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**10 BRICKWORKS
10 LIMITED**

ANNUAL REPORT
1986

BRICKWORKS LIMITED GROUP

LOCATIONS

BRICK YARDS:

N.S.W.

BRICKWORKS LIMITED

Brookvale, Federal Parade

Eastwood, Midson Road

LIBRARY

QUEENSLAND

Rochedale, Gardner Road

N.S.W.

THE AUSTRAL BRICK CO. PTY. LIMITED

Horsley Park, Wallgrove Road

PIPE YARD:

N.S.W.

PUNCHBOWL PIPES PTY. LIMITED

Punchbowl, Belmore Road

DISPLAY CENTRES & SALES:

SYDNEY AREA

Brookvale, Federal Parade
Eastwood, Midson Road
Horsley Park, Wallgrove Road
Punchbowl, Belmore Road
St. Peters, Princes Highway

NEWCASTLE AREA

Metford, Metford Road
Wickham, Hannell Street

QUEENSLAND

Rochedale, Gardner Road
Ipswich, Lowery Street
Burleigh Heads, Reedy Creek Road
Labrador, Cnr. Ridge Road & Lensgate Drive

A.C.T.

Fyswick, Lithgow Street

BRICKWORKS LIMITED

(Incorporated in New South Wales)

**REGISTERED
OFFICE:**

62 Belmore Road, Punchbowl, N.S.W.
Telephone: 534 4611
Telex: 74262

DIRECTORS:

JAMES S. MILLNER A.M.: Ph.C; MPS. (Chairman)
Director since 1969; Chairman since 1981

GEOFFREY G. TRAVIS BEc. (Syd) FCA.
Director since 1978

HUGH DIXSON MA (Cantab.); BA (Syd).
Director since 1981

ALBERT W. BURGIS AASA; ACIS; AAIM; JP.
Joined the company 1959. Director since 1983

MAJOR GENERAL (R. L.) CEDRIC M.I. PEARSON AO; DSO; OBE; MC.
Director since 1983

**GROUP GENERAL
MANAGER:**

ALBERT W. BURGIS

SECRETARY:

FRANCIS ELSWORTHY FASA; CPA; JP.

SOLICITORS:

R. N. HENDERSON, TAYLOR & MITCHELL

AUDITORS:

TRAVIS & TRAVIS Chartered Accountants

BANKERS:

NATIONAL AUSTRALIA BANK LIMITED

**SUBSIDIARY
COMPANIES:**

(Incorporated in N.S.W.)

THE AUSTRAL BRICK CO. PTY. LIMITED
CARRINGTON BRICK CO. PTY. LIMITED
PUNCHBOWL PIPES PTY. LIMITED
ROCHEDALE TRANSPORT PTY. LIMITED
THE WARREN BRICK CO. LIMITED

(Incorporated in A.C.T.)

CANBERRA PIPES PTY. LIMITED

**STOCK
REGISTERS:
Sydney:**

62 Belmore Road, Punchbowl, N.S.W.
Telephone: 534 4611
Telex: 74262

Canberra:

C/- DELOITTE HASKINS & SELLS
5th Floor,
10 Rudd Street
Canberra City, 2601

BRICKWORKS LIMITED

NOTICE IS HEREBY given that the ANNUAL GENERAL MEETING of BRICKWORKS LIMITED, will be held at the Rhodes Room, Gold Fields House, Sydney Cove, on FRIDAY, NOVEMBER 7, 1986, at 12 noon.

ORDINARY BUSINESS

1. To receive and consider the balance sheet and profit and loss account for the year ended 30th June, 1986, and the reports of the directors and auditors thereon.
2. To consider the declaration of dividend as recommended by the directors.
3. Election of directors:
Messrs. G. G. Travis and A. W. Burgis retire by rotation and being eligible offer themselves for re-election.
4. To transact any other business which may be legally brought before the meeting.

BY ORDER OF THE BOARD,

F. ELSWORTHY,
Secretary.

The transfer books and register of members of Brickworks Limited will be closed from October 27, 1986, to November 7, 1986, both days inclusive, for the purpose of preparing and paying dividends.

A member entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies; where more than one proxy is appointed each must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the Company.

