,109	2,822
Income tax benefit / (expense) arising from WHSP carrying value ⁽⁴⁾	(2,842)	4,520

⁽¹⁾ Disclosed in “Share of net profits of associates” line on Statement of Profit or Loss and Other Comprehensive Income

⁽²⁾ Disclosed in “Other expenses” line on Statement of Profit or Loss and Other Comprehensive Income

⁽³⁾ Disclosed in “Impairment of non-current assets” line on Statement of Profit or Loss and Other Comprehensive Income

⁽⁴⁾ Disclosed in “Tax expense” line on Statement of Profit or Loss and Other Comprehensive Income

NOTE 5: INCOME TAX

(a) Income tax expense

Current Tax	14,727	24,962
Deferred Tax	18,784	(3,988)
Overprovided in prior years	(2,766)	(2,194)
Utilisation of carried forward capital losses	(1,259)	–
	<u>29,486</u>	<u>18,780</u>

(b) Reconciliation of income tax expense to prima facie tax payable

Prima facie tax payable on profit before income tax at 30%	32,303	29,061
Adjust for tax effect of:		
difference in foreign tax rates	(12)	(29)
rebateable dividends	(15,645)	(15,032)
impairment of goodwill and intangibles	14,177	5,029
deferred tax items recognised	–	(1,253)
share of net profits of associates	655	1,682
other non-allowable items	2,033	1,518
over provided in prior years	(2,766)	(2,196)
utilisation of carried forward capital losses	(1,259)	–
Income tax expense attributable to profit	<u>29,486</u>	<u>18,780</u>

(c) Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss

Current tax – debited / (credited) directly to equity	–	–
Share of increments / (decrements) in reserves attributable to associates	(5,517)	(742)
Deferred tax – debited / (credited) directly to equity	(5,517)	(742)
	<u>(5,517)</u>	<u>(742)</u>

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\$000 **\$000**

NOTE 6: AUDITOR'S REMUNERATION

Audit of the financial report	490	500
Other regulatory audits	25	–
Taxation services	26	–
Other assurance services	37	–
	<u>578</u>	<u>500</u>

The auditor of the Brickworks Ltd Group is Ernst & Young. Details of non-audit services provided by Ernst & Young are outlined in the Directors' Report.

NOTE 7: DIVIDENDS

Final ordinary dividend (prior year) of 30.0 cents per share paid 25/11/15 (2014 - 28.0c paid 27/11/14)	44,621	41,553
Interim ordinary dividend of 16.0 cents per share paid 03/05/16 (2015 - 15.0c paid 5/05/15)	23,798	22,261
Group's share of dividend received by associated company	(12,900)	(12,059)
	<u>55,519</u>	<u>51,755</u>
Proposed final ordinary dividend of 32.0 cents per share not recognised as a liability at year end (2015 – 30.0c)	<u>47,596</u>	<u>44,521</u>

All dividends paid and proposed have been or will be fully franked at the tax rate of 30%

Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable and dividends recognised as receivables	<u>135,938</u>	<u>132,830</u>
Impact on franking account balance of dividends not recognised	<u>(20,398)</u>	<u>(19,080)</u>

NOTE 8: EARNINGS PER SHARE

(a) Reconciliation of earnings

Net profit attributed to members of the parent entity	<u>78,190</u>	<u>78,090</u>
Earnings used in the calculation of basic EPS	<u>78,190</u>	<u>78,090</u>
Earnings used in the calculation of diluted EPS	<u>78,190</u>	<u>78,090</u>

(b) Weighted average number of ordinary shares outstanding

during the year used in calculation of basic EPS	<u>148,674,235</u>	<u>148,334,576</u>
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<u>148,674,235</u>	<u>148,334,576</u>

	No.	No.
	cents	cents
Basic earnings per share	52.6	52.6
Diluted earnings per share	52.6	52.6

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\$000 **\$000**

NOTE 9: CASH & CASH EQUIVALENTS

Cash on hand	30,040	22,839
Deposits at call	743	212
	<u>30,783</u>	<u>23,051</u>

Deposits at call have carrying amounts that reasonably approximate fair value. Deposits are for periods of up to one month, and earn interest at the respective short term deposit rates.

NOTE 10: RECEIVABLES

(a) Current

Trade receivables	94,441	100,681
Provision for doubtful debts	(856)	(1,055)
Net trade receivables	<u>93,585</u>	<u>99,626</u>
Other debtors	12,973	3,478
	<u>106,558</u>	<u>103,104</u>

(b) Movement in provision for doubtful debts

Balance at the beginning of the year	1,055	1,643
Additional provisions recognised	1,217	1,431
Trade debts written off	(671)	(1,374)
Reversals of provisions not required	(745)	(645)
Balance at the end of the year	<u>856</u>	<u>1,055</u>

(c) Receivables past due

Receivables past due but not impaired		
Past due 0 – 30 days	3,233	3,696
Past due 30+ days	2,106	2,827
	<u>5,339</u>	<u>6,523</u>

Trade receivables and other debtors have carrying amounts that reasonably approximate fair value. Average terms are 30 days from statement.

Before allowing new customers to trade on credit terms, an analysis of the potential customers credit quality is performed using external credit reporting agencies and internal reporting to determine whether an account will be opened and the amount of the limit to be applied to that account. Various levels of management are required to approve progressively higher credit limits, with individual limits exceeding \$1 million reported to the Board.

An analysis of trade receivable balances past due is performed constantly throughout the year, and an allowance is made for estimated irrecoverable trade receivables based on historical experience of default, and known information on individual debtors. In many instances security is held over individual debtors in the form of personal guarantees. All receivables not impaired are expected to be collected in full.

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\$000 **\$000**

NOTE 11: INVENTORIES

(a) Current

Raw materials and stores at cost	33,840	33,116
Work in progress at cost	21,841	20,997
Finished goods at cost	132,374	124,084
	<u>188,055</u>	<u>178,197</u>
Finished goods at net realisable value	339	509
	<u>188,394</u>	<u>178,706</u>

(b) Non-Current

Raw materials and stores at cost	7,998	8,129
	<u>7,998</u>	<u>8,129</u>

NOTE 12: LAND HELD FOR RESALE

(a) Current

9,652	5,455
<u>9,652</u>	<u>5,455</u>

(b) Non-Current

4,137	8,182
<u>4,137</u>	<u>8,182</u>

Non-current land held for resale represents portions of properties which have been classified as ready for sale in accordance with the accounting policy note. Exact timing of these sales is unable to be reliably forecast and the sale of these specific blocks is not expected to occur within the following 12 months from balance date. These properties are disclosed in the Property segment of note 26.

Land held for resale is measured at the lower of cost and fair value less costs to sell. In 2016 there have been no write downs of land held for resale to the lower of those two values (2015: Nil).

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associated entities – listed	24	1,150,243	1,146,302
Investment in jointly controlled entities	25	312,587	309,371
		<u>1,462,830</u>	<u>1,455,673</u>

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31 JULY 16 **31 JULY 15**
\$000 **\$000**

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

Land		
Freehold land at cost	176,555	171,741
Leasehold land at cost	235	235
	<u>176,790</u>	<u>171,976</u>
Buildings		
At cost	153,516	152,235
Accum depreciation and impairment writedowns	(51,608)	(50,124)
	<u>101,908</u>	<u>102,111</u>
Plant and equipment		
At cost	465,890	450,444
Accum depreciation and impairment writedowns	(295,336)	(292,941)
	<u>170,554</u>	<u>157,503</u>
Capital works in progress	39,202	45,980
Total plant and equipment	<u>209,756</u>	<u>203,483</u>
	<u>488,454</u>	<u>477,570</u>

(a) Impairment write-downs

During the period impairment losses totalling \$14.9 million (2015: \$0.1 million) were recognised in relation to various assets primarily as a result of plant closures. All impairment losses are shown in the 'Impairment of non-current assets' line on the Statement of Profit or Loss and Other Comprehensive Income, and all losses are included in the Building Products segment (refer note 26).

