

BRICKWORKS

LIMITED

16 September 2004

Australian Stock Exchange (Sydney) Limited
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached a copy of the Brickworks Limited 2004 Annual Report for release to the market. Please accept this lodgement as proxy for ASIC.

Yours faithfully,
BRICKWORKS LIMITED



IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS LIMITED

ABN 17 000 028 526

Wallgrove Road, Horsley Park NSW 2164; PO Box 6550, Wetherill Park NSW 1851

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BRICKWORKS

LIMITED

ABN 17 000 028 526

ANNUAL REPORT 2004



BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

FIVE YEAR SUMMARY

	2000	2001	2002	2003	2004	%
	\$000	\$000	\$000	\$000	\$000	Growth
Total Revenue	186,458	172,969	197,524	246,961	703,559	185%
Building Products Revenue	159,070	118,463	149,709	180,793	487,691	170%
Net Profit Before Income Tax						
Building Products	30,472	18,910	26,463	31,560	80,101	154%
Property	–	–	1,510	6,125	9,601	57%
Waste Management	–	–	–	586	1,639	180%
Investments	6,508	7,347	6,988	9,823	93,339	850%
Associates	16,301	40,032	30,942	35,264	36,664	4%
Unallocated expenses	–	(1,601)	(5,250)	(8,071)	(30,998)	284%
	<u>53,281</u>	<u>64,688</u>	<u>60,653</u>	<u>75,287</u>	<u>190,346</u>	153%
Income Tax	<u>10,274</u>	<u>4,684</u>	<u>8,726</u>	<u>2,598</u>	<u>32,972</u>	1169%
Net Profit After Income Tax	<u><u>43,007</u></u>	<u><u>60,004</u></u>	<u><u>51,927</u></u>	<u><u>72,689</u></u>	<u><u>157,374</u></u>	117%
Basic Earnings per Share (cents)*	32.6	45.6	39.4	55.2	114.3	107%
Dividends*						
Ordinary Dividends per Share (cents)	12.5	14.0	15.5	20.0	24.0	20%
Special Dividends per Share (cents)	<u>8.5</u>	<u>4.0</u>	<u>–</u>	<u>–</u>	<u>–</u>	
Total Dividends per Share (cents)	<u><u>21.0</u></u>	<u><u>18.0</u></u>	<u><u>15.5</u></u>	<u><u>20.0</u></u>	<u><u>24.0</u></u>	
Ratios						
Net Tangible Assets per Share*	\$3.52	\$3.87	\$4.13	\$4.61	\$4.91	7%
Return on Shareholder's Equity	9.3%	11.8%	9.5%	12.0%	17.6%	47%
Interest Cover Ratio	–	–	–	21.9	5.0	(77%)
Net Debt to Capital Employed	–	–	11.0%	4.7%	23.1%	391%

Note

*Earnings, dividends and NTA per share have been adjusted for the 10 for 1 share split on 18 December 2000.

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ANNUAL REPORT 2004

REGISTERED OFFICE:	1/114 Longueville Road, Lane Cove N.S.W. 2066 Telephone: (02) 9427 6555 Facsimile: (02) 9427 5127
DIRECTORS:	ROBERT D. MILLNER FAICD (Chairman) Director since 1997 MICHAEL J. MILLNER (Deputy Chairman) Director since 1998 ALAN J. BENTLEY FAICD Joined the Company 1984. Director since 1995 TIMOTHY V. FAIRFAX AM; FAICD Director since 1997 DAVID N. GILHAM FCIT; FAIM; FAICD Appointed 1 August 2003 THE HON. ROBERT J. WEBSTER Director since 2001
MANAGING DIRECTOR:	LINDSAY R. PARTRIDGE BSc. Hons.Ceramic Eng; SFCDA; Dip. CD
CHIEF FINANCIAL OFFICER:	ALEXANDER J. PAYNE B.Comm; Dip. CM; FCPA; FCIS; JP.
COMPANY SECRETARY:	IAIN H. THOMPSON B.Ec; CA; ACIS
AUDITORS:	ERNST & YOUNG
BANKERS:	NATIONAL AUSTRALIA BANK
SHARE REGISTER:	COMPUTERSHARE INVESTOR SERVICES PTY. LIMITED Level 3, 60 Carrington Street, Sydney N.S.W. 2000 Telephone: (02) 8234 5000 Facsimile: (02) 8234 5050
PRINCIPAL ADMINISTRATIVE OFFICE:	The Austral Brick Company Pty. Limited Plant 1, Wallgrove Road, Horsley Park N.S.W. 2164 Telephone: (02) 9830 7700 Facsimile: (02) 9620 1328

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

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 30 June 2004.

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 (Deputy Chairman)
Lindsay R. Partridge BSc. Hons. Ceramic Eng; SFCDA; Dip. CD (Managing Director)
Alan J. Bentley FAICD
Timothy V. Fairfax AM; FAICD
David N. Gilham FCIT; FAIM; FAICD (Appointed 1 August 2003)
The Hon. Robert J. Webster

All directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the Brickworks Group during the year were the manufacture of building products and investment.

Result of Operations

The consolidated net profit after income tax expense for the year ended 30 June 2004 of the Brickworks Group amounted to \$157,374,000, compared with \$72,689,000 for the previous year.

Dividends – Ordinary Shares

The directors recommend that the following final dividend be declared:

Ordinary shareholders – 15 cents per share (fully franked)

Dividends paid during the year under review were:

- (a) Final ordinary of 13 cents per share (fully franked) out of profits for the year ended 30 June 2003 and referred to in the previous directors' report;
- (b) Interim ordinary of 9 cents per share (fully franked) paid 16 April 2004.

Dividends – PAVERS

A dividend on PAVERS is scheduled to be paid on 1 December 2004 for the period 1 June 2004 to 30 November 2004, calculated at 6.565% p.a. per PAVERS (fully franked). This will equate to \$3.2915 per share.

The initial dividend on PAVERS was paid on 1 June 2004 for the period 17 October 2003 to 31 May 2004, calculated at 6.565% p.a. per PAVERS (fully franked). This equated to \$4.1009 per share.

REVIEW OF OPERATIONS

OVERVIEW

PROFIT UP 116% TO A RECORD \$157.4 MILLION

PROFIT (EXCLUDING NON-REGULAR ITEMS) UP 16.3% TO \$74.2 MILLION

The acquisition of Bristle Limited combined with the sale of the Brickworks investment portfolio and the ongoing realisation of surplus land assets, generated the record profit after tax of \$157.4 million, up 116% on the prior year result of \$72.7 million.

The net profit after tax and before non-regular items increased by 16.3% to \$74.2 million. The non-regular items included the disposal of the share portfolio, one off funding costs, tax consolidation costs and the non-regular component of Washington H Soul Pattinson & Company Ltd (WHSP) equity accounting.

Directors have proposed an increased ordinary dividend of 15 cents per share fully franked, up from 13 cents per share previously and payable on 8 November 2004. This brings total dividends for the year to 24 cents per share, an increase of 20%.

In line with increased profits, earnings per share are also up by 107% to a record 114.3 cents compared to 55.2 cents for the previous period.

All segments of the business performed strongly, and provided increased profits over the previous year.

The acquisition of Bristile increased total assets to \$1.297 billion, up 83 per cent on June 2003. The original level of borrowings used to fund this acquisition was substantially reduced during the year, decreasing from a peak of \$566 million at the time of acquisition to \$276 million at 30 June 2004, less than half the original amount. The major contributors to the reduction were the sale of the investment portfolio and the issue of the Reset Preference Shares ("PAVERS").

Property development and waste continued to generate significant cash flows, with \$9.6 million EBIT from property and \$1.6 million EBIT from waste generated from \$13.6 million in total sales during the year.

The market value of investments (Washington H Soul Pattinson and Brickworks Investment Company Ltd) increased by \$96.3 million during the course of the year to \$737.6 million.

Continuing strong trading conditions, property revenue and increased returns from Washington H Soul Pattinson are allowing Brickworks to quickly position itself for future strategic expansion if an opportunity were to arise.

BUILDING PRODUCTS

The twelve months to 30 June 2004 was a landmark year for Brickworks. During the period the Company made the transition from being a state-based clay products to a national building products business with a presence in all Australian states.

Brickworks is now Australia's largest brick manufacturer and a major roof and floor tile producer with building products its most substantial component of recurring earnings.

During the period, EBITA increased 200% to \$94.7 million on sales of \$488 million. The inclusion of 11 months trading of Bristile propelled the result to this exceptional level. Building Products EBITA now represents 67 per cent of total EBITA.

Bristile has been integrated successfully and proven to be a natural fit in terms of corporate culture, product lines and markets. A strong and unified Brickworks management team has been formed from the two companies and is focused on growing and improving the business. The roll out of the new national brands, Austral Bricks for bricks and Bristile Roofing for roof tiles, is nearing completion.

Strong trading conditions for building products were supported by low interest rates and inflation and high levels of employment, consumer confidence and immigration. The interest rate rises prior to Christmas reduced demand for our products from an unsustainable level to a sustainable level.

Trading conditions across all areas during the year were much stronger than many had forecast. The 7% decrease in sales volumes during the second half represents normal trading patterns for Brickworks.

The EBITA to Sales Margin has increased to 19.4% from 17.5% in the previous period. Brick sales units were steady nationally while selling prices and the EBITA to sales margin were both up. Roof tile volumes and selling prices were up on the previous year, margins were slightly lower due to higher installation costs and manufacturing cost overruns at the Dandenong cement roof tile plant. This plant faltered after running longer without maintenance than was prudent due to the excessive demand.

Floor tile sales volumes increased slightly but prices and margins were affected by the higher exchange rate of the Australian Dollar and the emergence of a new competitor based in New South Wales.

On a state basis, year on year demand was slightly stronger in Western Australia, Victoria and Tasmania, steady in New South Wales and South Australia and surprisingly, slightly softer in Queensland. Regional areas on the East Coast showed more growth than the capital cities with high city prices encouraging people to settle in non-metropolitan areas. This trend was further encouraged by an almost chronic lack of land in Sydney where the lowest house commencements in 20 years were experienced.

Many builders have had significant cost pressures emanating from trade shortages and building delays while, in comparison, brick and roof tile price increases have been modest.

The trade shortage, and the aging of those remaining in the bricklaying and roof tiling industries, is being treated very seriously by the industry with a significant boost to funding this year resulting in 1200 new bricklaying apprentices starting nationally. Additionally, work is well advanced on the formation of a National Roof Tiles Association that will be charged with the responsibility of instigating a roof tiler training program.

All three divisions achieved record production over last year, with many of the brick plants working every day throughout the year and consequently running at absolute maximum capacity. Over the full year the production output increased. This, combined with the second half slowdown, allowed a \$11.7 million stock build up nationally. Consequently, the stock shortages reported at the half year dissipated during the second half and now only one or two specialist lines are in short supply.