BRICKWORKS LIMITED

DIRECTORS' REPORT

The directors of Brickworks Limited present their report and the financial statements of the company and its subsidiaries for the financial year ended June 30, 1986.

DIRECTORS

The directors in office at the date of this report are as follows:—

JAMES S. MILLNER A.M. (Chairman)
GEOFFREY G. TRAVIS
HUGH DIXSON
ALBERT W. BURGIS
MAJOR GENERAL (R. L.) C. M. I. PEARSON

Directors interests in contracts

No director holds an interest, whether directly or indirectly, in a contract or proposed contract with the company or any subsidiary of this company.

Principal activities

The principal activities of the corporations in the group during the year were brickmaking, pipemaking, cartage contracting and investment.

There were no significant changes in the nature of those activities during the year.

Results of operations

The consolidated net profit for the year ended June 30, 1986 after income tax expense and before extraordinary items, was \$7,080,816 compared with \$5,516,258 for the previous year. In addition extraordinary profits of \$10,985,273 were earned and extraordinary losses incurred of \$513,613 making a consolidated net profit of \$17,552,476 (1985 \$3,768,777).

Dividends

The directors recommend that the following dividend be declared out of profits for the year:

ordinary shareholders	\$1,917,624
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Dividends paid during the year under review were

- (a) Final ordinary of \$1,917,624 out of profits for the year ended June 30, 1985, and referred to in the previous directors' report and
- (b) Interim ordinary of \$1,406,258 paid April 28, 1986.

Review of operations

The plant modernisation programme is completed and Brickworks Limited now possesses two of the most up to date brick manufacturing plants in Australia. Product from the plants has been well received and together with an aggressive sales promotion we have substantially increased our market share.

We reported to you, last year, that the building trade had been operating under capacity, and that situation has continued throughout the year under review. Due to the prevailing high interest rates, many potential home owners have been forced to forego their plans for home ownership until a more favourable economic climate is established.

The pipe yard continues to maintain its position in the industry. Future potential will be affected by the decisions on government spending.

During the year, your board sold on favourable terms, two of its long term investments resulting in a large tax free capital gain, details of which are set out in the attached accounts.

Brickworks Limited is in a strong position to take advantage of any improvement in building activity, but while large stocks are held by brick manufacturers margins will continue to be depressed.

Significant changes in activities

There were no significant changes in the state of affairs of the group during the year.

Post balance date events

Matters of circumstances have not arisen since the end of the financial year, that have affected, or may significantly affect in subsequent financial years:—

- (i) the operations of the group;
- (ii) the results of those operations; or
- (iii) the state of affairs of the group.

Directors' benefit

Since the end of the previous financial year no director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts or group accounts, or the fixed salary of a full time employee of the company or of a related corporation) by reason of a contract made by the company or a related corporation with the director or with a firm of which the director is a member. or with a company in which the director has a substantial financial interest.

Dated at Sydney this Twenty Ninth day of September, 1986.

Signed in accordance with a resolution of the directors.