The carrying value of assets that have been subject to recoverable amount write-downs, by class, are outlined below:

Buildings		
Assets not subject to write-downs	101,908	102,111
	<u>101,908</u>	<u>102,111</u>
Plant and equipment		
Assets subject to write-downs	456	-
Assets not subject to write-downs	209,300	203,483
	<u>209,756</u>	<u>203,483</u>

The carrying amount of temporarily idle buildings, plant and equipment at 31 July 2016 was Nil (2015: Nil).

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (cont.)**(b) Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

Consolidated	Land \$000	Buildings \$000	Plant & Equip. \$000	Total \$000
At 1 August 2014				
Cost	157,138	140,379	433,512	731,029
Accumulated depreciation	–	(43,176)	(256,011)	(299,187)
Balance at 1 August 2014	<u>157,138</u>	<u>97,203</u>	<u>177,501</u>	<u>431,842</u>
Year ended 31 July 2015				
Additions	7,664	7,549	45,472	60,685
Assets acquired by acquisition of business	1,820	1,380	1,927	5,127
Assets transferred to land held for resale	5,355	–	–	5,355
Disposals	(1)	(51)	(109)	(161)
Impairment losses	–	(146)	–	(146)
Depreciation expense	–	(3,824)	(21,308)	(25,132)
Balance at 31 July 2015	<u>171,976</u>	<u>102,111</u>	<u>203,483</u>	<u>477,570</u>
Year ended 31 July 2016				
Additions	5,442	6,015	43,341	54,798
Assets acquired by acquisition of business	–	–	19	19
Assets transferred (to) / from land held for resale	–	–	(152)	(152)
Disposals	(628)	(692)	(157)	(1,477)
Impairment losses	–	(1,317)	(13,610)	(14,927)
Depreciation expense	–	(4,209)	(23,168)	(27,377)
Balance at 31 July 2016	<u>176,790</u>	<u>101,908</u>	<u>209,756</u>	<u>488,454</u>

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31 JULY 16 **31 JULY 15**
\$000 **\$000**

NOTE 15: INTANGIBLE ASSETS

Goodwill		
At cost	288,019	284,574
Less: impairment write-downs	(89,216)	(41,958)
	<u>198,803</u>	<u>242,616</u>
Timber access rights		
At cost	8,656	8,655
Less: accumulated amortisation / impairment writedown	(8,656)	(8,655)
	<u>–</u>	<u>–</u>
Brand names		
At cost	14,300	14,300
Less: accumulated amortisation	(5,300)	(5,300)
	<u>9,000</u>	<u>9,000</u>
Other intangibles		
At cost	646	646
Less: accumulated amortisation	(175)	(151)
	<u>471</u>	<u>495</u>
	<u>208,274</u>	<u>252,111</u>

NOTE 15: INTANGIBLE ASSETS (cont.)**(a) Intangible assets with indefinite useful lives**

Brand names with a carrying value of \$9.0 million (2015: \$9.0 million) have been assessed as having an indefinite useful life, as the brand has been part of the brick industry since 1853, and Brickworks intends to continue trading under this brand. The brand names have been allocated to the Austral Bricks (Vic) CGU, which forms part of the Building Products segment.

Management's assessment of the appropriateness of the carrying value of indefinite useful life intangibles is based on key assumptions which may vary. In addition to the projected cash flows to be generated by the ongoing use of these assets, these are the discount rate (WACC) and the long term growth rate (LTGR). The rates used in calculating the value in use are consistent with the rates outlined surrounding the impairment of goodwill below (note 15(b)). Given current volatility in financial markets generally, it is difficult to predict how these variables may move. At balance date, it is not expected that a reasonably possible change in key assumption would result in an impairment to these assets.

In 2015 the Group recognised an impairment charge against the carrying value of timber access rights for its full amount of \$6.8 million in relation to the Auswest Timber CGU. The impairment loss reflected a delay and risk in achieving planned operational efficiencies in this business. This CGU forms part of the Building Products operating segment.

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

Goodwill is allocated to the Group's CGUs for impairment testing purposes. At 31 July 2016 the following CGUs representing business operations have significant allocations of goodwill:

- | | |
|---|---|
| • Austral Bricks (NSW) \$67.5 million (2015: \$67.5m) | • Austral Bricks (SA) \$8.0 million (2015: \$8.0m) |
| • Austral Bricks (WA) \$nil (2015: \$47.3m) | • Bristle Roofing (East Coast) \$29.4 million (2015: \$25.9m) |
| • Austral Bricks (Vic) \$75.2 million (2015: \$75.2m) | • Austral Masonry \$18.7 million (2015: \$18.7m) |

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

(ii) Recognised impairment losses

The Group tests goodwill and other intangible assets with indefinite useful lives at least annually for any impairment in accordance with the accounting policy stated in note 1(r).

At 31 July 2016, the Group recognised an impairment loss against the carrying value of goodwill for its full amount of \$47.3 million in relation to the Austral Bricks (WA) CGU. The impairment loss reflects the significant decline in building activity and strong competition in Western Australia. The Austral Bricks (WA) CGU forms part of the Building Products operating segment.

The impairment loss of \$10 million recognised during the financial year ended 31 July 2015 was in relation to the Austral Precast CGU.

(iii) Key assumptions

The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost to sell.

The valuations used to support the carrying amounts of each CGU (including goodwill, other intangible assets and property plant and equipment) are based on forward looking key assumptions that are by their nature uncertain. The nature and basis of the key assumptions used to estimate the future cash flows and discount rates, and on which the Group has based its projections when determining the recoverable value of each CGU, are set out below.

VIU calculations use cash flows projections, inclusive of working capital movements, and are based on financial projections approved by the Board covering a five-year period. Estimates beyond five years are calculated with a growth rate that reflects the long term growth rate for the State (or States) that the CGU predominately operates in.

The basis of estimation used the following key operating assumptions:

- Sales volumes are management forecasts reflecting independent external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates. A major driver of sales volumes is housing approvals and commencements;
Management has assessed the reported forecast housing construction activity data from sources such as BIS Shrapnel and the Housing Industry Association (HIA) over the budget period;
- Costs are calculated taking into account historical gross margins, known cost increases, and estimated inflation rates over the period that are consistent with locations in which the CGU's operate;
- Management expects to obtain sales price growth over the budget period. The assumed increases differ by CGU and between different states where the CGU operates. Price increases are considered inherently achievable in a rational market where supply of product approximates demand;
- Terminal value earnings are based on average earnings over the 5 year forecast period moderated to reflect management's view of long term earnings across the cycle;
- Long term growth rates used in the cash flow valuation reflect the lower of 2.5% (2015:3.0%) and the average 10 year historical growth rates for states in which the CGU's operate (sourced from the Australian Bureau of Statistics). The long term growth rate applied to the significant divisions were Austral Bricks (NSW) 2.14% (2015: 2.08%), Austral Bricks (WA) 2.50% (2015: 3.00%), Austral Bricks (Vic) 2.37% (2015: 2.50%), Austral Bricks (SA) 2.05% (2015: 2.05%), Bristle Roofing East Coast 2.5% (2015: 2.53%) and Austral Masonry 2.50% (2015: 2.53%);
- Management uses an independent external advisor to calculate the appropriate discount rate applied consistently across all CGUs. For 2016, the pre-tax discount rate was 11.75% (2015: 12.48%).

NOTE 15: INTANGIBLE ASSETS (cont.)**(b) Impairment of Goodwill (cont.)**

(iv) Sensitivity to key assumptions

An impairment loss of \$42.3 million has been recognised with respect to the goodwill allocated to the Austral Bricks (WA) CGU.

The forecast future cash flows are broadly in line with the remaining carrying value of the CGU. As a result, any adverse change in an assumption which is not offset by a positive change in another assumption would lead to a reduced valuation on a value-in-use basis, and hence would result in an additional impairment.