It was pleasing to see significant unit cost reduction in many plants over the year. However, some plants did suffer unscheduled breakdowns following the unprecedented heavy workload over the past four years.

The Scoresby terracotta roof tile plant in Victoria has been closed permanently even though it was running profitably and producing high quality products. The market was unlikely to ever be able to absorb the full output of this plant. Product will be sourced from Caversham in Western Australia once stock levels are exhausted, enabling the Caversham plant to run at full capacity and deliver product to Victoria at a similar cost to the Scoresby plant. This will ensure Bristile's competitive position is not eroded in Victoria and improve the unit production cost and margin in Western Australia.

The Punchbowl plant in New South Wales made significant progress during the year with the Terraçade ventilated façade system being widely specified in Australia and overseas. In addition, the new range of *Riviera*™ pavers which are 40mm thick was launched. Initially, only the 30x30cm size has been launched with the 40x40cm size launched in early spring.

The *Riviera*™ range clearly make Austral Bricks a leader in clay paving as they offer the first available large format high specification clay paver product available worldwide. Initial response has been very encouraging and it is anticipated substantial export markets will be created for this range of products once they are fully developed and rolled out.

The increased value of the Australian Dollar and the proliferation of unglazed porcelain tiles arriving in Australia, particularly from China, combined with the commissioning by a competitor of a new fully automated plant in the Hunter Valley, New South Wales has impacted on sales of terracotta floor tiles. As a result, the focus has been shifted to products which are not subject to import competition and where we hold a technological advantage.

EXPORTS

Record export sales were once again achieved, increasing by 137% over last year following the inclusion of Bristile's export sales.

Growth in New Zealand was unprecedented with demand stretching the ability to supply. The significant increase in demand was created by the catastrophic failure of many light weight walling systems and the return to the proven brick veneer construction method. Many New Zealand bricklayers and consumers sensibly realised there was no substitute for face bricks to avoid the expense of re-applying fading and flaking applied finishes.

New Zealand builders and bricklayers have very quickly appreciated the benefits of Slick Bricks™ and are showing increasing interest and demand for this leading product.

Most other export markets performed strongly during the year and further export growth is anticipated. A senior General Manager has been appointed to the role of Group Export Manager with the responsibility of further developing export markets.

Other initiatives such as dedicated representatives in New Zealand and Hong Kong, and plans to increase exposure in Dubai, should continue to boost export sales.

The export business, besides achieving a significant margin contribution, has allowed excess capacity to be utilised, raising returns and saving significant capital expenditure by redistributing domestic production.

CAPITAL WORKS

Brickworks' capital works program continued strongly during the period concentrating on efficiency, the environment, and safety improvements. Capital expenditure totalled \$40 million, including \$6.8 million in property acquisition and development costs, compared to depreciation of \$23 million. This relatively high capital expenditure to depreciation ratio is likely to continue next year, with a number of worthwhile projects under consideration.

In Queensland, the new packaging plant (dehacker) at Rochedale featuring twin robots has been fully commissioned and the design work for the expansion of Riverview is nearing completion. This latter project is now likely to be completed in two stages to avoid an oversupply of product in Queensland where housing starts have not climbed as quickly as forecast.

Work continued on the \$12 million upgrade of the Bowral plant during the period. The grinding plant is in the final stages of commissioning while the new dryer is under construction. Installation of the multiple [six] robot setting machine has commenced with the high number of robots necessary to ensure the highest quality of product. The kiln will be upgraded during a planned shutdown over the Christmas/New Year period.

The Dandenong site which houses the Company's cement roof tile plant and masonry plant has been expanded with the purchase of an adjoining vacant lot to allow more effective stock management for both operations. The cement roof tile plant is to be upgraded with the first stage of the project including a major maintenance refit, a packaging plant and new tile plates. The second stage, which will include new curing chambers, is under investigation. On completion of this project, the plant will be of the same scale and efficiency as the Wacol plant in Queensland.

The installation of a new manufacturing plant in Western Australia is still under investigation and is likely to take considerable time to work its way through the design and planning approval stages. It would not be possible to build and commission a new plant to meet the current market conditions, so attention will be focussed on the best solution not the fastest.

Investigation is well advanced on the re-vitalisation of Brickworks' Victorian operations and better utilisation of assets. To this end, a new major plant may be built on the extensive Summerhill site to replace the aging Scoresby facility. This would release the 56 hectare Scoresby site for rehabilitation and potential housing development. It would also release the 19.16 hectare Hallam quarry site for rehabilitation and potential industrial development. An announcement will be made on completion of the investigation and assessment by the Board.

LAND AND PROPERTY REALISATION

Despite the long lead time to complete property transactions, Brickworks' property realisation program has shown substantial advances and a steady flow of results.

Revenue of \$11.9 million was received during the year, resulting in profits on disposal of \$9.6 million. This was largely due to the sale of land to the NSW Roads and Traffic Authority ("RTA") for the construction of the Western Sydney Orbital at Horsley Park, New South Wales.

In addition to this, in excess of \$15 million was received as deposits for the Eastwood, New South Wales and Golden Grove, South Australia properties. Profit on these properties is currently deferred, with the anticipation of the Golden Grove transaction being completed prior to December 2004.

Progress on the Eastwood development had been difficult due to truck movement restrictions in place. However, late in the year the Land and Environment Court approved an increase from 60 to 130 trucks per day. Unfortunately the time delay combined with a softer market for fill will require our plan on this project to be re-evaluated and will result in a delay in the anticipated payment schedule.

New contracts for the sale of land at Golden Grove were signed, bringing the timing of a \$21 million payment forward. While the contract, and associated payment, is conditional on rezoning, approval for this application has been received from Council and Ministerial sign-off is now being sought.

The most significant arrangement entered into in the 2003/04 year was the selection of Macquarie Goodman as the partner to develop the SEPP 59 property at Horsley Park, New South Wales, known as "The Vineyard".

Under the Heads of Agreement, Brickworks will receive payments of around \$150 million over the next 10 to 12 years, plus a share of project profits. A significant portion of the payments will be received in the next three to four years with the first amounts due late in the 2004/05 financial year. The contract is conditional on the approval of the Precinct Plan for the SEPP 59 area, which is proceeding well. Preparation of this Plan was completed in early 2004 and has now been placed on exhibition by Blacktown Council. Approval is currently expected by the end of 2004.

Progress has been slow on the sub-division of the Mamre Road site at Erskine Park, New South Wales. Biodiversity issues continue to delay the approval and development of Brickworks' site, as well as adjoining sites. Council is currently assessing a proposal lodged by the Erskine Park Landowners, including Austral, in late 2003 addressing the biodiversity issues. If Council supports this proposal then the Development Control Plan for the area will need to be amended. This will then allow the development application for the site to be assessed.

Brickworks' utilisation of exhausted clay pits continues in a number of locations. Approval has been received to submit the application for the rezoning of land at Cardup, Western Australia for landfill and progress on the approval of landfill at Bolinda Road Campbellfield, Victoria remains dependant on the approval of the Environmental Protection Authority (EPA).

WASTE MANAGEMENT

The Horsley Park waste facility has provided royalties in excess of \$1.6 million over the financial year, which is well over the minimum contract requirements.

The increase has come from Collex securing approval to increase the tipping rates from 250,000 tonnes per annum to 430,000 tonnes per annum. Total airspace provided since operations commenced now stand at 2.4 million cubic metres.

The increased tipping rate will result in Collex catching up with the mining plan earlier than anticipated. Discussions are currently underway to avoid cessation of filling due to a lack of airspace.

INVESTMENT IN WASHINGTON H. SOUL PATTINSON (WHSP)

The market value of WHSP, in which Brickworks has a 42.85 per cent shareholding, was \$695 million at 30 June 2004, up from \$598 million at June 2003.

The equity accounted contribution for the 12 months to 31 January 2004 was \$35.5 million, a 27% increase on the previous corresponding period. Dividends received were \$23.5 million, fully franked. This included a special dividend of \$5.1 million by way of shares in New Hope Corporation on the basis of 1 New Hope share for every 8 WHSP shares. These new shares and associated options were sold with the share portfolio.

The investment in WHSP has a 15 year compound return of 16.0% p.a. compared to 10.1% in the ASX All Ordinary Accumulation Index.

WHSP declared a profit after tax and non-regular items for the half year ended 31 January 2004 of \$98.0 million, an increase of 116% over the previous corresponding period. This includes a non-regular profit of \$35.2 million from the disposal by Brickworks of its share portfolio. Other profits on non-regular items totalled \$22.4 million, arising from the sale of properties and shares. Earnings per share increased 116% to 41 cents, and an interim dividend of 8 cents per share, up 14%, was paid.

In addition to the two special 10 cent dividends to be paid November 2004 and November 2005, WHSP announced its intention to increase ordinary dividends in line with past increments.

WHSP reported performance of its various investments as follows:

- **Australian Pharmaceutical Industries (API)**

API reported a decline in profit of 12.4% to \$12.6 million, due in part to significant non-recurring costs relating to the temporary closure of the Kingsgrove manufacturing facility, and higher depreciation and goodwill amortisation costs.

An interim dividend of 6.25 cents per share has been declared, equal to the previous year. WHSP has a 22.9% interest in API.

- **Coal (New Hope)**

New Hope's profit after tax and outside equity interests increased to \$32.9 million for the six months, due to a \$13.6 million abnormal item relating to the settlement of a handling contract with a customer. Excluding this item, New Hope's result was lower than the previous corresponding period due to a decline in results from overseas operations, combined with the strengthening of the Australian Dollar against the US Dollar.

New Hope Corporation (ASX Code NHC) was listed on the ASX in September, 2003. The share price of NHC increased from an issue price of 40 cents per share to \$1.10 at 30 June 2004. WHSP has a 63.5% interest in New Hope Corporation.

- **Media (NBN)**

Television group, NBN's profit after tax of \$3.8 million was up 26.7% on the same period last year, on the back of an improving advertising market, strong ratings and cost controls. During 2003, NBN recorded the highest ratings across all Australian major markets, which is the eighth time in the past 10 years.

On 15 June 2004, shareholders of both WHSP and SP Telecommunications approved the sale of NBN by WHSP to SP Telecommunications. As a result of this sale, WHSP announced its intention to pay the special dividends.

- **SP Telecommunications Limited (SOT)**

SOT more than doubled its profit after tax on the previous corresponding period, up to \$4.3 million for the half year to 31 January 2004. Revenue was also significantly stronger at \$42.9 million, up from \$18.9 million in the previous corresponding half year.

SOT shareholders approved the acquisition of NBN Television on 15 June 2004, and, at the same meeting, approved a change of name for the company to SP Telemedia Limited.