J. S. MILLNER, Director

C. M. I. PEARSON, Director.

BRICKWORKS LIMITED
AND SUBSIDIARY COMPANIES
BALANCE SHEET AS AT JUNE 30, 1986

	NOTES	CONSOLIDATED		BRICKWORKS LIMITED	
		1986 000's \$	1985 000's \$	1986 000's \$	1985 000's \$
CAPITAL & RESERVES					
Authorised Capital \$25,000,000 12,500,000 Shares of \$2 each	2	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Issued Capital	2	12,784	12,784	12,784	12,784
Capital Reserves	3	48,107	37,770	29,369	21,453
General Reserves		22,467	22,467	17,221	17,221
Unappropriated Profits		<u>28,431</u>	<u>24,538</u>	<u>18,462</u>	<u>14,525</u>
TOTAL CAPITAL & RESERVES		<u>111,789</u>	<u>97,559</u>	<u>77,836</u>	<u>65,983</u>
LONG TERM LIABILITIES	4	76	717	—	717
PROVISIONS	5	1,802	1,211	925	541
CURRENT LIABILITIES	6	<u>8,042</u>	<u>8,490</u>	<u>3,665</u>	<u>3,713</u>
		<u>121,709</u>	<u>107,977</u>	<u>82,426</u>	<u>70,954</u>
THESE FUNDS ARE INVESTED IN FIXED ASSETS					
Freehold Land, Buildings, Kilns, etc.	7	37,709	30,797	16,045	10,078
Plant & Equipment		18,958	13,104	9,036	2,954
INVESTMENTS	8	39,671	40,733	37,959	37,629
INVESTMENTS IN SUBSIDIARIES	9	—	—	5,396	5,802
CURRENT ASSETS					
Cash and Bank Balances		148	17	294	5
Short Term Deposits & Loans		10,330	11,517	10,330	11,517
Debtors	10	6,595	4,917	1,354	915
Stock on Hand	11	8,083	6,604	1,965	1,929
Prepayments		<u>215</u>	<u>288</u>	<u>47</u>	<u>125</u>
TOTAL ASSETS		<u>121,709</u>	<u>107,977</u>	<u>82,426</u>	<u>70,954</u>

**BRICKWORKS LIMITED
AND SUBSIDIARY COMPANIES**

PROFIT AND LOSS STATEMENT FOR YEAR ENDED JUNE 30, 1986

	NOTES	CONSOLIDATED		BRICKWORKS LIMITED	
		1986 000's \$	1985 000's \$	1986 000's \$	1985 000's \$
PROFIT FROM TRADING					
Dividends Received from Subsidiaries	12	8,580	7,656	4,873	4,352
				2,045	850
				6,918	5,202
Provision for Income tax		1,499	2,140	—	980
		7,081	5,516	6,918	4,222
ADD Extraordinary Item (Net of Income Tax)	13	10,336	247	7,916	247
		17,417	5,763	14,834	4,469
LESS Extraordinary Item (Net of Income Tax)	13	513	1,246	—	992
		16,904	4,517	14,834	3,477
ADD Income Tax over-provided previous years		649	3	344	3
		17,553	4,520	15,178	3,480
(LESS) Income Tax under-provided previous years		—	(751)	—	—
		17,553	3,769	15,178	3,480
ADD Unappropriated Profits from previous years		24,538	24,340	14,524	14,615
		42,091	28,109	29,702	18,095
LESS Transfer to Capital Profits Reserve		10,336	247	7,916	247
		31,755	27,862	21,786	17,848
LESS Dividends —					
Interim ordinary paid		1,406	1,406	1,406	1,406
Final ordinary payable		1,918	1,918	1,918	1,918
		3,324	3,324	3,324	3,324
UNAPPROPRIATED EARNINGS CARRIED FORWARD		28,431	24,538	18,462	14,524

BRICKWORKS LIMITED AND SUBSIDIARY COMPANIES

NOTES FORMING PART OF THE 1986 ACCOUNTS

These notes form part of and should be read in conjunction with the consolidated accounts and accounts of Brickworks Limited.

1. STATEMENT OF ACCOUNTING POLICIES

The ACCOUNTS have been prepared in accordance with conventional historical cost principles.

CONSOLIDATION. The group's subsidiary companies are all wholly owned and are included in the group consolidation.

CHANGE IN POLICY. Interest is no longer chargeable on advances made from subsidiary companies. The effect on the accounts of the group is nil.

DEPRECIATION is provided on various bases (applied consistently) so as to write off the cost over the useful life of the assets. Rates of depreciation on modern brick making plant have been increased to bring them into line with the rates allowable for income tax purposes.

STOCK AND WORK IN PROGRESS are valued at the lower cost or net realisable value. Cost in the case of manufactured stocks consist of direct material and labour costs plus an appropriate proportion of fixed and variable costs.

INCOME TAX provided has been calculated in accordance with the Income Tax Assessment Act. The amount provided for Income Tax has been affected by the Taxation claims for investment allowances on new plant (\$1,323,460). Rebate on dividends received (\$1,393,721), the non-deductibility of Provision for Employees' Statutory Benefits (\$271,593) and other minor adjustments.

TAX EFFECT ACCOUNTING has not been adopted. This method of charging income tax is not considered appropriate for the company or its subsidiaries, as the realisation of the asset "Future Tax Benefit" and the profit are indefinite.