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

(c) Reconciliations**Consolidated**

	Goodwill \$000	Timber Access Rights \$000	Brand Names \$000	Other Intangibles \$000	Total \$000
At 1 August 2014					
Cost	294,619	8,507	14,300	622	318,048
Accumulated amortisation / impairment	(41,958)	(1,717)	(5,300)	(103)	(49,078)
Balance at 1 August 2014	<u>252,661</u>	<u>6,790</u>	<u>9,000</u>	<u>519</u>	<u>268,970</u>
Year ended 31 July 2015					
Additions	–	–	–	–	–
Impairment losses	(10,045)	(6,716)	–	–	(16,761)
Amortisation	–	(74)	–	(24)	(98)
Balance at 31 July 2015	<u>242,616</u>	<u>–</u>	<u>9,000</u>	<u>495</u>	<u>252,111</u>
Year ended 31 July 2016					
Additions	3,445	–	–	–	3,445
Impairment losses	(47,258)	–	–	–	(47,258)
Amortisation	–	–	–	(24)	(24)
Balance at 31 July 2015	<u>198,803</u>	<u>–</u>	<u>9,000</u>	<u>471</u>	<u>208,274</u>

NOTE	CONSOLIDATED 31 JULY 16 \$000	31 JULY 15 \$000
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NOTE 16: PAYABLES**Current**

Trade payables and accruals	<u>81,593</u>	<u>88,335</u>
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Payables have carrying amounts that reasonably approximate fair value. Average terms on trade payables are 30 days from statement.

NOTE 17: INTEREST BEARING LIABILITIES**(a) Current**

Commercial bills	27	–	25,000
Unamortised transaction costs		–	(555)
		<u>–</u>	<u>24,445</u>

(b) Non-current

Commercial bills	27	300,000	300,000
Unamortised transaction costs		(776)	(761)
		<u>299,224</u>	<u>299,239</u>

NOTE 17: INTEREST BEARING LIABILITIES (cont.)**(c) Commercial bills**

Commercial bills are drawn under either:

- a 5 year syndicated facility amortised in three separate tranches with the last tranche expiring December 2019 or
- a working capital facility which as at 31 July 2016 was due to expire on 18 August 2016. In August 2016 the working capital facility was extended until December 2018. This facility was not drawn as at 31 July 2016 (2015: Nil).

More information on the Group's borrowing facilities can be found in note 27.

Interest is payable based on floating rates determined with reference to the BBSY bid rate at each maturity.

The fair value of commercial bills at 31 July 2016 approximated their nominal value (2015: nominal value).

A portion of the borrowings are hedged using a fixed interest rate swap contract, details of which can be found in notes 18 and 27.

NOTE 18: DERIVATIVE FINANCIAL INSTRUMENTS

	NOTE	CONSOLIDATED	
		31 JULY 16 \$000	31 JULY 15 \$000
(a) Current liability			
Interest rate swap contract	27	–	234
(b) Non-Current liability			
Interest rate swap contract	27	5,820	5,152

The interest rate swap is being used to hedge the exposure to changes in the interest rate payable on its commercial bills (refer note 17). The hedges in place at 31 July 2016 are not hedge accounted, and the fair value movement of the hedges is recognised in the statement of comprehensive income.

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

NOTE 19: PROVISIONS**(a) Current**

Employee benefits	38,008	36,057
Remediation	3,014	4,166
Infrastructure costs	4,262	4,764
Workers compensation	3,693	4,578
Other	1,157	1,138
	<u>50,134</u>	<u>50,703</u>

(b) Non-current

Employee benefits	3,566	3,056
Remediation	2,340	2,354
Other	3,381	3,275
	<u>9,287</u>	<u>8,685</u>

(c) Reconciliations

	Remediation \$000	Infrastructure Costs \$000	Workers Compensation \$000	Other \$000
Consolidated				
Year ended 31 July 2016				
Balance at the beginning of the year	6,520	4,764	4,578	4,413
Additional provisions recognised	758	–	6,756	456
Amounts used	(1,924)	(502)	(4,283)	(331)
Reversals of provisions	–	–	(3,358)	–
Balance at the end of the year	<u>5,354</u>	<u>4,262</u>	<u>3,693</u>	<u>4,538</u>
Current	3,014	4,262	3,693	1,157
Non-current	2,340	–	–	3,381
	<u>5,354</u>	<u>4,262</u>	<u>3,693</u>	<u>4,538</u>

NOTE 19: PROVISIONS (cont.)**(d) Descriptions****Provision for Remediation**

A provision has been recognised for the estimated costs of restoring operational and quarry sites to their original state in accordance with relevant approvals. The settlement of this provision will occur as the operational site nears the end of its useful life, or once the resource allocation within the quarry is exhausted, which varies based on the size of the resource and the usage rate of the extracted material. In some cases this may extend decades into the future.

Provision for infrastructure costs

A provision has been recognised for Brickworks obligation for the estimated costs of completed infrastructure works in relation to certain properties. The timing of future outflows is expected to occur within the next financial year.

Provision for workers compensation

The Brickworks group self-insures for workers compensation in certain states. The provision has been based on independent actuarial calculations based on incidents reported before year end. The timing of the future outflows is dependent upon the notification and acceptance of relevant claims, and would be expected to be satisfied over a number of future financial periods.

Other provisions

Other provisions are made up from a number of sundry items.

NOTE 20: NET DEFERRED TAXES

	CONSOLIDATED		CONSOLIDATED	
	31 JULY 16	31 JULY 15	31 JULY 16	31 JULY 15
	\$000	\$000	\$000	\$000
	Statement of Financial Position		Movement through Profit or Loss	
Deferred taxes relate to the following:				
Equity accounted associates	223,581	204,308	23,249	(5,847)
Property, plant and equipment	10,366	13,901	(3,517)	481
Provisions	(17,256)	(17,281)	(670)	268
Tax losses and rebates	(286)	(1,159)	-	-
Intangibles	1,697	1,658	40	(316)
Other sundry items	(555)	(441)	(318)	1,426
Net deferred taxes	<u>217,547</u>	<u>200,986</u>	<u>18,784</u>	<u>(3,988)</u>

The carried forward tax losses will be utilised in coming periods as the Group continues to make profits.

NOTE 21: CONTRIBUTED EQUITY

	CONSOLIDATED			
	31 JULY 16		31 JULY 15	
	\$000		\$000	
Fully paid ordinary shares		348,231		343,108
Treasury stock		(11,326)		(8,943)
		<u>336,905</u>		<u>334,165</u>
		2016		2015
	No. of	Value	No. of	Value
	Shares	\$000	Shares	\$000
(a) Ordinary shares				
Opening balance	148,403,478	343,108	148,038,996	338,204
Shares issued during the year	333,660	5,136	364,482	4,916
Costs associated with shares issued		(13)		(12)
Balance at end of year	<u>148,737,138</u>	<u>348,231</u>	<u>148,403,478</u>	<u>343,108</u>

NOTE 21: CONTRIBUTED EQUITY (cont.)

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder's meetings each share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

There have been no options issued or on issue at any time during or since the end of the financial year.

The parent does not have authorised capital nor par value in respect of its issued shares.

	2016		2015	
	No. of Shares	Value \$000	No. of Shares	Value \$000
(b) Treasury stock				
Opening balance	708,241	(8,943)	588,071	(6,784)
add: bonus shares purchased / issued by share plan	408,465	(6,287)	441,311	(5,953)
less: bonus shares vested during period	(310,794)	3,904	(321,141)	3,794
Balance at end of period	<u>805,912</u>	<u>(11,326)</u>	<u>708,241</u>	<u>(8,943)</u>

Treasury stock are those shares held by the employee share plans that have not vested to the participant at balance date. More information on the employee share plans is contained in note 31 of these financial statements.