- **Clover Corporation Limited (Clover)**

Clover's profit for the half year was \$337,000, an increase of 15.4% over the previous corresponding period, on an increase in sales of 87.6%.

The result for the half year benefited from increased popularity of Nu-Mega's Omega³ DHA products, used as an additive in a variety of foods including bread, eggs, smallgoods and infant formula.

- **Keith Harris & Co. Ltd (Keith Harris)**

Keith Harris reported a loss for the six months to January 2004 of \$188,000, down from a profit of \$1.4 million for the same period last year. The results were adversely affected by the consolidation of the results of its new associate, Balfours Australia Pty Ltd, from 1 December 2003.

It is anticipated Balfours results will improve in the second half of the year following relocation of its manufacturing plant and installation of new bread manufacturing equipment.

On 5 March 2004, Keith Harris accepted an offer for the sale of its juice business, which was due to settle on 30 June 2004, at a profit before tax of approximately \$2.7 million.

- **Investment advice (Pitt Capital Partners)**

Pitt Capital Partners had a positive first six months completing a number of corporate transactions, and has pleasing levels of corporate advisory work in progress. Pitt Capital Partners has established itself as a participant in the boutique merchant banking market place. WHSP has a 50% shareholding in Pitt Capital Partners.

- **WHSP Investment Portfolio**

The WHSP Investment Portfolio, including unrealised gains, returned 14.2% for the half year to 31 January 2004, compared to the benchmark S&P/ASX 300 Accumulation Index of 7.2% for the same period.

Share purchases during the period included Huntley Investment Co. Ltd, Ruralco Ltd, Pacific Strategic Investments Ltd and Beston Wine Industry Trust. Shares sold included Abigroup Ltd, Sabre Group Ltd, WMC Resources Ltd, Prudential Investment Co. Ltd and Hudson Timber Products Ltd.

INVESTMENT IN BRICKWORKS INVESTMENT COMPANY LTD (BKI)

Brickworks Investment Company Ltd (BKI) listed on the ASX on 12 December 2003. Brickworks holds a 25.2% equity interest, accounted for as an Equity Accounted Associate.

At 30 June 2004, BKI's share price was 98 cents, giving the investment a market value of \$42.2 million. At 30 June 2004, the net asset backing, net of likely capital gains tax, was 105.7 cents per share, and as a result Brickworks is carrying the investment at its equity accounted value of \$45.3 million.

For the seven months to 30 June 2004 year, BKI reported a profit after tax of \$3.59 million equivalent to an earnings per share of 2.1 cents. BKI declared a fully franked dividend of 2.0 cents a share. Major share purchases included AGL, Alumina, Alesco, IAG, Graincorp, Rural Press and Telstra. Sales of \$6.7 million included Ammtec, Crane Group and NAB. The total value of the portfolio at 30 June 2004 was \$183.8 million.

BKI's contribution to Brickworks' profit for the period 12 December 2003 to 30 June 2004 was negative \$516,000.

FINANCE

Brickworks has undergone a significant financial transformation during the year with the acquisition of the balance of Bristile for \$435.7 million. This acquisition was initially funded by short term borrowings from National Australia Bank.

Debt reduction strategies implemented immediately following the acquisition included the issue of \$165 million Reset Preference Shares (known as PAVERS), and the sale of Brickworks' listed investment portfolio to Brickworks Investment Company Ltd, for approximately \$120 million cash and \$43 million equity.

At 30 June 2004, total debt for the group stood at \$276 million, up from \$70 million in June 2003, but down from \$295 million at 31 December 2003. This reduction in debt over the second half was after paying an interim dividend totalling \$11.8 million on ordinary shares and the first dividend on the PAVERS of \$6.8 million. Receipts from several property transactions also assisted with the reduction in debt levels.

The Net Debt to Capital Employed was 23.1% at 30 June 2004 and 37.1% if the "PAVERS" were included as debt, as will be the case under new International Accounting Standards.

Interest cover ratio was 5.0 times after excluding the net gain from the disposal of the investment portfolio and the one-off funding costs of \$2.6 million written off during the period.

FUTURE

Brickworks has made excellent progress in the past 12 months improving profitability and return to ordinary shareholders who now number 3,068.

The acquisition of Bristile, the issue of "PAVERS", and the sale of the investment portfolio into the Brickworks Investment Company Ltd have laid the foundations for further strong development.

Building Products

The positive underlying economic conditions in Australia have generally continued and are likely to encourage high numbers of new immigrants. On this basis, the August BIS Shrapnel Building Industry Prospects has forecast dwelling commencements in 04 / 05 continuing at the historically high level of 170,000 nationally.

However as construction of new dwellings has now generally fulfilled the underlying demand a modest building slowdown is anticipated as the urgency is removed from the market.

Except for outer-metropolitan Sydney where investor activity has slowed following the New South Wales Governments' changes to stamp duty there are no reports of unsold speculative housing or unit stock in the markets we operate.

Many builders nationally are reporting a significant pipeline of work which is likely to take until Christmas to clear. Trade shortages, particularly bricklayers, remain the number one issue restricting higher rates of house construction to clear the backlog faster.

Brickworks order book remains significant and sales remain robust when compared to historical levels and our outlook remains positive.

All plants remain at full capacity, and with many of these plants having operated continually since 2000 or earlier, are in need of major overhauls or in some cases have delayed capital works to be carried out. It is anticipated this work will be undertaken over the Christmas/New Year period and will effect unit production costs and total output achieved in the coming year.

Brickworks Limited

Brickworks' significant financial re-engineering over the past 12 months has improved the balance sheet substantially following the Bristile acquisition.

Future cash flows will be significant when operating revenues are combined with income from contracted future land sales.

As a result, it is anticipated that total ordinary dividends paid by Brickworks will continue to increase over coming years while at the same time making significant progress on debt reduction.

With 640 staff shareholders from a total staff of 1,475 now committed to the success of the Company, Brickworks future looks bright.

Directors thank the managing director, Lindsay Partridge, and Alex Payne, the chief financial officer, for their tireless efforts during the past 12 months. The Directors would also like to take this opportunity to thank the staff for achieving such an excellent result and in particular the Bristile staff who have assimilated so well into the Brickworks group.

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 the financial statements.

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year that have significantly affected in 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,

other than those matters referred to in the review of operations.

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. Further information as to likely developments in the operations of the Group, and the expected results of those operations in subsequent financial years, has not been included in this report because inclusion of such information would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

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 in a commercially effective way. We are committed to encouraging concern and respect for the environment and emphasising every employee's responsibility for environmental performance.

The Brickworks Group is subject to significant environmental regulation in respect of its building products manufacturing and associated activities as set out below.

The Group has manufacturing facilities in Brisbane, Sydney, Melbourne, Ballarat, Adelaide, Perth and Launceston. Each site holds a current licence and/or consent in consultation with the local environment protection authorities. Annual returns were completed for each licence stating compliance with site operating conditions.

The Queensland production facilities and mining leases operate and are licenced under the Environmental Protection Act 1994 and Regulations. Each site is regulated by Environmental Management Overview Strategy documentation or plans of operations. Various approvals have also been obtained from Brisbane City Council relating to the operation of the concrete roof tile facility.

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 licencing fees are determined by the Environmental Protection Authority based on the level of discharges. The Environmental Planning and Assessment Act 1979 applies to the approval conditions of the group's activities. Some sites also operate within additional requirements imposed by local government.

The Victorian operations and mining leases operate and are licenced under the EPA Act 1970, including various state environmental protection policies and regulations. Some sites have additional requirements under local authority regulations.

The South Australian production facilities are licenced under the EPA Act 1993, while mining and rehabilitation plans are approved in accordance with Regulations under the Mines and Works Inspection Act 1920.

The Western Australian operations operate under the Environmental Protection Act 1997. They have licences issued from a number of government agencies, including the Department of Environment and the Department of Industrial Resources. A number of our sites also operate under additional requirements issued by local shires and councils.

The Tasmanian operations and mining leases operate under the Environmental Protection Act of 1973.

Independent environment auditors complete an environmental compliance audit of all factory sites and clay mining areas on an annual basis. The purpose of the audit is to ensure compliance with all current licences and regulations and to identify risks of an adverse environmental event under any other relevant legislation.

The environmental audits did not identify any material non-compliance items, however they have suggested minor housekeeping issues that will assist individual locations maintain the highest levels of compliance. Ongoing environmental monitoring is an integral part of the operations at all factories.

The directors are not aware of any material breaches of environmental regulations during the financial year.

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 is also chairman of Washington H Soul Pattinson and Company Ltd and other public companies. His other directorships include Clover Corporation Ltd, Pacific Strategic Investments Ltd and Australian Pharmaceutical Industries Ltd. He is the Chairman of the Remuneration Committee.

Michael J. Millner ***Deputy Chairman***

Mr. M. Millner was appointed to the Board in 1998 and is a non-executive director. His other directorships include Washington H Soul Pattinson and Company Ltd, Keith Harris and Co Ltd, Ruralco Ltd, Choiseul Investments Ltd and SP Telemedia Ltd. He is also a councillor of the Royal Agricultural Society of NSW Ltd. He is a member of the Audit and Remuneration Committees.

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

Mr. Partridge is a Ceramic Engineer who worked extensively in all facets of the industry in Australia and the United States of America before joining The Austral Brick Company in 1985 as a factory manager. In 1987 he was appointed NSW Operations Manager and in 1989 NSW General Manager. Mr. Partridge was appointed Chief Executive Officer in 1999, and was appointed to the Board in 2000. He is a director of Auswest Timbers Pty Ltd.

Alan J. Bentley FAICD ***Director***

Mr. Bentley was appointed to the Board in 1995. He is a non-executive director who joined the company in 1984 as General Manager. In 1988 he was appointed CEO and served in this position until 1999. He is a member of the Remuneration Committee.

Timothy V. Fairfax AM; FAICD ***Director***

Mr. Fairfax was appointed to the Board in 1997 and is a non-executive director. His other directorships include Rural Press Ltd, Marinya Media Pty Ltd and Cambooya Pty Ltd. He is Deputy Chancellor of the University of the Sunshine Coast and Deputy Chairman of Australian Rural Leadership Foundation Ltd. He is a member of the Audit and Remuneration Committees.

David N. Gilham FCIT; FAIM; FAICD
Director

Mr. Gilham was appointed to the Board on 1 August 2003. He was appointed Managing Director of Bristile Ltd in 1997. He was previously General Manager of the Building Products Division of Futuris Corporation and Managing Director of Bristile Ltd prior to its acquisition by Brickworks. He is a director of Consolidated Minerals Ltd and Chairman of Integrated Tree Chopping Ltd. He is a member of the Remuneration Committee.