If tax effect accounting had been adopted

(a) The net profit from trading after providing for income tax expense would have been \$7,183,942.

(b) The balance sheet would have contained an asset "Future Tax Benefit" of \$1,103,968 and a provision for "Deferred Income Tax" of \$707,840.

INVESTMENTS in listed companies are shown at cost price. The shares are held for long term investment, and no provision has been made for variation in value due to market fluctuations.

All shares held are in first-class companies which have long term growth prospects.

ROUNDING AMOUNTS. The parent company is a company of the kind specified in Regulation 58 (6) of the Companies (N.S.W.) Code and amounts have been rounded off in accordance with Section 271 of the code and this regulation.

EQUITY ACCOUNTING. Where the group has a material investment in a company outside the group and has capacity to significantly influence the policies of that company that investment, and the results of that company, are dealt with in accordance with the equity method of accounting. Equity retained earnings are not available for appropriation by Brickworks Limited.

This information is shown by way of a supplementary note and is not included in the profit and loss statement and balance sheet prepared in accordance with the Companies (N.S.W.) Code. Refer note 20.

2. SHARE CAPITAL — BRICKWORKS LIMITED

Authorised Capital:—	1986	1985
	000's	000's
	\$	\$
11,446,085 Ordinary shares of \$2 each	22,892	22,892
750,000 Cumulative non-participating 8% redeemable preference shares of \$2 each	1,500	1,500
303,915 Shares of \$2 each (unclassified)	608	608
<u>12,500,000</u>	<u>25,000</u>	<u>25,000</u>
 Issued and Fully Paid —		
6,392,081 Ordinary stock units of \$2 each	<u>12,784</u>	<u>12,784</u>

	CONSOLIDATED		BRICKWORKS LIMITED	
	1986 000's \$	1985 000's \$	1986 000's \$	1985 000's \$
3. CAPITAL RESERVES COMPRISE				
Re-valuation of assets	4,087	4,087	1,090	1,090
Capital profits	17,407	7,070	11,966	4,050
Surplus on consolidation	10,300	10,300	—	—
Share premiums	14,813	14,813	14,813	14,813
Capital redemption	1,500	1,500	1,500	1,500
	<u>48,107</u>	<u>37,770</u>	<u>29,369</u>	<u>21,453</u>
4. LONG TERM LIABILITIES				
Registered debenture stock repayable 1987	—	717	—	717
Land-conditional purchase	76	—	—	—
	<u>76</u>	<u>—</u>	<u>—</u>	<u>—</u>
5. PROVISIONS				
Employees' statutory benefits	1,802	1,211	925	541
	<u>1,802</u>	<u>1,211</u>	<u>925</u>	<u>541</u>
6. CURRENT LIABILITIES				
Trade creditors	4,264	3,037	1,030	1,385
Income tax	1,143	2,255	—	344
Dividends	1,918	1,918	1,918	1,918
Bank balances	—	1,280	—	66
Registered debenture stock	717	—	717	—
	<u>8,042</u>	<u>8,490</u>	<u>3,665</u>	<u>3,713</u>
7. FIXED ASSETS				
(a) Freehold land, buildings, kilns				
At officers' valuation 1961	898	898	336	336
At independent valuation 1966	106	106	—	—
At independent valuation 1967	602	602	115	115
At independent valuation 1972	2,709	2,709	505	505
At Valuer-General's valuation 1974	5,514	5,566	860	860
At cost	38,198	26,472	16,521	6,321
	<u>48,027</u>	<u>36,353</u>	<u>18,337</u>	<u>8,137</u>
Less depreciation	10,318	9,506	2,292	2,009
	<u>37,709</u>	<u>26,847</u>	<u>16,045</u>	<u>6,128</u>
Buildings & kilns — work in progress at cost	—	3,950	—	3,950
	<u>37,709</u>	<u>30,797</u>	<u>16,045</u>	<u>10,078</u>
(b) Plant and equipment				
At officers' valuation 1961	581	581	579	579
At cost	35,805	32,591	13,821	7,465
	<u>36,386</u>	<u>33,172</u>	<u>14,400</u>	<u>8,044</u>
Less depreciation	17,428	20,068	5,364	5,090
	<u>18,958</u>	<u>13,104</u>	<u>9,036</u>	<u>2,954</u>