	CONSOLIDATED	
	31 JULY 16 \$000	31 JULY 15 \$000
NOTE 22: RESERVES		
(a) Composition of reserves		
– capital profits	88,102	88,102
– equity adjustment	(19,798)	(25,315)
– general	36,125	36,125
– foreign currency translation	(1,496)	(1,516)
– share based payments	5,352	3,690
– associates & JV's	202,970	221,358
	<u>311,255</u>	<u>322,444</u>

(b) Descriptions**Capital profits reserve**

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

Equity adjustments reserve

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

General reserve

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

Foreign currency translation reserve

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

Share based payments reserve

The share based payments reserve represents the value of bonus shares (treasury stock) that have been expensed through profit and loss but are yet to vest to the employee.

Associates & JV's reserve

The associates reserve represents Brickworks share of its associate's & JV's reserve balances. The Company is unable to control this reserve in any way, and does not have any ability or entitlement to distribute this reserve, unless it is received from its associates or JV's in the form of dividends.

	CONSOLIDATED	
NOTE	31 JULY 16	31 JULY 15
	\$000	\$000

NOTE 23: CASH FLOW INFORMATION

(a) Reconciliation of net profit after tax to cash flow from operations

Net profit after tax	78,190	78,090
Non-cash flows in net profit		
Amortisation of intangible assets	24	98
Amortisation of borrowing costs	540	(855)
Depreciation of non-current assets	27,377	25,132
Mark to market interest rate swaps	434	2,370
Impairment of goodwill and intangibles	47,258	16,761
Write down of property, plant & equipment to recoverable value	14,927	146
(Profits) / losses on disposal of property, plant & equipment	(1,764)	(316)
Non cash profit on sale of land held for resale	4,403	2,745
Share of profits of associates not received as dividends	(20,151)	(23,010)
Changes in assets and liabilities net of the effects of acquisitions of businesses		
(Increase) / decrease in trade and sundry debtors	(3,455)	(4,023)
(Increase) / decrease in inventories	(9,544)	(1,863)
(Increase) / decrease in land held for resale	-	13,079
(Increase) / decrease in prepayments	(2,245)	1,788
Increase / (decrease) in creditors and accruals	(6,772)	6,318
Increase / (decrease) in taxes payable	(2,716)	11,871
Increase / (decrease) in other current provisions	(720)	5,083
Increase / (decrease) in other non-current provisions	602	(6,683)
Increase / (decrease) in deferred tax liabilities	22,119	6,521
Net cash flows from / (used in) operating activities	148,507	133,252

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash & cash equivalents	30,783	23,051
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NOTE 24: ASSOCIATED COMPANIES

Information relating to significant associates:

Name	Ownership interest		Carrying value		Profit contribution	
	2016	2015	2016	2015	2016	2015
	%	%	\$000	\$000	\$000	\$000
Washington H Soul Pattinson & Co Ltd	42.72	42.72	1,150,243	1,146,302	59,246	29,434
Market value of shares at balance date			1,782,354	1,400,932		

Washington H. Soul Pattinson & Co Ltd (WHSP) is involved in coal, pharmaceutical, telecommunications and investment. WHSP's balance date is 31 July annually. At 31 July 2016 WHSP owned 44.14% (2015: 44.23%) of issued ordinary shares of Brickworks Ltd. WHSP is incorporated in Australia.

CONSOLIDATED
31 JULY 16 **31 JULY 15**
\$000 **\$000**

NOTE 24: ASSOCIATED COMPANIES (cont.)

(a) Summary of associates financial information, adjusted to reflect adjustments made in using the equity method

Current assets	405,587	1,445,953
Non-current assets	3,496,439	2,413,868
Current liabilities	(179,908)	(161,398)
Non-current liabilities	(322,334)	(267,274)
Outside equity interest (OEI)	<u>(707,268)</u>	<u>(747,857)</u>
Equity excluding (OEI)	<u>2,692,516</u>	<u>2,683,292</u>
Brickworks' share	<u>1,150,243</u>	<u>1,146,302</u>
Revenue	<u>620,661</u>	<u>641,604</u>
Profit after income tax from continuing operations	<u>149,420</u>	<u>50,827</u>
Other comprehensive income	<u>(38,563)</u>	<u>28,174</u>
Total comprehensive income	<u>110,857</u>	<u>79,001</u>
Dividends received	<u>52,151</u>	<u>50,106</u>

(b) Associates' expenditure commitments

Capital commitments	–*	7,002
Lease commitments	–*	66,025

The entity has no legal liability for any expenditure commitments incurred by associates.

* Note: Associated company (WHSP) figures for 2016 were not publicly available at the time of preparation of this report.

(c) Contingent liabilities of associates

Contingent liabilities incurred jointly with other investors	–*	30,076
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The entity has no legal liability for any contingent liabilities incurred by associates.

* Note: Associated company (WHSP) figures for 2016 were not publicly available at the time of preparation of this report.

NOTE 25: JOINTLY CONTROLLED ENTITIES

Information relating to jointly controlled entities (JV's) is set out below:

Name	Ownership interest		Carrying value		Profit contribution	
	2016	2015	2016	2015	2016	2015
	%	%	\$000	\$000	\$000	\$000
BGAI CDC Trust	50.00	50.00	554	68,244	–	25,073
BGAI Erskine Trust	50.00	50.00	91,189	75,098	24,813	17,151
BGAI Capicure Trust	50.00	50.00	9,512	7,026	3,230	707
BGAI Heritage Trust	50.00	50.00	28,317	23,426	7,013	3,917
BGAI Oakdale Trust	50.00	50.00	98,996	58,196	27,620	9,217
BGAI Wacol Trust	50.00	50.00	5,743	5,743	590	548
BGAI Oakdale South Trust	50.00	50.00	41,721	38,651	–	–
BMGW Rochedale Trust	50.00	50.00	29,957	26,256	3,217	–
NZ Brick Distributors	50.00	50.00	6,598	6,731	531	1,472
Fair value adjustments					8,439	1,916
			<u>312,587</u>	<u>309,371</u>	<u>75,453</u>	<u>60,001</u>

NOTE 25: JOINTLY CONTROLLED ENTITIES (cont.)

The principal activity of each of the above JV's is property development, management and leasing, and they share the same risk and return characteristics, being the industrial property market in Australian Capital cities. All JV's are incorporated in Australia and have balance dates of 30 June, as the other partner in the JV has this balance date. They are accounted for using the Equity method. No JV has a quoted market price.

The profit contribution includes all fair value adjustments (including impairments) to Investment properties totalling \$59.7 million (2015: \$31.1 million). Fair value adjustments represent a significant accounting estimate and are determined by reference to independent market valuations. Refer note 4(b) for more detail on these profits.

During the financial year, the Group did not sell any investments in jointly controlled entities (2015: Nil).

Summarised information below has been aggregated due to the similarity of the risk and return characteristics.

	2016	2015
	\$000	\$000
(a) Summary of JV's financial information, adjusted to reflect adjustments made in using the equity method		
Cash and cash equivalents	15,164	5,037
Current assets	34,383	275,457
Non-current assets	957,784	774,405
Current financial liabilities	(20,900)	(20,900)
Current liabilities	(18,024)	(35,146)
Non-current financial liabilities	(329,358)	(378,585)
Non-current liabilities	(348,969)	(395,974)
Net assets	625,174	618,742
Brickworks' share	<u>312,587</u>	<u>309,371</u>
Revenues	57,818	89,871
Depreciation and Amortisation	40	162
Interest income	124	101
Interest expense	19,079	29,187
Income tax expense	–	–
Profit after income tax from continuing operations	<u>134,028</u>	<u>123,291</u>
Other comprehensive income	(2,318)	(2,327)
Total comprehensive income	<u>131,710</u>	<u>120,964</u>
Dividends received	<u>61,896</u>	<u>16,319</u>
(b) JV's expenditure commitments		
Capital commitments	<u>26,365</u>	<u>29,564</u>
Lease commitments	<u>–</u>	<u>–</u>
The entity has no legal liability for any contingent liabilities incurred by JV's.		
(c) Contingent liabilities of JV's		
Contingent liabilities incurred jointly with other investors	<u>–</u>	<u>–</u>
The entity has no legal liability for any contingent liabilities incurred by JV's.		