The Hon. Robert J. Webster
Director

Mr. Webster was appointed to the Board in 2001 and is a non executive director. He is Vice President – Partner in Korn/Ferry International's Sydney office and a director of Allianz Australia, Mirvac Group and Macquarie Generation. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Information on Chief Financial Officer and Company Secretary

Alexander J. Payne B.Comm; Dip CM; FCPA; FCIS; JP
Chief Financial Officer

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 Brickworks Investment Company Ltd.

Iain H. Thompson B.Ec; CA; ACIS
Company Secretary

Mr. Thompson is a chartered accountant who joined The Austral Brick Company in 1996. He worked in various accounting roles within the company before being appointed Group Company Secretary in 2003.

Meetings of Directors

During the financial year, 18 meetings of directors (including committees) were held.

Attendances were:

	DIRECTOR'S MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R. D. Millner	15	15		
M. J. Millner	15	15	3	3
L. R. Partridge	15	15		
A. J. Bentley	15	15		
T. V. Fairfax	15	14	3	3
D. N. Gilham	14	13		
R. J. Webster	15	15	3	3

As at the date of this report there is an Audit Committee and a Remuneration Committee. The Remuneration Committee was formed by a resolution of the Board during the financial year, and its first meeting took place on 27 July 2004.

Directors Interests

As at 24 August 2004, directors had the following relevant interests in Brickworks shares:

	Ordinary shares	PAVERS
R. D. Millner	3,250,841	–
M. J. Millner	3,237,341	300
L. R. Partridge	74,558	250
A. J. Bentley	17,440	500
T. V. Fairfax	25,000	100
D. N. Gilham	55,500	40,000
R. J. Webster	4,000	–

As at 24 August 2004, 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 24 August 2004, 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 24 August 2004, 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' and Senior Executives' Remuneration

	Base Salary	Director's Fees	Superannuation Contributions	Short Term Bonus	Long Term Incentives	Non Cash Benefits	Total
Directors							
R. D. Millner	–	140,000	12,600	–	–	–	152,600
M.J. Millner	–	70,000	6,300	–	–	–	76,300
L. R. Partridge	461,290	–	54,394	320,000	320,000	17,829	1,173,513
A. J. Bentley	–	70,000	6,300	–	–	–	76,300
T. V. Fairfax	–	70,000	6,300	–	–	–	76,300
D. N. Gilham	–	64,167	5,775	–	–	–	69,942
R. J. Webster	–	80,000	7,200	–	–	–	87,200
Executive Officers							
A. Payne	254,370	–	27,602	200,000	200,000	17,134	699,106
D. Fitzharris	178,156	–	25,330	90,000	90,000	13,644	397,130
P. Scott	172,646	–	11,004	180,000	–	13,814	377,464
M. Tamsett	145,352	–	20,933	70,000	70,000	14,163	320,448
D. Millington	151,258	–	22,764	100,000	–	23,460	297,482

Non cash benefits include fringe benefits tax where applicable.

The Constitution provides for the directors, other than executive directors, to be collectively paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum determined by the company in general meeting. Shareholders have approved an aggregate maximum sum of \$800,000. The aggregate fees paid to non-executive directors during the year ended 30 June 2004 were \$538,642. The fees are divided among directors as they determine.

The remuneration of non-executive directors and senior executives is reviewed annually by the Board. The policy of the Board in setting remuneration levels includes, whilst not exclusively, reference to individual performance, the trading performance of the group or relative business units and annual movements in the Consumer Price Index.

Options

No options over unissued shares or interests in Brickworks Limited or a controlled entity were granted 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.

Proceedings on Behalf of the Company

No person has applied for leave of 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.

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

Dated 24 August 2004.

R. D. MILLNER
Director

R. J. WEBSTER
Director

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

CORPORATE GOVERNANCE STATEMENT

The Brickworks Board is committed to developing and maintaining good corporate governance within the company, and recognise that this is best achieved through its people and their actions. Brickworks long term future is best served by ensuring that its employees have the highest levels of honesty and integrity and that these employees are retained and developed through fair remuneration, appropriate long term incentives and equity participation in the company. It is also critical to the success of the company that an appropriate culture is nurtured and developed, starting from the Board itself.

The Corporate Governance statement has been summarised into sections in line with the 10 essential corporate governance principles as specified in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

Lay solid foundations for management and oversight

The Board is ultimately responsible for all matters relating to the running of the Company, however that role is achieved mainly through governing the company. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board, and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The principal functions and responsibilities of the Board include the following:

- Providing leadership to the Company and its employees;
- Overseeing the development and implementation of appropriate corporate strategies;
- Ensuring corporate accountability to shareholders;
- Overseeing the control and accountability systems within the Company;
- Ensuring robust and effective risk management, compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of the Company;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

Structure the Board to add value

It is Board policy that the majority of the Board should be non-executive Directors and the Chairman should be a non-executive director. At the date of this report, the Board consists of six non-executive directors listed in the Directors' Report and the Managing Director, Mr Lindsay Partridge. Specific details concerning each director are contained in the Director's Report.

Under the ASX Best Practice Recommendations, Messrs Timothy Fairfax and Robert Webster are the only directors considered independent. Messrs Alan Bentley and David Gilham are not independent due to previous senior executive roles with Brickworks and Bristle respectively, and Messrs Robert Millner and Michael Millner are not independent due to their directorial relationships with Washington H. Soul Pattinson, a major shareholder in Brickworks. Whilst the majority of directors are not strictly considered 'independent' in accordance with the ASX Best Practice Recommendations, the Brickworks Board feels that there is an appropriate blend of skills and experience covering all aspects of the company's operations, particularly the core business of building products manufacturing.

The company considers both quantitative and qualitative elements in determining the materiality of any relationships between individual directors and the company. The company uses the guidance contained in accounting standard AASB1031: Materiality to determine quantitative thresholds, whereby amounts less than 5% are considered immaterial and amounts greater than 10% are considered material, subject to the assessment of qualitative factors. Major qualitative factors include the strategic importance of any relationship and the nature of that relationship.

Individual directors of Brickworks are entitled to seek independent professional advice in relation to their role as director, at the cost of Brickworks. Directors are required to advise the Chairman or full Board prior to engaging parties to provide this advice.

Brickworks does not have a separate nomination committee, however the non-executive members of the Board who are not up for re-election at the next AGM fulfil the role of a nomination committee. These non-executive directors are responsible for reviewing the composition of the Board to ensure that it comprises directors with an appropriate mix of experience and expertise. Where a vacancy exists on the Board or where the non-executive directors consider that the Board would benefit from the appointment of additional directors with particular expertise or experience, the non-executive directors, in conjunction with external advisors if appropriate, will select suitable candidates. Any director appointed by the Board in this manner must be elected at the next Annual General Meeting.

Promote ethical and responsible decision-making

Brickworks has an established code of conduct under which all directors and employees are expected to operate. This code is centred on having the company and its employees achieving the highest integrity in all its business dealings at all levels of the organisation. The code covers a number of areas, including ethical standards, conflicts of interest, excellence in performance, confidentiality, trading in company securities, continuous disclosure and equal opportunity, anti-discrimination and harassment. All directors and employees of Brickworks and its subsidiaries are expected to abide by the code of conduct and the comprehensive policy manual which covers a number of items in more detail.

Brickworks is committed to generating an environment whereby its employees are encouraged to advise senior management of breaches to its code of conduct and policy manual.

A summary of the main principles of the Brickworks share trading policy are outlined below. These provisions are applicable to both Ordinary shares (ASX Code BKW) and Redeemable Preference shares (also known as PAVERS – ASX Code BKWPA).

- Brickworks directors and employees are prohibited from trading in shares of Brickworks when in possession of price sensitive information about Brickworks Limited or its business and this information is not available to the public.
- Directors and employees are also prohibited from encouraging another person (for example, family members or business colleagues) to deal in Brickworks Shares when we have "inside information".
- Brickworks has established share trading windows during which employees or directors of the company may trade shares in the company. These windows are each for a period of six (6) weeks duration commencing at:
 1. the announcement of the Yearly result to the ASX;
 2. the AGM date;
 3. the announcement of the half yearly result to the ASX; and
 4. the lodgement of a prospectus.
- Directors and employees are restricted from trading in Brickworks shares during these trading windows if they are in possession of price sensitive information.
- In exceptional circumstances, senior management and directors may trade outside these windows, providing they obtain approval from the Managing Director or Chairman respectively prior to trading.
- This restriction does not apply to normal fixed monthly share purchases made by the trustee through the Brickworks Employee Share Plans. More information on the employee share plans is available in note 21(j) of the annual report.

Safeguard integrity in financial reporting

Brickworks has an established Audit Committee, which has its own charter outlining the committee's function, composition, authority, responsibilities and reporting. The composition required under the charter is consistent with the best practice guidelines specified by the ASX.

The current members of the Audit Committee are The Hon. Robert Webster (Chairman), Mr. Timothy Fairfax and Mr. Michael Millner. Details of these directors' qualifications and experience are available in the Director's Report. The other Board members have a right of attendance, however the Managing Director, the Chief Financial Officer and the Company Secretary may attend by invitation only to discuss issues on audit and internal control matters.

The committee also requests that representatives from both the external auditors and the internal auditors attend the Audit Committee meetings to report on the results of their work in the period under review. Representatives from both external and internal auditors have direct access to the Audit Committee if required.

During the financial year ended 30 June 2004, there were 3 Audit Committee meetings held. All members of the Audit Committee were in attendance at each of those meetings.

The function of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other statutory requirements applicable to Brickworks Limited; and
- The application and adequacy of risk management systems within Brickworks Limited.

It is a requirement of the Board that the Managing Director and Chief Financial Officer sign off to the Board, via the Audit Committee, on the content of the financial statements, and that these represent a true and fair view of the company's operations and the financial position of the company.

Make timely and balanced disclosure

As noted previously, the company has a written policy dealing with its requirements under the Continuous Disclosure rules contained in ASX listing rule 3.1. Generally, this policy states that all employees have a responsibility to advise senior management of any information about Brickworks or its subsidiaries which could be considered price sensitive for Brickworks shares. Senior management will then consider, in consultation with the Directors, which information will be released to the ASX and what form this release will take.

Respect the rights of shareholders

Brickworks is committed to keeping its shareholders and other interested parties informed about the Company's activities. This is achieved in a number of ways, including through releases to the market via the ASX, through the Brickworks website (which can be found at www.brickworks.com.au), through shareholder mailings, and at any general meetings of the company. Time is allocated at general meetings for questions to be put to the Board of Directors.

The partner responsible for signing the audit report is expected to be at the annual general meeting of the company to answer any questions raised in relation to the audit and the auditor's report. Attendees at that meeting are given an opportunity to ask questions of the auditors.

Recognise and manage risk

Brickworks is committed to the management of risks throughout our operations to protect our employees, shareholders, the environment, our assets, earnings, markets and reputation. The specific risk management policies are contained within the Brickworks group policy manual, and are aimed at assisting the Board in the management of risks in areas such as health and safety, environmental issues, industrial relations, insurance and legal matters. Certain risk management techniques, including foreign currency and interest rate hedging, may only be undertaken where approved by the full Board of Directors.