	CONSOLIDATED		BRICKWORKS LIMITED	
	1986	1985	1986	1985
	000's \$	000's \$	000's \$	000's \$
8. INVESTMENTS				
Shares in quoted companies at cost	30,275	33,327	28,563	31,223
Preference shares unlisted companies at cost	9,000	5,500	9,000	5,500
Semi-government bonds at cost	396	706	396	706
Australian savings bonds	—	1,200	—	200
	<u>39,671</u>	<u>40,733</u>	<u>37,959</u>	<u>37,629</u>
Market value — quoted shares	79,310	72,754	74,724	66,869
Market value — semi-government bonds	384	1,010	384	1,010
9. INVESTMENTS IN SUBSIDIARIES				
Shares in subsidiaries at cost			17,020	17,020
Amounts owing by subsidiaries			—	—
			<u>17,020</u>	<u>17,020</u>
Less Amounts owing to subsidiaries			11,624	11,218
			<u>5,396</u>	<u>5,802</u>
10. DEBTORS				
Trade debtors	6,866	5,685	1,150	1,007
Less Provision for doubtful debts	598	598	75	75
	<u>6,268</u>	<u>5,087</u>	<u>1,075</u>	<u>932</u>
Other debtors	703	291	309	16
	<u>6,971</u>	<u>5,378</u>	<u>1,384</u>	<u>948</u>
Less Advance payments by customers	376	461	30	33
	<u>6,595</u>	<u>4,917</u>	<u>1,354</u>	<u>915</u>
11. STOCK ON HAND				
Finished stock	5,913	5,259	1,666	1,717
Work in progress	771	355	299	207
Raw materials	1,126	816	—	—
Stores	273	174	—	5
	<u>8,083</u>	<u>6,604</u>	<u>1,965</u>	<u>1,929</u>
12. PROFIT FROM TRADING AFTER CHARGING				
Auditors remuneration	14	92	98	35
Bad debts written off		281	251	162
Depreciation of fixed assets		4,324	4,098	782
Directors' remuneration	15	50	50	45
Interest — subsidiaries	1	—	—	—
— other persons		65	56	65
Loss on disposal of fixed assets		111	—	78
Provision for doubtful debts		—	99	—
Provision for employees statutory benefits		1,015	48	384
AND CREDITING				
Dividends received — other companies		3,030	2,510	2,809
Interest received from deposits		968	1,440	842
Profit on sale of fixed assets		108	19	—
TRANSFERS TO AND FROM RESERVES AND PROVISIONS				
From profit and loss				
To capital profits reserve		10,336	247	7,916
provision for depreciation		4,324	4,098	782
provision for dividends		1,918	1,918	1,918
provision for employees statutory benefits		1,015	187	384
provision for taxation		1,065	2,255	—
provision for doubtful debts		—	99	—
To profit and loss		—	203	—
From provision for doubtful debts		—	3	—
To provision for taxation		649	—	344
From capital reserves		—	1,420	—
To issued capital		—	1,420	—

	CONSOLIDATED		BRICKWORKS LIMITED	
	1986	1985	1986	1985
	000's	000's	000's	000's
	\$	\$	\$	\$
13. EXTRAORDINARY ITEMS				
(a) Extraordinary profit—				
Sale of land	—	247	—	247
Investments	10,336	—	7,916	—
(b) Extraordinary losses —				
Plant, kilns etc.	513	1,246	—	989
Investments	—	3	—	3
Extraordinary losses resulted from the scrapping of plant & equipment. Amounts written off are net of income tax applicable thereto.				
14. AUDITORS' REMUNERATION				
Amounts received —				
Auditing services	89	88	35	38
Other services	3	10	—	—
	<u>92</u>	<u>98</u>	<u>35</u>	<u>38</u>
15. DIRECTORS' REMUNERATION				
Non executive directors —				
Holding company	45	45	45	45
Subsidiaries	5	5	—	—
	<u>50</u>	<u>50</u>	<u>45</u>	<u>45</u>
16. REVENUE				
(a) Group sales	43,141	36,280	13,328	11,701
(b) Non-trading income comprising Interest and dividends received	3,997	3,639	3,652	3,325

17. DIRECTORS' SHAREHOLDING AND BENEFICIAL INTERESTS AT September 29, 1986
 In compliance with Section 3C(3) of the official list requirements of the Australian Associated Stock Exchanges, the following statement shows the interest of directors in the share capital of the company as at September 29, 1986.