NOTE 26: SEGMENT INFORMATION

	Building Products		Property		Investments		Consolidated	
	31 JULY 16	31 JULY 15	31 JULY 16	31 JULY 15	31 JULY 16	31 JULY 15	31 JULY 16	31 JULY 15
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE								
Segment revenue from sales to external customers	748,128	700,871	2,415	22,460	442	280	750,985	723,611
RESULT								
Segment EBITDA	102,782	81,594	73,451	64,384	59,559	54,854	235,792	200,832
Less depreciation and amortisation	(27,401)	(25,230)	-	-	-	-	(27,401)	(25,230)
Segment EBIT (before significant items)	75,381	56,364	73,451	64,384	59,559	54,854	208,391	175,602
(Less) / add significant items	(70,357)	(22,855)	-	-	129	(25,140)	(70,228)	(47,995)
Segment result	5,024	33,509	73,451	64,384	59,688	29,714	138,163	127,607
Unallocated expenses								
Borrowing costs							(14,080)	(19,482)
Significant items							(3,928)	(1,556)
Other unallocated expenses							(12,479)	(9,699)
Profit before income tax							107,676	96,870
Income tax expense							(29,486)	(18,780)
Profit after income tax							78,190	78,090
ASSETS								
Segment assets	1,037,804	1,055,110	320,382	316,551	1,157,675	1,146,856	2,515,861	2,518,517
Unallocated assets							-	-
Total assets							2,515,861	2,518,517
LIABILITIES								
Segment liabilities	131,836	139,160	4,262	4,998	174,947	176,922	311,045	321,080
Unallocated liabilities								
Borrowings							299,224	323,684
Other							67,107	49,503
Total unallocated liabilities							366,331	373,187
Total liabilities							677,376	694,267
OTHER								
Aggregate share of the profit of investments accounted for using the equity method	531	1,472	74,922	58,529	59,246	29,434	134,699	89,435
Aggregate carrying amount of investments accounted for using the equity method	6,598	6,731	305,989	302,640	1,150,243	1,146,302	1,462,830	1,455,673
Acquisition of non-current segment assets	54,430	66,181	23,739	892	-	-	78,169	67,073
Non-cash expenses other than depreciation & amortisation	101,779	33,290	-	-	-	-	101,779	33,290

NOTE 26: SEGMENT INFORMATION (cont.)

The economic entity has the following business segments:

Building products division manufactures vitrified clay, concrete and timber products used in the building industry. Major product lines include bricks, blocks, pavers, roof tiles, floor tiles, precast walling and flooring panels, fiber cement walling panels and timber products used in the building industry.

Property division considers further opportunities to better utilise land owned by the Brickworks Group, including the sale of property and investment in property trusts.

Investment division holds investments in the Australian share market, both for dividend income and capital growth, and includes the Group's investment in Washington H Soul Pattinson and Co. Limited.

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

The Group operates predominantly within Australia, with some product manufactured by the clay products division exported to other countries, particularly New Zealand. Total revenue from sales outside of Australia in the 12 months ended 31 July 2016 was \$19.5 million (2015: \$18.0 million). The carrying value of non-current assets held outside of Australia at 31 July 2016 was \$6.9 million (2015: \$7.0 million).

NOTE 27: FINANCIAL INSTRUMENTS**(a) Capital Management**

The Brickworks Group manages its capital to ensure that all entities in the Group can continue as going concerns, while striving to maximise returns to shareholders through an appropriate balance of net debt and total equity. The balance of capital can be influenced by the level of dividends paid, the issuance of new shares, returns of capital to shareholders, or adjustments in the level of borrowings through the acquisition or sale of assets.

Brickworks capital structure is regularly measured using net debt to capital employed, calculated as net debt divided by a sum of net debt and total equity. Net debt is calculated as total borrowings (note 17) less cash and cash equivalents (note 9), and total equity of the parent entity includes issued capital (note 21), reserves (note 22) and retained earnings.

The Group's strategy during the year was to maintain the total debt to capital employed (at the consolidated level) below a banking covenant limit of 40% imposed per the variable interest rate facility agreement disclosed in Note 17 (2015: 40%).

	CONSOLIDATED	
	31 JULY 16	31 JULY 15
	\$000	\$000
Net debt to capital employed		
Net debt	269,217	301,949
Total equity	1,838,485	1,824,250
Net debt to capital employed	12.8%	14.2%

The Group is not subject to any other externally imposed capital requirements.

(b) Financial Risk Management

The Group's activities expose it to a variety of financial risks, primarily to the risk of changes in interest rates, but also, to a lesser extent, credit risk of third parties with which the Group trades and fluctuations in foreign currency exchange rates. The Group's overall risk management program seeks to minimise any significant potential adverse effects on the financial performance of the Group. Where approved by the Board, certain derivative financial instruments such as interest rate swaps or foreign exchange contracts may be used to hedge certain risk exposures. The Brickworks Group derivative policy prohibits the use of derivative financial instruments for speculative purposes.

(c) Terms, conditions and accounting policies

Details of the accounting policies adopted in relation to financial instruments are included in the summary of significant accounting policies to the accounts. Information regarding the significant terms and conditions of each significant category of financial instruments are included within the relevant note for that category.

NOTE 27: FINANCIAL INSTRUMENTS (cont.)**(d) Financial assets and liabilities by category**

Details of financial assets and liabilities as contained in the annual report are as follows:

		CONSOLIDATED	
	NOTE	31 JULY 16	31 JULY 15
		\$000	\$000
Financial assets and liabilities by category			
Financial Assets			
Cash and cash equivalents	9	30,783	23,051
Loans and receivables – current	10(a)	106,558	103,104
Total financial assets		<u>137,341</u>	<u>126,155</u>
Financial Liabilities			
Other financial liabilities			
Payables – current	16	81,593	88,335
Interest bearing liabilities – current	17(a)	-	25,000
Derivative financial instruments – current	18(a)	-	234
Interest bearing liabilities – non-current	17(b)	300,000	300,000
Derivative financial instruments – non-current	18(b)	5,820	5,152
Total other financial liabilities		<u>387,413</u>	<u>418,721</u>
Total financial liabilities		<u>387,413</u>	<u>418,721</u>

Fair values of financial assets and liabilities are disclosed in the notes to the accounts where those items are listed.

(e) Credit risk

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

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

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

NOTE 27: FINANCIAL INSTRUMENTS (cont.)**(f) Liquidity risk**

The Brickworks Group manages liquidity risk by maintaining a combination of adequate cash reserves, bank facilities and reserve borrowing facilities, continuously monitored through forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Details of credit facilities available to the Group, and the amounts utilised under those facilities are as follows:

	NOTE	CONSOLIDATED	
		31 JULY 16	31 JULY 15
		\$000	\$000
Unused credit facilities			
Credit facilities		450,000	450,000
Amount utilised		(300,000)	(325,000)
Unused credit facility		<u>150,000</u>	<u>125,000</u>

In December 2014 the Group entered into a new \$350.0 million unsecured variable interest rate facility with a syndicate of Australian and overseas banks. The funds drawn on this facility were used to repay the \$300.0 million facility disclosed in the financial statements as at 31 July 2014, which was subsequently cancelled.

As at 31 July 2016 the unsecured variable interest rate facility was drawn to \$300.0 million (2015: \$325.0 million). The facility is in three tranches as outlined below:

Tranche	Amount (\$m)	Drawn (\$m)	Expiry
A	150.0	100.0	Dec 2017
B	100.0	100.0	Dec 2018
C	100.0	100.0	Dec 2019

In addition, the Group has a \$100 million working capital facility, which was not drawn at balance date (2015: Nil) which as at 31 July 2016 was due to expire on 18 August 2016. In August 2016 the facility was extended until December 2018.