It is a requirement of the Board that the Managing Director and Chief Financial Officer sign off to the Board, via the Audit Committee, on the risk management and internal compliance and control systems implemented by the Board, and that these compliance and control systems are operating efficiently and effectively in all material respects.

Encourage enhanced performance

The performance of the Managing Director and senior executive staff is formally reviewed twice yearly by the non-executive Directors. Senior executive performance is continually monitored by the Managing Director on behalf of the Board, and the Managing Director's performance is subject to continuous monitoring by the full Board.

The performance of non-executive Directors is reviewed by the Chairman. If the performance of any non-executive Director is considered unsatisfactory, the matter is referred to the remainder of the Board.

The efficiency, effectiveness and operations of the Board are continuously subject to informal monitoring by the Chairman and the Board as a whole.

Remunerate fairly and responsibly

Brickworks Remuneration Committee consists of all non-executive Directors. This committee was formed during the 2004 financial year. Prior to the formation of the committee, the employment terms and remuneration of executive Directors and other senior executive officers was formally reviewed by all non-executive members of the Board.

Senior executive remuneration (including the Managing Director) includes a base salary, plus a bonus component which is calculated with regard to the overall performance of the Brickworks group and the individual business unit for the period for which the executive has responsibility. This bonus is split into short and long term components of approximately equal amounts, the short term component being available to the employee either as cash or as shares purchased on market through the Brickworks employee share plan, and the long term component being available as shares through the Brickworks employee share plan, vesting to the employee at 20% per annum over the next 5 years. The contribution to the employee share plans is of a specified value to be purchased on market, and no new shares are issued by the company. Note 34 to the financial statements incorporates specific disclosures regarding Director and executive remuneration. The Board considers that the structure of senior executive remuneration provides an appropriate balance of short and long term focus for the welfare of the Company.

The remuneration of non-executive Directors is determined by the full Board after consideration of company performance and market rates for Directors' remuneration. Non-executive Director fees are set each year, and are not subject to performance based incentives. Individual fee levels are set to reflect the level of responsibilities of the individual non-executive Directors. The maximum aggregate level of fees which may be paid to non-executive Directors is required to be approved by shareholders in general meeting. This figure is currently \$800,000, and was approved by shareholders at the Annual General Meeting on 31 October 2003. It is a requirement of the Constitution that all Directors must maintain a minimum level of share ownership within the company, currently set at 500 ordinary shares.

Brickworks does not have any equity based remuneration aside from the bonuses paid into the employee share plans. There are no options on issue in relation to Brickworks Limited shares.

Further detailed information on Directors' and senior executives' remuneration is set out in the notes to the financial statements.

Recognise the legitimate interests of stakeholders

Brickworks recognises its obligations to all stakeholders of the company, including shareholders, employees, customers, suppliers and other interested parties. The code of conduct and policy manual referred to previously in this Corporate Governance statement recognises these responsibilities and aims to continue fostering a culture of compliance with the obligations that the company has.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Sales revenue	2	486,319	181,013	–	–
Cost of sales		<u>(298,140)</u>	<u>(107,447)</u>	–	–
Gross profit		188,179	73,566	–	–
Other revenues from ordinary activities	2	180,576	30,684	188,388	150,984
Distribution expenses		(45,291)	(22,179)	–	–
Administration expenses		(19,812)	(10,273)	(841)	(1,256)
Selling expenses		(34,432)	(10,605)	–	–
Borrowing costs expense		(25,450)	(5,009)	(22,156)	(5,009)
Other expenses from ordinary activities	3(c)	(90,088)	(16,161)	(73,315)	(88,752)
Share of net profits of associates accounted for using the equity method		<u>36,664</u>	<u>35,264</u>	–	–
Profit from ordinary activities before income tax expenses	3	190,346	75,287	92,076	55,967
Income tax attributable to profit from ordinary activities	4	<u>(32,972)</u>	<u>(2,598)</u>	<u>(7,552)</u>	<u>3,331</u>
Profit from ordinary activities after related income tax expenses		<u>157,374</u>	<u>72,689</u>	<u>84,524</u>	<u>59,298</u>
Net exchange difference on translation of financial report of self-sustaining foreign operations		–	3	–	–
Share of net (increase) decrease in reserves of associates accounted for using the equity method		<u>(2,397)</u>	<u>(4,885)</u>	–	–
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		<u>(2,397)</u>	<u>(4,882)</u>	–	–
Total changes in equity other than those resulting from transactions with owners as owners		<u>154,977</u>	<u>67,807</u>	<u>84,524</u>	<u>59,298</u>
Basic earnings per share (cents per share)	7	114.3	55.2		
Diluted earnings per share (cents per share)	7	105.0	55.2		

The accompanying notes form part of these financial statements

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
CURRENT ASSETS					
Cash assets	8	6,426	39,924	2,080	37,336
Receivables	9(a)	81,317	24,204	–	2,100
Other financial assets	10(a)	364	984	–	–
Inventories	11(a)	78,008	28,202	–	–
Other	13	1,901	3,673	18	1,703
TOTAL CURRENT ASSETS		<u>168,016</u>	<u>96,987</u>	<u>2,098</u>	<u>41,139</u>
NON-CURRENT ASSETS					
Receivables	9(b)	–	–	632,723	136,676
Other financial assets	10(b)	–	65,406	224,625	249,989
Inventories	11(b)	31,804	1,574	–	–
Investments accounted for using the equity method	14	289,694	320,424	–	–
Property, plant and equipment	15	541,684	217,838	645	645
Deferred tax assets	16	18,693	5,000	18,693	5,000
Intangible assets	17	247,311	–	–	–
TOTAL NON-CURRENT ASSETS		<u>1,129,186</u>	<u>610,242</u>	<u>876,686</u>	<u>392,310</u>
TOTAL ASSETS		<u>1,297,202</u>	<u>707,229</u>	<u>878,784</u>	<u>433,449</u>
CURRENT LIABILITIES					
Payables	18(a)	45,522	11,495	1,742	415
Interest-bearing liabilities	19(a)	76,000	70,000	76,000	70,000
Current tax liabilities	20	8,233	1,504	8,250	1,531
Provisions	21(a)	30,232	10,402	–	–
TOTAL CURRENT LIABILITIES		<u>159,987</u>	<u>93,401</u>	<u>85,992</u>	<u>71,946</u>
NON-CURRENT LIABILITIES					
Payables	18(b)	10,250	2,050	40	993
Interest-bearing liabilities	19(b)	200,000	–	200,000	–
Provisions	21(b)	10,887	4,076	844	900
Deferred tax liabilities	22	21,362	601	21,362	601
TOTAL NON-CURRENT LIABILITIES		<u>242,499</u>	<u>6,727</u>	<u>222,246</u>	<u>2,494</u>
TOTAL LIABILITIES		<u>402,486</u>	<u>100,128</u>	<u>308,238</u>	<u>74,440</u>
NET ASSETS		<u>894,716</u>	<u>607,101</u>	<u>570,546</u>	<u>359,009</u>
EQUITY					
Contributed equity	23	302,168	139,409	302,168	139,409
Reserves	24	255,822	258,220	96,124	96,124
Retained profits	25	336,726	209,472	172,254	123,476
TOTAL EQUITY		<u>894,716</u>	<u>607,101</u>	<u>570,546</u>	<u>359,009</u>

The accompanying notes form part of these financial statements

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash flows from operating activities					
Receipts from customers		524,463	198,221	30	68
Payments to suppliers & employees		(437,555)	(154,885)	(1,146)	(398)
Interest received		1,383	1,481	1,184	2,258
Borrowing costs		(22,192)	(5,870)	(18,898)	(5,869)
Dividends received		27,038	32,652	26,921	57,627
Income tax paid		(26,495)	(11,872)	(3,310)	689
Net cash flows from operating activities	28(a)	<u>66,642</u>	<u>59,727</u>	<u>4,781</u>	<u>54,375</u>
Cash flows from investing activities					
Proceeds from the sale of investments		3,951	5,482	3,951	90,685
Purchases of investments		(10,414)	(4,576)	(10,414)	(3,171)
Proceeds from disposal of controlled entity		119,889	–	119,889	–
Payment for controlled entity net of cash acquired		(432,597)	–	–	–
Proceeds from sale of property, plant & equipment		5,521	16,348	–	–
Purchases of property, plant & equipment		(40,408)	(13,882)	–	–
Net cash flows from / (used in) investing activities		<u>(354,058)</u>	<u>3,372</u>	<u>113,426</u>	<u>87,514</u>
Cash flows from financing activities					
Proceeds from borrowings		549,716	–	549,716	–
Repayment of borrowings		(411,718)	(10,000)	(343,716)	(10,000)
Proceeds from issue of shares		161,799	–	161,799	–
Loan (to) from controlled entity		–	–	(486,481)	(83,728)
Loan (to) from other entity		15,200	(3,600)	–	–
Pre-acquisition dividend received from subsidiary		–	–	965	–
Dividends paid by subsidiary to outside equity interests		(25,333)	–	–	–
Dividends paid		(35,746)	(21,076)	(35,746)	(21,076)
Net cash flows from / (used in) financing activities		<u>253,918</u>	<u>(34,676)</u>	<u>(153,463)</u>	<u>(114,804)</u>
Net increase (decrease) in cash held		(33,498)	28,423	(35,256)	27,085
Cash at beginning of year		39,924	11,513	37,336	10,251
Effect of exchange rates on cash holdings in foreign currencies		–	(12)	–	–
Cash at end of year	8	<u><u>6,426</u></u>	<u><u>39,924</u></u>	<u><u>2,080</u></u>	<u><u>37,336</u></u>

The accompanying notes form part of these financial statements

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

Brickworks Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the significant accounting policies adopted by the Brickworks Group in the preparation of the financial report. These accounting policies have been consistently applied from the prior year, unless otherwise stated.

a. Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Brickworks Limited (the parent entity) and all entities that Brickworks Limited controlled from time to time during the year and at reporting date. Control exists where Brickworks Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Brickworks Limited to achieve the objectives of Brickworks Limited. A list of controlled entities is contained in Note 32 to the financial statements.

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

Where controlled entities have entered or left the group during the year, their operating results have been included from the date control was obtained or to the date control ceased.