Director	Company Ordinary \$2 Shares	Beneficially Held	Total
J. S. Millner	810	76,515	77,325
G. G. Travis	810	—	810
H. Dixon	675	17,698	18,373
A. W. Burgis	812	—	812
C. M. I. Pearson	675	—	675

18. SERVICE AGREEMENTS
 The contingent liability for a service agreement with a full time executive officer is \$20,000.

	1986 000's	1985 000's
	\$	\$
19. PROVISION FOR FINAL DIVIDEND		
Proposed 30 cents per share ordinary	1,918	1,918

20. EQUITY ACCOUNTING INFORMATION

	Brickworks Limited Consolidated		Share of Associated Companies		Consolidated and Share of Associated Companies	
	1986 000's \$	1985 000's \$	1986 000's \$	1985 000's \$	1986 000's \$	1985 000's \$
PROFIT AND LOSS STATEMENT INFORMATION.						
Operating profit before tax	8,580	7,656	6,653	5,045	14,229	11,790
Income tax expense	1,499	2,140	2,760	2,010	4,259	4,150
Operating profit before extraordinary items	7,081	5,516	3,893	3,035	9,970	7,640
Extraordinary items — net of tax	9,823	(999)	776	462	10,599	(537)
Income tax over (under) provided	649	3	—	—	649	3
Net profit and extraordinary items	17,553	4,520	4,669	3,497	21,218	7,106
Profit retained at beginning of year	24,538	24,340	11,737	9,141	36,275	33,481
Net profit and extraordinary items (shown above)	17,553	4,520	4,669	3,497	21,218	7,106
Adjustments to reserves	(10,336)	(998)	14	10	(10,322)	(988)
Dividends paid and proposed	(3,324)	(3,324)	—	—	(3,324)	(3,324)
Adjustments for dividends received from associated companies	—	—	(1,004)	(911)	—	—
Profits retained at end of year	28,431	24,538	15,416	11,737	43,847	36,275
BALANCE SHEET INFORMATION						
Issued capital	12,784	12,784	—	—	12,784	12,784
Retained earnings	28,431	24,538	15,416	11,737	43,847	36,275
Other reserves	70,574	60,237	3,720	3,078	74,294	63,315
	111,789	97,559	19,136	14,815	130,925	112,374
Investment in associated company at cost	24,803	24,637	—	—	24,803	24,637
Retained earnings	—	—	15,416	11,737	15,416	11,737
Post acquisition reserves	—	—	3,720	3,078	3,720	3,078
Aggregate carrying amount	24,803	24,637	19,136	14,815	43,939	39,452
other investments	14,868	16,096	—	—	14,868	16,096
other assets	82,038	67,244	—	—	82,038	67,244
	121,709	107,977	19,136	14,815	140,845	122,792
Total liabilities and provisions	9,920	10,418	—	—	9,920	10,418
	111,789	97,559	19,136	14,815	130,925	112,374

Equity accounting information

Associate company — Washington H. Soul Pattinson & Co. Ltd.

Associate company's year end July 31, 1985.

Group equity at June 30, 1986 — 42.91%; 1985 — 42.79%.

Book value of investment — \$24,803.

Brickwork's share of associate's profit and extraordinary items after tax — \$4,669.

Dividends received by Brickworks Limited from associated company; 1986 — \$1,004; 1985 — \$911.

The equity accounts are based on the published accounts of the associated company for the years ended July 31, 1985 and 1984 respectively. The group is not aware of any significant events or transactions which have occurred after the year end of the associated company which could materially affect the financial position or operating performance of that company.