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

An analysis of the maturity profiles of the Group's undiscounted financial liabilities, based on contractual maturity and obligated payments, is as follows:

	NOTE	CONSOLIDATED	
		31 JULY 16	31 JULY 15
		\$000	\$000
Liquidity risk maturity analysis			
1 year or less			
Trade and other payables	16	81,593	88,335
Commercial bills		-	25,928
Derivatives	18(a)	-	234
Total 1 year or less		<u>81,593</u>	<u>114,497</u>
1 to 5 years			
Commercial bills		328,175	340,623
Derivatives	18(b)	5,820	5,152
Total 1 to 5 years		<u>333,995</u>	<u>345,775</u>

(g) Currency risk

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

The Group has a limited exposure to foreign currency fluctuations due to its importation of goods. The main exposure is to US dollars (USD) and Euros (EUR). It is the policy of the Group to enter into forward foreign exchange contracts to cover specific currency payments, as well as covering anticipated purchases for up to 12 months in advance. The overall level of exposure to foreign currency purchases is not material to the Group. Accordingly, any reasonably foreseeable fluctuation in the exchange rate of the USD or EUR would not have a material impact on either profit after tax or equity of the Brickworks Group.

NOTE 27: FINANCIAL INSTRUMENTS (cont.)**(h) Interest rate risk**

Brickworks' significant interest rate risk arises from fluctuations in the BBSY bid rate relating to Brickworks long and short term borrowings. Primarily, the exposure to interest rate risk is on the variable interest rate facility referred to in note 27(f) above.

The Brickworks Group manages its exposure to interest rate risk within the Group's derivative policy. The Group uses interest rate derivatives, where appropriate, to eliminate some of the risk of movements in interest rates on borrowings, and increase certainty around the cost of borrowed funds. The policy has target ranges for fixed interest rate borrowings.

At 31 July 2016, if interest rates had been +/- 1% per annum throughout the year, with all other variables being held constant, the operating profit after income tax for the year would have been \$1.26 million higher or lower respectively (2015: \$1.25 million higher / lower). There would not have been any other significant impacts on equity.

Interest rate swaps

The Brickworks Group has entered into interest rate swaps contracts which allow the Group to raise borrowings at floating rates and effectively swap them into a fixed rate (average rate 3.45%, 2015: 3.87%). The contracts require settlement of net interest receivable or payable usually around 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying long term debt and are brought to account as an adjustment to borrowing costs.

The notional principal amounts reduce from \$125.0 million over the next three years (2015: \$150.0 million over three years) as detailed below:

Settlement	2016 Avg %	2015 Avg %	2016 \$000	2015 \$000
Less than 1 year	-	5.96	-	25,000
1 to 3 years	3.47	-	75,000	-
3 to 5 years	3.43	3.45	50,000	125,000
Total notional principal at balance date			<u>125,000</u>	<u>150,000</u>

Financial Assets

Interest rates on money market instruments (deposits) vary with current short term bank bill rate movements. At balance date, the effective weighted interest rates on these financial assets was 2.05% (2015: 1.85%).

There are no other financial assets with exposure to interest rate risk.

(i) Other price risk

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

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

At the time of preparing this report, there was no publicly available information regarding the effects of any reasonably foreseeable fluctuations in equity values on net profit or equity of WHSP at 31 July 2016.

NOTE 28: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS**(a) List of significant controlled entities**

Details of the significant wholly owned entities within the Brickworks Group of companies are as follows. All wholly owned entities within the Group have been consolidated into these financial statements.

Controlled entities incorporated in Australia	ABN	Group's Interest	
		2016 %	2015 %
A.C.N. 000 012 340 Pty Ltd	38 000 012 340	100.0	100.0
A.C.N. 074 202 592 Pty Ltd	82 074 202 592	100.0	100.0
AP Installations (NSW) Pty Ltd	19 165 402 602	100.0	100.0
AP Installations (Qld) Pty Ltd	21 165 402 611	100.0	100.0
Austral Bricks (NSW) Pty Ltd	60 125 934 849	100.0	100.0
Austral Bricks (Qld) Pty Ltd	62 125 934 858	100.0	100.0
Austral Bricks (SA) Pty Ltd	66 125 934 876	100.0	100.0
Austral Bricks (Tas) Pty Ltd	83 125 934 947	100.0	100.0
Austral Bricks (Tasmania) Pty Ltd	14 009 501 053	100.0	100.0
Austral Bricks (Vic) Pty Ltd	64 125 934 867	100.0	100.0
Austral Bricks (WA) Pty Ltd	34 079 711 603	100.0	100.0
Austral Bricks Holdings Pty Ltd	55 120 364 365	100.0	100.0
Austral Facades Pty Ltd	63 144 804 553	100.0	100.0

NOTE 28: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)**(a) List of significant controlled entities (cont.)**

Controlled entities incorporated in Australia	ABN	Group's Interest	
		2016 %	2015 %
Austral Masonry (NSW) Pty Ltd	45 141 647 092	100.0	100.0
Austral Masonry (Qld) Pty Ltd	30 000 646 695	100.0	100.0
Austral Masonry (Vic) Pty Ltd	53 120 364 356	100.0	100.0
Austral Masonry Holdings Pty Ltd	97 141 629 996	100.0	100.0
Austral Precast (NSW) Pty Ltd	81 125 934 938	100.0	100.0
Austral Precast (Qld) Pty Ltd	20 145 070 855	100.0	100.0
Austral Precast (Vic) Pty Ltd	16 145 070 837	100.0	100.0
Austral Precast (WA) Pty Ltd	22 145 070 884	100.0	100.0
Austral Precast Holdings Pty Ltd	88 140 573 646	100.0	100.0
Austral Roof Tiles Pty Ltd	67 144 804 571	100.0	100.0
Auswest Timbers (ACT) Pty Ltd	34 087 808 811	100.0	100.0
Auswest Timbers Holdings Pty Ltd	51 120 364 347	100.0	100.0
Auswest Timbers Pty Ltd	28 071 093 591	100.0	100.0
Bowral Brickworks Pty Ltd	39 000 165 579	100.0	100.0
Brickworks Building Products Pty Ltd	63 119 059 513	100.0	100.0
Brickworks Building Products (NZ) Pty Ltd	64 076 976 880	100.0	100.0
Brickworks Cement Pty Limited	14 607 791 088	100.0	-
Brickworks Construction Materials Pty Limited	83 607 788 590	100.0	-
Brickworks Head Holding Co Pty Ltd	95 120 360 036	100.0	100.0
Brickworks Industrial Developments Pty Ltd	47 120 364 329	100.0	100.0
Brickworks Properties Pty Ltd	12 094 905 996	100.0	100.0
Brickworks Property Finance Co Pty Ltd	28 158 536 353	100.0	100.0
Brickworks Specialised Building Systems Pty Ltd (formerly Austral Panels Pty Ltd)	61 144 804 544	100.0	100.0
Brickworks Sub Holding Co No. 1 Pty Ltd	89 120 360 009	100.0	100.0
Brickworks Sub Holding Co No. 2 Pty Ltd	61 120 364 392	100.0	100.0
Brickworks Sub Holding Co No. 3 Pty Ltd	59 120 364 383	100.0	100.0
Brickworks Sub Holding Co No. 4 Pty Ltd	57 120 364 374	100.0	100.0
Brickworks Sub Holding Co No. 5 Pty Ltd	16 125 922 821	100.0	100.0
Brickworks Sub Holding Co No. 6 Pty Ltd	18 125 922 830	100.0	100.0
Brickworks Sub Holding Co No. 7 Pty Ltd	97 125 922 849	100.0	100.0
Brickworks Sub Holding Co No. 8 Pty Ltd	99 125 922 858	100.0	100.0
Bristile Guardians Pty Ltd	40 079 711 630	100.0	100.0
Bristile Holdings Pty Ltd	32 008 668 540	100.0	100.0
Bristile Pty Ltd	19 056 541 096	100.0	100.0
Bristile Roofing (East Coast) Pty Ltd	77 090 775 634	100.0	100.0
Bristile Roofing Holdings Pty Ltd	49 120 364 338	100.0	100.0
Christies Sands Pty Ltd	63 007 635 529	100.0	100.0
Clifton Brick Holdings Pty Ltd	83 004 493 181	100.0	100.0
Clifton Brick Manufacturers Pty Ltd	63 004 529 104	100.0	100.0
Daniel Robertson Australia Pty Ltd	53 087 575 611	100.0	100.0
Davman Builders Pty Ltd	66 004 434 342	100.0	100.0
Dry Press Publishing Pty Ltd	93 000 002 979	100.0	100.0
Hallett Brick Pty Ltd	20 007 622 317	100.0	100.0
Hallett Roofing Services Pty Ltd	93 007 880 220	100.0	100.0
Horsley Park Holdings Pty Ltd	65 008 392 014	100.0	100.0
International Brick & Tile Pty Ltd	31 003 281 123	100.0	100.0
J. Hallett & Son Pty Ltd	40 007 870 779	100.0	100.0
Lumetum Pty Ltd	98 607 790 634	100.0	-
Metropolitan Brick Company Pty Ltd	13 008 666 840	100.0	100.0
Nubrik Concrete Masonry Pty Ltd	29 004 767 113	100.0	100.0
Nubrik Pty Ltd	59 004 028 559	100.0	100.0
Pilsley Investments Pty Ltd	70 008 768 330	100.0	100.0
Prestige Brick Pty Ltd	24 009 266 273	100.0	100.0
Prestige Equipment Pty Ltd	68 006 727 920	100.0	100.0
Southern Bricks Pty Ltd	83 007 749 840	100.0	100.0
Terra Timbers Pty Ltd	93 091 183 050	100.0	100.0
The Austral Brick Co Pty Ltd	52 000 005 550	100.0	100.0
The Warren Brick Co Pty Ltd	24 000 006 682	100.0	100.0
Visigoth Pty Ltd	72 076 286 710	100.0	100.0