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

b. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

c. Income tax

The Brickworks Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account 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 Brickworks Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Brickworks Limited and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2002. Entities acquired subsequent to that date have been added to the tax consolidated group at the point they become 100% owned subsidiaries. Brickworks Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable based on the current income tax rate, applied to the profit from ordinary activities adjusted for any permanent differences.

d. Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

e. Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

f. Current investments

Shares in listed companies held as current assets are held as a trading portfolio, and are valued at the lower of cost or net realisable value. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

g. Inventories

Finished goods, raw materials and work in progress are valued at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour, and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

h. 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 net realisable value. Cost includes the cost of acquisition and development.

i. Non-current financial assets

Investments held as non-current investments, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

j. Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the Brickworks Group's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance, and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the Brickworks Group exercises significant influence, but not control.

k. Property, plant and equipment

Freehold land is carried at cost or deemed cost. Deemed cost is the carrying value of each item of land at 30 June 2000. This carrying value was derived from independent valuations carried out in 1999, based on estimated market values at that time. The valuations took into account potential capital gains tax.

Plant and equipment (including buildings) are measured on the cost basis.

The depreciable amount of all plant and equipment including buildings but excluding freehold land, are depreciated over their useful lives commencing from the time the asset is held ready for use.

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

Class	Rate
Buildings	2.5% - 4% Prime cost
Plant and Equipment	4% - 33% Prime cost, 7½% - 22½% Diminishing value

The gain or loss on disposal of all property, plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit from ordinary activities before income tax of the company in the year of disposal.

l. Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. The company currently does not have any finance leases. The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

m. Intangibles

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 at the date of acquisition. Goodwill is amortised on a straight line basis over a period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Brand names acquired are valued based on independent valuations and are amortised on a straight line basis over the expected future life of the brand name.

n. Recoverable amount

The carrying amount of non-current assets is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and/or on subsequent disposal of the assets.

o. Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

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.

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

p. Interest bearing liabilities

All loans and commercial bills are measured at the principal amount. Interest is recognised as an expense as it accrues.

q. Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at nominal amounts based on the amounts expected to be paid when the liability is settled, plus related on costs. Other 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.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

r. 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.

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.

s. Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

t. Interest rate swaps

Interest rate swaps are used to convert the variable interest rate of short term borrowings to fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

u. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

v. Foreign currency transactions and balances

The financial statements of the overseas controlled entity, which are integrated, are translated using the temporal method, whereby non-monetary assets are translated using historical rates of exchange, and monetary assets are translated using the rates of exchange current at that date. Transactions during the year are converted to Australian currency at the exchange rates applicable at the dates of the transactions.

Any gains or losses arising from the conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

w. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

x. Rounding of Amounts

The parent entity 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 the class order.

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 2: REVENUE				
Trading revenue				
Sale of goods	485,652	179,561	–	–
Sale of current investments	667	91	–	–
Sales other	–	1,361	–	–
Other revenue				
Interest received from:				
– wholly owned subsidiaries	–	–	–	834
– other corporations	1,266	1,588	1,067	1,531
Dividends received from:				
– wholly owned subsidiaries	–	–	–	25,517
– associated companies	–	–	23,519	25,961
– other corporations	3,439	6,477	3,421	6,452
Proceeds on sale of:				
– non-current investments	160,379	5,482	160,379	90,685
– property, plant & equipment	14,421	16,348	–	–
Rental revenue	480	284	–	–
Net foreign exchange gains	42	25	–	–
Other	549	480	2	4
Share of net profits of associates	36,664	35,264	–	–
Total revenue	<u>703,559</u>	<u>246,961</u>	<u>188,388</u>	<u>150,984</u>

CONSOLIDATED		PARENT ENTITY	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax has been determined after:

(a) Charging as expenses:

Depreciation

– Buildings	3,157	1,048	–	–
– Leasehold improvements	9	–	–	–
– Plant and equipment	19,618	10,319	–	–

	<u>22,784</u>	<u>11,367</u>	<u>–</u>	<u>–</u>
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Amortisation

– Goodwill	12,020	–	–	–
– Brand names	2,546	–	–	–

	<u>14,566</u>	<u>–</u>	<u>–</u>	<u>–</u>
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Total depreciation and amortisation expense

	<u>37,350</u>	<u>11,367</u>	<u>–</u>	<u>–</u>
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Borrowing costs – other corporations	25,450	5,009	22,156	5,009
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Rental expense on operating leases	2,691	425	–	–
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Unrealised loss on carrying value of current investment	90	–	–	–
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Bad and doubtful debts – trade debtors	617	193	–	–
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Write down of inventories to net realisable value	251	28	–	–
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(b) Crediting as income:

Net gain on disposal of:

– property, plant & equipment	9,951	5,540	–	–
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– current investments	–	18	–	–
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– non-current investments	89,160	1,934	89,160	1,934
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Unrealised gain on carrying value of current investments	–	122	–	–
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(c) Significant revenues and expenses

The following items are relevant in explaining the financial performance for the year:

Consideration on disposal of subsidiary holding portfolio of listed investments (Brickworks Securities Pty Ltd (BSPL))

	158,390	–	158,390	–
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Carrying amount of net assets sold	70,107	–	70,107	–
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Net gain on disposal of subsidiary	<u>88,283</u>	<u>–</u>	<u>88,283</u>	<u>–</u>
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Contribution to profit of investment portfolio disposed of during the year through the sale of subsidiary (excluding gain on disposal)

	4,060	7,858	2,127	7,858
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Contribution to profit of subsidiary (Bristile Ltd) acquired during the year on consolidation

	36,096	–	–	–
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Contribution to profit of associate (Bristile Ltd) during the year accounted for using the equity method

	767	7,226	–	–
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	<u>36,863</u>	<u>7,226</u>	<u>–</u>	<u>–</u>
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Amortisation of Goodwill on acquisition of Bristile Ltd	(12,020)	–	–	–
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	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 4: INCOME TAX EXPENSE				
The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30%				
	57,104	22,586	27,623	16,790
Add tax effect of:				
– non-allowable items and adjustments	16	268	589	(1)
– non-deductible depreciation	742	113	–	–
– non-deductible amortisation	4,369	–	–	–
– (over) under provision for income tax in prior year	(262)	489	–	(22)
– overstatement of deferred tax items in prior year	–	84	–	–
	<u>61,969</u>	<u>23,540</u>	<u>28,212</u>	<u>16,767</u>
Less tax effect of:				
– capital profits not subject to income tax	15,739	2,534	12,586	580
– share of net profits of associates	3,943	2,636	–	–
– rebateable dividends	8,074	9,822	8,074	17,317
– tax losses recognised during the year	1,241	–	–	–
– tax effect of entry into tax consolidation regime	–	5,950	–	2,201
Income tax expense attributable to profit from ordinary activities	<u>32,972</u>	<u>2,598</u>	<u>7,552</u>	<u>(3,331)</u>

NOTE 5: AUDITORS' REMUNERATION

Amount receivable by the auditors for:				
– auditing the financial report	150,000	289,180	150,000	80,000
– taxation services relating to tax consolidation	414,000	–	–	–
– other services	185,000	50,775	55,000	30,000
	<u>749,000</u>	<u>339,955</u>	<u>205,000</u>	<u>110,000</u>

Other services include accounting advice in respect of international accounting standards.

	CONSOLIDATED		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
NOTE 6: DIVIDENDS				
Final ordinary dividend (prior year) of 13.0 cents per share, fully franked at the tax rate of 30% and paid on 3 November 2003 (2002 - 9.0 cents fully franked paid 4 November 2002)	17,124	11,855	17,124	11,855
Interim ordinary dividend of 9.0 cents per share, fully franked at the tax rate of 30% and paid on 16 April 2004 (2003 – 7.0 cents fully franked paid 10 April 2003)	11,855	9,221	11,855	9,221
Redeemable preference dividend calculated at 6.565% p.a. per share fully franked at the tax rate of 30% and paid 1 June 2004 (2003 - N/A)	6,767	–	6,767	–
Group's share of dividend received by associated company	(5,626)	(4,360)	–	–
	<u>30,120</u>	<u>16,716</u>	<u>35,746</u>	<u>21,076</u>
Proposed final ordinary dividend of 15.0 cents per share fully franked at the tax rate of 30% but not recognised as a liability at year end	<u>19,759</u>	<u>17,124</u>	<u>19,759</u>	<u>17,124</u>
Redeemable preference dividend calculated at 6.565% p.a. per share fully franked at the tax rate of 30% and payable 1 December 2004 but not recognised as a liability at year end	<u>5,431</u>	<u>–</u>	<u>5,431</u>	<u>–</u>
Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable and dividends recognised as receivables, and franking debits arising from payment of proposed dividends	<u>76,356</u>	<u>60,876</u>	<u>76,356</u>	<u>60,876</u>
There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.				
NOTE 7: EARNINGS PER SHARE				
(a) Reconciliation of earnings				
Net profit	157,374	72,689		
Less redeemable preference share dividends	(6,767)	–		
Earnings used in the calculation of basic EPS	<u>150,607</u>	<u>72,689</u>		
Dividends on redeemable preference shares	6,767	–		
Earnings used in the calculation of diluted EPS	<u>157,374</u>	<u>72,689</u>		
	No.	No.		
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	131,723,600	131,723,600		
Weighted average number of redeemable preference shares on issue	<u>18,150,000</u>	<u>–</u>		
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<u>149,873,600</u>	<u>131,723,600</u>		
Basic earnings per share (cents)	114.3	55.2		
Diluted earnings per share (cents)	105.0	55.2		

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 8: CASH ASSETS				
Cash on hand	4,377	2,769	31	181
Deposits at call	2,049	37,155	2,049	37,155
	<u>6,426</u>	<u>39,924</u>	<u>2,080</u>	<u>37,336</u>
NOTE 9: RECEIVABLES				
(a) Current				
Trade debtors	73,669	23,515	–	–
Less: provision for doubtful debts	<u>2,018</u>	<u>822</u>	<u>–</u>	<u>–</u>
	71,651	22,693	–	–
Less: advance payments by customers	<u>966</u>	<u>926</u>	<u>–</u>	<u>–</u>
	70,685	21,767	–	–
Add: other debtors	<u>10,632</u>	<u>2,437</u>	<u>–</u>	<u>2,100</u>
	<u>81,317</u>	<u>24,204</u>	<u>–</u>	<u>2,100</u>
(b) Non-current				
Amounts receivable from wholly owned subsidiaries	<u>–</u>	<u>–</u>	<u>632,723</u>	<u>136,676</u>
NOTE 10: OTHER FINANCIAL ASSETS				
(a) Current				
Share trading portfolio at lower of cost and net realisable value	<u>364</u>	<u>984</u>	<u>–</u>	<u>–</u>
Share trading portfolio at market value	<u>381</u>	<u>1,136</u>	<u>–</u>	<u>–</u>
(b) Non-Current				
Unlisted investments, at cost				
– Shares in controlled entities	–	–	153,263	156,323
Listed investments, at cost				
– Shares in associated companies (Note 33)	–	–	71,362	28,260
– Shares in other corporations	<u>–</u>	<u>65,406</u>	<u>–</u>	<u>65,406</u>
	<u>–</u>	<u>65,406</u>	<u>224,625</u>	<u>249,989</u>
Market values of listed investments				
– Shares in associated companies	–	–	737,593	598,208
– Shares in other corporations	<u>–</u>	<u>151,247</u>	<u>–</u>	<u>151,247</u>
	<u>–</u>	<u>151,247</u>	<u>737,593</u>	<u>749,455</u>
NOTE 11: INVENTORIES				
(a) Current				
Raw materials and stores at cost	18,443	6,845	–	–
Work in progress at cost	4,278	1,542	–	–
Finished goods at cost	<u>55,001</u>	<u>19,815</u>	<u>–</u>	<u>–</u>
	<u>77,722</u>	<u>28,202</u>	<u>–</u>	<u>–</u>
Finished goods at net realisable value	<u>286</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total inventories at lower of cost or net realisable value	<u>78,008</u>	<u>28,202</u>	<u>–</u>	<u>–</u>
(b) Non-current				
Raw materials and stores at cost	1,586	1,574	–	–
Land held for resale (Note 12)	<u>30,218</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>31,804</u>	<u>1,574</u>	<u>–</u>	<u>–</u>