21. STATEMENT OF SHAREHOLDERS AT 29th SEPTEMBER, 1986

(A.A.S.E. Listing Requirements 3C(11))

	\$2 Fully Paid Ordinary Shares
No. of holders	976
Voting rights	(See Article 59 page 15)
% of total holdings by or on behalf of twenty largest shareholders	83.68%
Distribution of schedule of holdings	
1 — 1,000	736
1,001 — 5,000	180
5,001 — 10,000	23
10,000 and over	37

Subject to any rights or restriction, for the time being attached to any class or classes of shares —

- (1) At meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney or by a representative; and
- (2) On a show of hands every member present in person or by proxy or representative shall have one vote and upon a poll every member present in person or by proxy or by representative shall have one vote for every share registered in his name PROVIDED THAT if any time there is in issue any share which has not been fully paid as to both par value and premium (if any) and which was not part of an issue of shares which was offered to all members in proportion to the numbers of shares held by them such share shall upon a poll confer only that fraction of one vote which the amount paid up on that share on account of par value and premium bears to the total issue price thereof.

Washington H. Soul, Pattinson & Company Limited is a substantial shareholder of this company, and at September 29, 1986, held 3,193,607 ordinary stock units.

22. PARTICULARS RELATING TO SUBSIDIARY COMPANIES

Name of Company	Place of Incorporation	Class of Shares	Investment of Parent Company at Cost		Brickworks Limited Beneficial Interest		Contribution to Consolidated Profits		
			000's	000's	%		000's	000's	
			\$	\$	1986	1985	1986	1985	1986
Brickworks Ltd. (Parent Company)	N.S.W.							12,789	2,627
The Austral Brick Co. Pty. Ltd.	N.S.W.	Ordinary	13,645	13,645	100	100	3,150	550	
The Warren Brick Co. Ltd.	N.S.W.	Ordinary	45	45	100	100	5	16	
Carrington Brick Co. Pty. Ltd.	N.S.W.	Ordinary	2	2	100	100	50	43	
Rochedale Transport Pty. Ltd.	N.S.W.	Ordinary	1	1	100	100	(48)	29	
Punchbowl Pipes Pty. Ltd.	N.S.W.	Ordinary	3,327	3,327	100	100	953	1,238	
Subsidiary of Punchbowl Pipes Pty. Ltd.									
Canberra Pipes Pty. Ltd.	A.C.T.	Ordinary	—	—	100	100	5	14	
			<u>\$17,020</u>	<u>\$17,020</u>				<u>\$16,904</u>	<u>\$4,517</u>

DIVIDENDS RECEIVED FROM SUBSIDIARY COMPANIES:

The Austral Brick Co. Pty. Ltd.	1,245	100
Punchbowl Pipes Pty. Ltd.	<u>800</u>	<u>750</u>
	<u>2,045</u>	<u>850</u>

23. CAPITAL COMMITMENTS

Capital expenditure commitment at June 30, 1986 totalled	—	7,982
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BRICKWORKS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

	1986 000's \$		1985 000's \$
SOURCES OF FUNDS			
Funds from operations			
Inflow of funds from operations	52,512		45,491
Outflow of funds from operations	<u>38,590</u>		<u>33,470</u>
	13,922		12,021
Operating profit before tax	8,580	7,656	
ADD (subtract) non-fund items:			
Depreciation	4,324	4,098	
Provision for doubtful debts		99	
Provision for employees' statutory benefits	1,015	187	
(Profit) loss on disposal of non-current assets	<u>3</u>	<u>(19)</u>	
	<u>13,922</u>	<u>13,922</u>	<u>12,021</u>
Reduction in assets			
Current assets			
Cash and bank balances	—	1,394	
Short term deposits and loans	1,187	2,829	
Prepayments	<u>73</u>	<u>—</u>	4,223
Proceeds from sale of fixed assets:			
Land, plant and equipment		455	471
Investments		15,178	190
Increase in liabilities			
Current liabilities			
Trade creditors		1,227	841
Long term liabilities			
Land-conditional purchase		<u>76</u>	<u>—</u>
		<u>32,118</u>	<u>17,746</u>
APPLICATIONS OF FUNDS			
Increase in assets			
Current assets			
Cash and bank balances	131	—	
Debtors	1,678	183	
Stock on hand	1,479	1,966	
Prepayments	<u>—</u>	<u>142</u>	2,291
Fixed assets			
Buildings, kilns, plant and equipment		18,421	6,694
Investments		3,852	3,351
Reduction in liabilities			
Current liabilities			
Cash and bank balances		1,280	—
Dividends paid		3,324	3,111
Income tax paid		1,529	2,092
Long service leave paid		<u>424</u>	<u>207</u>
		<u>32,118</u>	<u>17,746</u>