NOTE 28: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)**(b) Business acquisitions**

During the financial year ended 31 July 2016 the Group acquired 3 fascia and gutter businesses. Details of the net assets acquired under these transactions are set out below.

	CJM	Adams Direct	MFS	Total 2016
	\$000	\$000	\$000	\$000
Date acquired	31 August 2015	15 February 2016	7 March 2016	
Cost of acquisition				
Cash paid	<u>388</u>	<u>850</u>	<u>2,083</u>	<u>3,321</u>
Net assets acquired:				
Inventory	12	-	-	12
Property, plant & equipment	-	-	19	19
Deferred tax assets	14	12	19	45
Trade and other payables	(50)	-	-	(50)
Employee entitlements assumed	<u>(45)</u>	<u>(40)</u>	<u>(65)</u>	<u>(150)</u>
Fair value of net assets acquired	<u>(69)</u>	<u>(28)</u>	<u>(27)</u>	<u>(124)</u>
Goodwill arising on acquisition	<u>457</u>	<u>878</u>	<u>2,110</u>	<u>3,445</u>
Direct costs relating to the acquisition	<u>(15)</u>	<u>(34)</u>	<u>(109)</u>	<u>(158)</u>

Upon acquisition these acquired businesses were integrated into the existing Brickworks business and systems. As a result, specific financial information relating to the acquired businesses is not available and therefore it is impracticable to disclose the revenue and profit or loss of the acquirees since the acquisition date.

In prior year the Group acquired the business and assets of Capricornia Rockblock Pty Limited located in Rockhampton in Central Queensland for \$5.5 million. Details of the net assets acquired under this transaction are set out below.

	2015
	\$000
Cost of acquisition	
Cash paid	<u>5,495</u>
Net assets acquired:	
Inventory	354
Property, plant & equipment	5,127
Deferred tax assets	61
Other assets	3
Employee entitlements assumed	(50)
Fair value of net assets acquired	<u>5,495</u>
Direct costs relating to the acquisition	<u>(577)</u>

(c) Controlled entities disposed of

There were no controlled entities within the Group that were disposed of during the current or prior period.

NOTE 28: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)**(d) Closed group**

A deed of cross-guarantee between Brickworks Ltd and a number of its subsidiaries (the “closed group”) was enacted during the 2010 financial year and relief was obtained from preparing a financial statement for those subsidiaries under an ASIC instrument of relief under subsection 340(i) of the Corporations Act 2001. Under the deed, Brickworks guarantees to support the liabilities and obligations of those subsidiaries. The controlled entities have also given a similar guarantee. The entities covered under the deed are listed in note 28 (a). The members of the closed group and the parties to the deed of cross guarantee are identical. The following are the aggregate totals, for each category, relieved under the deed.

	CLOSED GROUP	
	31 JULY 16	31 JULY 15
	\$000	\$000
CONSOLIDATED INCOME STATEMENT		
Profit before income tax expense	32,266	35,340
Income tax (expense) / benefit	(7,206)	555
Profit after income tax expense	<u>25,060</u>	<u>35,895</u>
RETAINED PROFITS		
Retained profits at the beginning of the year	1,074,484	1,090,558
Profit after income tax expense	25,060	35,895
Dividends paid	(55,519)	(51,754)
Share of associate's transfer to outside equity interests	13	(215)
Retained profits at the end of the year	<u>1,044,038</u>	<u>1,074,484</u>

NOTE 28: CONTROLLED ENTITIES AND BUSINESS ACQUISITIONS (cont.)**(d) Closed group (cont.)**

	CLOSED GROUP	
	31 JULY 16	31 JULY 15
	\$000	\$000
CONSOLIDATED BALANCE SHEET		
CURRENT ASSETS		
Cash assets	30,783	23,052
Receivables	104,916	100,880
Inventories	181,434	171,829
Land held for resale	9,652	5,455
Prepayments	8,599	5,935
TOTAL CURRENT ASSETS	335,384	307,151
NON-CURRENT ASSETS		
Receivables	122,396	176,511
Other financial assets	10,000	10,000
Inventories	7,998	8,129
Land held for resale	4,137	8,182
Investments accounted for using the equity method	1,156,841	1,153,033
Property, plant and equipment	480,323	469,676
Intangibles	208,275	252,111
TOTAL NON-CURRENT ASSETS	1,989,970	2,077,642
TOTAL ASSETS	2,325,354	2,384,793
CURRENT LIABILITIES		
Payables	80,163	85,795
Interest-bearing liabilities	-	24,445
Derivative financial instruments	-	234
Income tax provision	13,771	16,488
Provisions	50,006	53,858
TOTAL CURRENT LIABILITIES	143,940	180,820
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	299,224	299,239
Derivative financial instruments	5,820	5,152
Provisions	9,287	5,410
Deferred tax liabilities	169,172	158,987
TOTAL NON-CURRENT LIABILITIES	483,503	468,788
TOTAL LIABILITIES	627,443	649,608
NET ASSETS	1,697,911	1,735,185
EQUITY		
Contributed equity	336,905	334,165
Reserves	316,968	326,536
Retained profits	1,044,038	1,074,484
TOTAL EQUITY	1,697,911	1,735,185

CONSOLIDATED
31 JULY 16 **31 JULY 15**
\$000 **\$000**

NOTE 29: CONTINGENT LIABILITIES

Contingent liabilities at balance date not provided for in these financial statements:

Bank guarantees issued in the ordinary course of business	<u>26,836</u>	<u>26,543</u>
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The Directors do not anticipate that any of the bank guarantees issued on behalf of the Group will be called upon.