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 12: LAND HELD FOR RESALE				
Cost of acquisition	30,070	–	–	–
Other capitalised costs	148	–	–	–
	<u>30,218</u>	<u>–</u>	<u>–</u>	<u>–</u>
NOTE 13: OTHER CURRENT ASSETS				
Prepayments	<u>1,901</u>	<u>3,673</u>	<u>18</u>	<u>1,703</u>
NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Investment in associated companies (Note 33)	<u>289,694</u>	<u>320,424</u>	<u>–</u>	<u>–</u>
At market value	<u>737,593</u>	<u>719,406</u>	<u>–</u>	<u>–</u>
NOTE 15: PROPERTY, PLANT AND EQUIPMENT				
(a) Freehold land				
At cost	<u>232,231</u>	<u>118,601</u>	<u>645</u>	<u>645</u>
(b) Leasehold land				
At cost	<u>235</u>	<u>235</u>	<u>–</u>	<u>–</u>
(c) Buildings				
At cost	126,868	37,170	–	–
Less: accumulated depreciation	<u>11,522</u>	<u>8,699</u>	<u>–</u>	<u>–</u>
	<u>115,346</u>	<u>28,471</u>	<u>–</u>	<u>–</u>
(d) Leasehold improvements				
At cost	–	–	–	–
Less: accumulated depreciation	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(e) Plant and equipment				
At cost	297,029	174,313	–	–
Less: accumulated depreciation	<u>123,146</u>	<u>110,240</u>	<u>–</u>	<u>–</u>
	<u>173,883</u>	<u>64,073</u>	<u>–</u>	<u>–</u>
Add: capital works in progress at cost	<u>19,989</u>	<u>6,458</u>	<u>–</u>	<u>–</u>
	<u>193,872</u>	<u>70,531</u>	<u>–</u>	<u>–</u>
Total property, plant and equipment	<u>541,684</u>	<u>217,838</u>	<u>645</u>	<u>645</u>

All property, plant and equipment are being carried at cost in accordance with AASB 1041: "Revaluation of Non-Current Assets". Where the carrying value of assets had previously been adjusted on the basis of a market valuation, they are now taken to be at their "deemed cost" as at 30 June 2000, in accordance with the requirements of that Standard.

Independent valuations were undertaken during the 2003 financial year to establish the current valuations of freehold land and buildings owned at that time. Land and buildings owned by the Bristle group at acquisition (23 July 2003) were valued, and these valuations have been reflected in the carrying value of land and buildings under AASB 1015: "Acquisition of Assets". The total fair market values of all land and buildings owned at 30 June 2004 by the Group were \$259,578,202 for land and \$123,679,827 for buildings (parent entity \$687,540 and Nil), after adjusting for the purchase price of assets acquired since the valuations were performed. These values do not take into account any potential capital gains tax. These values do not include the value of land held for resale.

CONSOLIDATED		PARENT ENTITY	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (cont.)

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.

Freehold land				
Carrying amount at beginning of year	118,601	125,642	645	645
Additions	5,070	170	–	–
Assets acquired by purchase of subsidiary	140,101	–	–	–
Asset transferred to non-current inventory	(30,070)	–	–	–
Disposals	(1,471)	(7,211)	–	–
Carrying amount at end of year	<u>232,231</u>	<u>118,601</u>	<u>645</u>	<u>645</u>
Leasehold land				
Carrying amount at beginning of year	235	235	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Carrying amount at end of year	<u>235</u>	<u>235</u>	<u>–</u>	<u>–</u>
Buildings				
Carrying amount at beginning of year	28,471	27,762	–	–
Additions	1,690	1,775	–	–
Amounts transferred from leasehold improvements	1,891	–	–	–
Assets acquired by purchase of subsidiary	86,692	–	–	–
Disposals	(241)	(18)	–	–
Depreciation / amortisation expense	(3,157)	(1,048)	–	–
Carrying amount at end of year	<u>115,346</u>	<u>28,471</u>	<u>–</u>	<u>–</u>
Leasehold improvements				
Carrying amount at beginning of year	–	–	–	–
Assets acquired by purchase of subsidiary	1,900	–	–	–
Transfer to buildings	(1,891)	–	–	–
Depreciation / amortisation expense	(9)	–	–	–
Carrying amount at end of year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Plant and equipment				
Carrying amount at beginning of year	64,073	69,655	–	–
Additions	24,925	8,317	–	–
Assets acquired by purchase of subsidiary	107,366	–	–	–
Disposals	(2,757)	(3,580)	–	–
Asset transferred to non-current inventory	(106)	–	–	–
Depreciation / amortisation expense	(19,618)	(10,319)	–	–
Carrying amount at end of year	<u>173,883</u>	<u>64,073</u>	<u>–</u>	<u>–</u>
Capital works in progress				
Carrying amount at beginning of year	6,458	2,838	–	–
Additions	36,847	8,262	–	–
Assets acquired by purchase of subsidiary	4,808	–	–	–
Transfer to property, plant and equipment	(28,124)	(4,642)	–	–
Disposals	–	–	–	–
Depreciation / amortisation expense	–	–	–	–
Carrying amount at end of year	<u>19,989</u>	<u>6,458</u>	<u>–</u>	<u>–</u>

CONSOLIDATED		PARENT ENTITY	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

NOTE 16: DEFERRED TAX ASSETS

Future income tax benefit	<u>18,693</u>	<u>5,000</u>	<u>18,693</u>	<u>5,000</u>
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The future income tax benefit is made up of the estimated tax benefits relating to timing differences only, and does not include any benefit relating to tax losses.

The company has capital losses with a tax value of \$8,933,929 (2003 \$1,861,560) which have not been brought to account as a future income tax benefit because there is no virtual certainty that the benefit of these losses can be realised. The benefit of these losses will only be obtained if the company derives future assessable income of a nature and amount sufficient to enable the benefit from the deductions for the loss to be realised, the company continues to comply with the conditions for deductibility imposed by tax legislation, and no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss.

NOTE 17: INTANGIBLE ASSETS

(a) Brand names				
At cost	5,300	–	–	–
Less: accumulated amortisation	<u>2,546</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>2,754</u>			
(b) Goodwill				
At cost	256,577	–	–	–
Less: accumulated amortisation	<u>12,020</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>244,557</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>247,311</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTE 18: PAYABLES

(a) Current				
Unsecured Liabilities				
Trade creditors & accruals	38,522	11,495	1,742	415
Deposits received on land sale agreements	<u>7,000</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>45,522</u>	<u>11,495</u>	<u>1,742</u>	<u>415</u>
(b) Non-Current				
Unsecured Liabilities				
Deposits received on land sale agreements	10,250	2,050	–	–
Amounts owing to wholly owned subsidiaries	<u>–</u>	<u>–</u>	<u>40</u>	<u>993</u>
	<u>10,250</u>	<u>2,050</u>	<u>40</u>	<u>993</u>

NOTE 19: INTEREST BEARING LIABILITIES

(a) Current				
Commercial bills - unsecured	<u>76,000</u>	<u>70,000</u>	<u>76,000</u>	<u>70,000</u>
(b) Non-current				
Commercial bills - unsecured	<u>200,000</u>	<u>–</u>	<u>200,000</u>	<u>–</u>

NOTE 20: CURRENT TAX LIABILITIES

Provision for income tax	<u>8,233</u>	<u>1,504</u>	<u>8,250</u>	<u>1,531</u>
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	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 21: PROVISIONS				
(a) Current				
Employee benefits	20,507	8,616	–	–
Demolition	4,415	–	–	–
Product claims	370	615	–	–
Workers compensation	4,215	–	–	–
Restructuring costs	–	1,171	–	–
Other	725	–	–	–
	<u>30,232</u>	<u>10,402</u>	<u>–</u>	<u>–</u>
(b) Non-current				
Employee benefits	9,020	4,076	844	900
Other	1,867	–	–	–
	<u>10,887</u>	<u>4,076</u>	<u>844</u>	<u>900</u>
(c) Aggregate employee benefits liability	<u>29,527</u>	<u>12,692</u>	<u>844</u>	<u>900</u>
(d) Number of employees at year end	<u>1,475</u>	<u>626</u>	<u>6</u>	<u>5</u>
(e) Provision for demolition				
A provision has been recognised on the acquisition of the Bristile group of companies for the demolition of some buildings not suitable for the ongoing operations of the group. The provision has been based upon quotes provided to complete the work.				
Provision recognised on acquisition of subsidiary	4,415	–	–	–
Provision recognised during the year	–	–	–	–
Provision settled during the year	–	–	–	–
Provision for demolition at end of year	<u>4,415</u>	<u>–</u>	<u>–</u>	<u>–</u>
(f) Provision for product claims				
A provision has been recognised for estimated claims in respect of products sold. The provision has been based upon product rectification or replacement requests made known to the group as at the end of the financial year.				
Provision for product claims at beginning of year	615	86	–	–
Provision recognised on acquisition of subsidiary	159	–	–	–
Claims arising during the year	231	872	–	–
Claims settled during the year	(635)	(343)	–	–
Provision for product claims at end of year	<u>370</u>	<u>615</u>	<u>–</u>	<u>–</u>
(g) Provision for workers compensation				
Members of the Brickworks Group self-insure for workers compensation provision in certain states. The provision has been based on independent actuarial calculations based on incidents reported before year end.				
Provision recognised on acquisition of subsidiary	3,179	–	–	–
Claims arising during the year	1,890	–	–	–
Claims settled during the year	(854)	–	–	–
Provision for workers compensation at end of year	<u>4,215</u>	<u>–</u>	<u>–</u>	<u>–</u>

CONSOLIDATED		PARENT ENTITY	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

NOTE 21: PROVISIONS (cont.)