STATEMENT BY DIRECTORS

In the opinion of the directors:

- (a) the accompanying profit and loss statement for the company is drawn up so as to give a true and fair view of the profit of the company for the year;
- (b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the company as at the end of the financial year;
- (c) as at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due; and
- (d) the accompanying group accounts are drawn up so as to give a true and fair view of the profit of the company and its subsidiaries for the financial year and the state of affairs of the company and its subsidiaries as at the end of the financial year so far as they concern the members of the holding company.

The accounts of the company and the groups accounts have been prepared in accordance with applicable approved accounting standards.

Signed in accordance with a resolution of the directors.

Dated at Sydney this twenty-ninth day of September, 1986.

J. S. MILLNER, Director

C. M. I. PEARSON, Director

AUDITOR'S REPORT

To the members of Brickworks Limited.

We have audited the attached accounts set out on pages 4 to 14 in accordance with Australian Auditing Standards.

As reported in previous years, the company and the group have not adopted Tax Effect Accounting as required by Australian Accounting Standard AAS3. If the Standard had been adopted:—

- (i) the net profit from trading, after providing for Income Tax Expense, would have been \$6,917,481 for the company and \$7,183,942 for the group; and
- (ii) the balance sheet would have contained an asset termed "Future Tax Benefit" of \$460,158 for the company and \$1,103,968 for the group, and a liability termed "Provision for Deferred Income Tax" of \$333,763 for the company and \$707,840 for the group.

In our opinion:

- (a) the accounts of Brickworks Limited, and group accounts of the company and its subsidiaries, which have been prepared under the historical cost convention as stated in note 1, are properly drawn up in accordance with the provisions of the Companies (New South Wales) Code and so as to give a true and fair view of:
 - (i) the state of affairs of the company and of the group as at 30th June, 1986 and of the profit of the company and of the group for the year ended on that date so far as they concern members of the holding company; and
 - (ii) the other matters required by section 269 of that Code to be dealt with in the accounts and in the group accounts;and are in accordance with Australian Accounting Standards and applicable approved accounting standards.
- (b) the accounting records and other records, and the registers required by that Code to be kept by the company and by its subsidiaries have been properly kept in accordance with the provisions of that Code or, in the case of the subsidiary incorporated in the Australian Capital Territory, in accordance with the provisions of the Act of that Territory.

We are satisfied that the accounts of the subsidiaries that have been consolidated with the company's accounts are in a form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for that purpose.

No auditor's report on the accounts of the subsidiaries was made subject to any qualification, or included any comment made under subsection (4) of section 285 of the Code.

TRAVIS & TRAVIS,
Chartered Accountants
A. R. PIERCE
A Member of the Firm

Dated: 30th SEPTEMBER, 1986.

BRICKWORKS LIMITED

FIVE YEAR SUMMARY

	1982	1983	1984	1985	1986
	(Thousands \$'s)				
Consolidated net profit before tax	15,930	8,754	8,413	7,656	8,580
Taxation	6,810	3,111	2,095	2,140	1,499
Net Profit after tax	<u>9,120</u>	<u>5,643</u>	<u>6,318</u>	<u>5,516</u>	<u>7,081</u>
Net Profit as a % of:—					
Shareholders' funds	9.99	6.0	6.50	5.65	6.33
Ordinary capital	80.25	49.66	55.59	43.15	55.39
Capital:					
Ordinary	11,364	11,364	11,364	12,784	12,784
Dividend Rate: %					
Ordinary stock	26	26	26	26	26
Total Assets	103,954	102,346	105,059	107,977	121,709
Total Liabilities	12,643	8,142	7,944	10,418	9,920
Total Stockholders' Funds	91,311	94,204	97,115	97,559	111,789