Members of the economic entity are parties to various legal actions against them that are not provided for in the financial statements. These actions are being defended and the directors do not anticipate that any of these actions will result in material adverse consequences for the Company or the Consolidated Entity.

NOTE 30: CAPITAL AND LEASING EXPENDITURE COMMITMENTS

(a) Capital projects contracted for but not provided for at balance date

Payable not later than one year	<u>14,268</u>	<u>10,929</u>
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The capital commitments relate to contracts to supply or construct buildings or various items of plant and equipment for use in the Building Products segment of the business.

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	<u>81,675</u>	<u>97,059</u>
Payable		
– not later than one year	24,788	24,947
– later than one year but not later than five years	50,775	58,668
– later than five years	<u>6,112</u>	<u>13,444</u>
	<u>81,675</u>	<u>97,059</u>

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

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

NOTE 31: EMPLOYEE SHARE PLANS

(a) Salary sacrifice arrangements

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

At 31 July 2016, the Brickworks Employee Share Plans had 722 members taking part who owned a combined 1,508,253 shares or 1.01% of issued ordinary capital (2015: 739 members, 1,413,008 shares, 0.95%). These figures exclude shares held by employees outside the Brickworks Employee Share Plans. This represented shares purchased under the salary sacrifice arrangements described above, as well as shares held as part of the Brickworks equity based compensation plans shown below. The reduction in employee shareholder numbers reflects an overall reduction in eligible employee numbers during the financial year.

(b) Equity-based compensation plans

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

	Opening Balance	Granted	Vested	Forfeited / Withdrawn	Closing Balance
Unvested					
Granted Sept 11	45,505	-	(37,824)	(7,681)	-
Granted Sept 12	99,701	-	(45,644)	(10,456)	43,601
Granted Sept 13	171,554	-	(53,061)	(14,806)	103,687
Granted Sept 14	340,422	-	(79,883)	(23,897)	236,642
Granted Sept 15	-	408,465	(78,939)	(16,077)	313,449
	<u>657,182</u>	<u>408,465</u>	<u>(295,351)</u>	<u>(72,917)</u>	<u>697,379</u>
Total Unvested					
Vested	629,699	-	295,351	(244,757)	680,293
	<u>1,286,881</u>	<u>408,465</u>	<u>-</u>	<u>(317,674)</u>	<u>1,377,672</u>

The amount recognised in the statement of comprehensive income in relation to equity based compensation arrangements for the year ended 31 July 2016 was \$5,556,605 (2015: \$4,415,505).

The unvested shares vest to employees at 20% per year for each of the following 5 years, provided ongoing employment is maintained. Unvested shares are unavailable for trading by the employee.

The fair value of vested shares held by the share plan at 31 July 2016 was \$10,552,262 (2015: \$9,777,529), based on the closing share price at 31 July 2016 (\$15.03 per share) (2015: \$14.90 per share). The fair value of shares granted during the period was \$6,287,339 (2015: \$5,953,285), based on the price paid for these shares when they were acquired on market.

All shares granted by the Company provide dividend and voting rights to the employee.

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

NOTE 32: RELATED PARTIES

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

- Various intercompany loans are in existence between the Parent entity and some of its wholly owned subsidiaries. The loans are unsecured, interest free and have no fixed terms for repayment. The loans are a net asset to the Parent entity of \$572.6 million (2015: \$617.3 million).
- Property transactions with various trusts (listed in note 25) which are jointly owned by the Brickworks Group and Goodman Australia Industrial Fund, an unlisted property trust. During the year there was no sale of land held for resale by the Brickworks Group to these trusts (2015: Nil). All transactions with the property trusts are at arm's length values.
- During the year the Group engaged Korn/Ferry International, an entity which employs The Hon. Robert Webster, to provide consulting services regarding executive evaluation and development. The total value of services provided was \$526,533 (2015: \$417,000) and were on arm's length terms.
- Directors and their director-related entities are able, with all staff members, to purchase goods produced by the Brickworks group on terms and conditions no more favourable than those available to other customers.

There were no other transactions with key management personnel during the period.

NOTE 33: EVENTS OCCURRING AFTER BALANCE DATE

On 17 August 2016 the Group's \$100 million working capital facility was extended until December 2018. This facility was not drawn as at 31 July 2016 (2015: Nil). Further information in relation to the Group's banking facilities is provided in Note 17.

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

DIRECTOR'S DECLARATION

In the opinion of the Directors:

1. the complete set of the financial statements and notes of the consolidated entity, as set out on pages 34 to 72, and the additional disclosures included in the Remuneration Report section of the Directors' Report designated as audited, are in accordance with the Corporations Act 2001:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 July 2016 and of the performance for the year ended on that date of the consolidated entity;
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
4. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 28(a) will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

This declaration is made after receiving the declaration required to be made to the Directors in accordance with s295A of the Corporations Act 2001 for the financial year ended 31 July 2016.

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

Dated 22 September 2016



R.D. MILLNER
Director



L.R. PARTRIDGE AM
Director



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Independent auditor's report to the members of Brickworks Limited

Report on the financial report

We have audited the accompanying financial report of Brickworks Limited, which comprises the consolidated statement of financial position as at 31 July 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referred to in the directors' report.

Opinion

In our opinion:

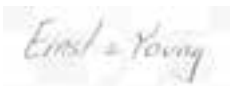
- a. the financial report of Brickworks Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 July 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 July 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Brickworks Limited for the year ended 31 July 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Anthony Jones
Partner
Sydney
22 September 2016

STATEMENT OF SHAREHOLDERS

ORDINARY SHARES AT 31 AUGUST 2016

Number of holders 7,689
 Voting entitlement is one vote per fully paid ordinary share

% of total holdings by or on behalf of twenty largest shareholders 81.58%

Distribution of shareholdings:

1 – 1,000	3,869
1,001 – 5,000	2,921
5,001 – 10,000	455
10,000 – 100,000	398
100,001 and over	46
	7,689
	7,689

Holdings of less than marketable parcel of 36 shares 636

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

Shareholder	Number of Shares
Washington H Soul Pattinson & Co. Ltd	65,645,140
Perpetual Ltd and subsidiaries	9,437,917

20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 31 AUGUST 2016

	Number of Shares	%
1. WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	65,645,140	44.14
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,648,000	7.16
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	9,180,772	6.17
4. CITICORP NOMINEES PTY LIMITED	7,708,213	5.18
5. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	4,510,978	3.03
6. NATIONAL NOMINEES LIMITED	3,284,584	2.21
7. MILTON CORPORATION LIMITED	3,234,567	2.17
8. J S MILLNER HOLDINGS PTY LIMITED	2,968,836	2.00
9. BNP PARIBAS NOMS PTY LTD <DRP>	2,088,939	1.40
10. UBS NOMINEES PTY LTD	1,704,569	1.15
11. MRS MARGARET DOROTHY STONIER	1,684,579	1.13
12. AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,502,970	1.01
13. CPU SHARE PLANS PTY LTD	1,384,164	0.93
14. MR ROBERT DOBSON MILLNER + MR MICHAEL JOHN MILLNER <EST JAMES S MILLNER A/C>	1,361,292	0.92
15. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,166,417	0.78
16. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	875,000	0.59
17. T G MILLNER HOLDINGS PTY LIMITED	678,509	0.46
18. ARGO INVESTMENTS LIMITED	584,009	0.39
19. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	577,001	0.39
20. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	543,918	0.37
	121,332,457	81.58
	121,332,457	81.58

TABLE OF IMPORTANT DATES

2016 annual result released	22 September 2016
Record date for final ordinary dividend	10 November 2016
Annual General Meeting	29 November 2016
Payment date for final ordinary dividend	30 November 2016
2017 half-year end	31 January 2017
2017 half-year result announced	23 March 2017
Record date for interim ordinary dividend	11 April 2017
Payment date for interim ordinary dividend	2 May 2017
2017 financial year end	31 July 2017
2017 annual result released	21 September 2017

The above dates are indicative only and are subject to change