(h) Provision for restructuring costs

A provision was recognised for restructuring costs relating to the closure of the Eastwood, NSW manufacturing facility, which is owned by The Austral Brick Company Pty Ltd, a wholly owned subsidiary of Brickworks Ltd. This closure took place within the 2004 financial year.

The costs included in this provision do not include employee termination benefits, which are included as part of the provision for employee entitlements under the requirements of Accounting Standard AASB 1028: Employee Benefits.

Provision for restructuring costs at beginning of year	1,171	–	–	–
Provision recognised during the year	–	1,171	–	–
Amounts paid for restructuring costs during the year	(1,171)	–	–	–
Provision for restructuring costs at end of year	<u>–</u>	<u>1,171</u>	<u>–</u>	<u>–</u>

(i) Other provisions

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

Current

Provision recognised on acquisition of subsidiary	7,548	–	–	–
Provision recognised during the year	4	–	–	–
Provision settled during the year	(6,827)	–	–	–
Other current provisions at end of year	<u>725</u>	<u>–</u>	<u>–</u>	<u>–</u>

Non-current

Provision recognised on acquisition of subsidiary	1,247	–	–	–
Provision recognised during the year	620	–	–	–
Provision settled during the year	–	–	–	–
Other non-current provisions at end of year	<u>1,867</u>	<u>–</u>	<u>–</u>	<u>–</u>

(j) Employee share scheme

On 1 July 2002 Brickworks Ltd implemented an employee share ownership plan, which allows all employees who have achieved 3 months service with the group to purchase shares in Brickworks Ltd, using their own funds plus a contribution of up to \$500 from the company. All shares are purchased on-market under an independent trust deed, thereby not causing any dilution to existing shareholders. At 30 June 2004, the employee share schemes had 544 staff members taking part, who owned a combined 317,472 shares (0.24% of issued ordinary capital) in Brickworks Ltd. A further 96 employees will be contributing to these schemes from 1 July 2004.

NOTE 22: DEFERRED TAX LIABILITIES

Provision for deferred income tax	<u>21,362</u>	<u>601</u>	<u>21,362</u>	<u>601</u>
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NOTE 23: CONTRIBUTED EQUITY

131,723,600 fully paid ordinary shares	139,409	139,409	139,409	139,409
1,650,000 fully paid redeemable preference shares	162,759	–	162,759	–
	<u>302,168</u>	<u>139,409</u>	<u>302,168</u>	<u>139,409</u>

(a) Ordinary shares

There were no transactions during the year in relation to the number or value of ordinary shares on issue.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary 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.

(b) Redeemable preference shares

Issue of 1,650,000 fully paid redeemable preference shares	165,000	–	165,000	–
Less net issue costs recognised directly in equity	2,241	–	2,241	–
Balance at end of year	<u>162,759</u>	<u>–</u>	<u>162,759</u>	<u>–</u>

On 17 October 2003 the company issued 1,650,000 redeemable preference shares (PAVERS) of \$100 each. The PAVERS may be converted to ordinary shares at the discretion of Brickworks Ltd on specified reset dates, the first of which is 1 December 2008. The conversion rate to ordinary shares is based upon the daily volume weighted average sale price of ordinary shares traded on the ASX during the 20 business days immediately preceding the conversion date. The PAVERS pay a fully franked dividend of 6.565% pa, payable in June and December each year.

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 24: RESERVES				
(a) Composition of reserves				
Capital reserves				
– capital profits	92,195	92,209	84,479	84,479
– asset revaluation	27,907	25,192	645	645
Revenue reserves				
– general	139,402	139,402	11,000	11,000
– foreign currency	(3,682)	1,417	–	–
	<u>255,822</u>	<u>258,220</u>	<u>96,124</u>	<u>96,124</u>

(b) Movements in reserves				
Capital profits reserve				
Balance at beginning of year	92,209	92,401	84,479	84,479
Transfer to retained earnings	–	–	–	–
Share of associates transfer to retained earnings	–	(192)	–	–
Share of associates decrement in reserve	(14)	–	–	–
Balance at end of year	<u>92,195</u>	<u>92,209</u>	<u>84,479</u>	<u>84,479</u>

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

Asset revaluation reserve				
Balance at beginning of year	25,192	25,197	645	645
Transfer to retained earnings	–	–	–	–
Share of associates increment / (decrement) in reserve	2,715	(5)	–	–
Balance at end of year	<u>27,907</u>	<u>25,192</u>	<u>645</u>	<u>645</u>

The Asset revaluation reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets.

General reserve				
Balance at beginning of year	139,402	139,397	11,000	11,000
Transfer to retained earnings	–	–	–	–
Share of associates increment in reserve	–	5	–	–
Balance at end of year	<u>139,402</u>	<u>139,402</u>	<u>11,000</u>	<u>11,000</u>

The General reserve represents amounts allocated from Retained Profits as reserved for the future general needs of the operations of the entity.

Foreign currency reserve				
Balance at beginning of year	1,417	6,311	–	–
Translation of foreign operations	–	3	–	–
Share of associates transfer from retained earnings	–	(12)	–	–
Share of associates decrement in reserve	(5,099)	(4,885)	–	–
Balance at end of year	<u>(3,682)</u>	<u>1,417</u>	<u>–</u>	<u>–</u>

The foreign currency reserve records the foreign currency differences arising from the translation of the financial statements of self-sustaining foreign operations.

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 25: RETAINED PROFITS				
Retained profits at the beginning of the year	209,472	141,440	123,476	73,399
Adjustment resulting from change in accounting policy for providing for dividends	–	11,855	–	11,855
Net profit from ordinary activities after related income tax expenses	157,374	72,689	84,524	59,298
Dividends paid (Note 6)	(30,120)	(16,716)	(35,746)	(21,076)
Aggregate of amounts transferred to reserves	–	204	–	–
Retained profits at the end of the year	<u>336,726</u>	<u>209,472</u>	<u>172,254</u>	<u>123,476</u>

NOTE 26: CAPITAL AND LEASING EXPENDITURE COMMITMENTS

(a) Capital expenditure projects contracted for but not provided for at reporting date				
Payable not later than one year	<u>27,666</u>	<u>11,163</u>	<u>–</u>	<u>–</u>
Share of associated company's capital expenditure commitments	<u>3,662</u>	<u>15,023</u>	<u>–</u>	<u>–</u>
(b) Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements	<u>4,752</u>	<u>962</u>	<u>–</u>	<u>–</u>
Payable				
– not later than one year	2,054	442	–	–
– later than one year but not later than five years	2,582	520	–	–
– later than five years	116	–	–	–
	<u>4,752</u>	<u>962</u>	<u>–</u>	<u>–</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.

Some of the operating leases contain contingent rental provisions that state the minimum lease payments shall be increased by the higher of CPI or a given percentage per annum. The highest such percentage increase is 5%.

NOTE 27: CONTINGENT LIABILITIES

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

Bank guarantees issued in the ordinary course of business	13,699	822	–	–
Share of associated company's contingent liabilities	8,651	11,580	–	–

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.

	CONSOLIDATED		PARENT ENTITY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
NOTE 28: CASH FLOW INFORMATION				
(a) Reconciliation of cash flow from operations with net profit after income tax				
Net profit after income tax	157,374	72,689	84,524	59,298
Non-cash flows in net profit				
Amortisation of non-current assets	14,566	–	–	–
Depreciation of non-current assets	22,784	11,367	–	–
Losses / (profits) on sale of property, plant and equipment	(9,951)	(5,540)	–	–
Losses / (profits) on sale of investments	(89,160)	(1,934)	(89,160)	(1,934)
Share of profits of associates not received as dividends	(13,044)	(8,786)	–	–
Unrealised exchange gain on intercompany loan	–	15	–	–
Write down of investment in subsidiary	–	–	2,095	–
Changes in assets and liabilities net of the effects of purchase of subsidiaries				
(Increase) / decrease in trade & sundry debtors	(4,045)	142	2,100	(345)
(Increase) / decrease in inventories	(11,671)	(2,835)	–	–
(Increase) / decrease in prepayments	3,020	(2,232)	1,685	(1,046)
(Increase) / decrease in future income tax benefit	(10,185)	(405)	(1,495)	(4,932)
(Increase) / decrease in share trading portfolio	619	(50)	–	–
Increase / (decrease) in creditors and accruals	(3,087)	2,112	(636)	370
Increase / (decrease) in taxes payable	(811)	(1,283)	(3,864)	1,689
Increase / (decrease) in other current provisions	(5,701)	3,336	–	–
Increase / (decrease) in other non-current provisions	211	718	(56)	674
Increase / (decrease) in deferred taxes payable	15,723	(7,587)	9,588	601
Net cash flows from operations	<u>66,642</u>	<u>59,727</u>	<u>4,781</u>	<u>54,375</u>
(b) Credit standby arrangements with banks				
Credit facilities	325,000	475,000	325,000	475,000
Amount utilised	276,000	70,000	276,000	70,000
Unused credit facility	<u>49,000</u>	<u>405,000</u>	<u>49,000</u>	<u>405,000</u>

The major facilities are summarised as follows:

Facilities agreement

A \$325,000,000 variable interest rate facility, currently drawn to \$276,000,000 (2003 Nil) is secured by way of three deeds of charge between Brickworks Ltd, various subsidiary guarantor companies and the bank which provide for fixed and floating charges over all present and future assets of the consolidated group.

The facility limit reduces to \$200,000,000 during the 2005 financial year, \$100,000,000 during the 2007 financial year, and expires during the 2009 financial year.

The carrying amount of non-current assets pledged as security for this facility at 30 June 2004 was \$884,629,000 (2003 \$610,242,000).

NOTE 28: CASH FLOW INFORMATION (cont)**CONSOLIDATED****2004**

\$000

(c) Acquisition of entities

During the year the Group acquired the remaining issued capital of Bristile Ltd that it did not already hold, through a series of both on and off-market share purchases. Control was gained on 23 July 2003, and compulsory acquisition completed on 9 October 2003.

Details of this transaction are

Purchase consideration	<u>435,736</u>
Cash consideration	435,736
Cash balance acquired	(3,139)
Net cash outflow on acquisition of subsidiary	<u><u>432,597</u></u>

Assets and liabilities held at acquisition date

Cash	3,139
Receivables	44,161
Inventories	38,294
Other current assets	1,248
Investments accounted for using the equity method	1,250
Property, plant and equipment	340,866
Deferred tax assets	2,548
Intangibles	5,300
Payables	(28,145)
Current interest-bearing liabilities	(68,002)
Current tax liabilities	(7,541)
Current provisions	(59,732)
Non-current provisions	(6,599)
Deferred tax liabilities	(5,038)
Fair value of net assets acquired	<u>261,749</u>
Ownership interest already held	(82,590)
Goodwill on acquisition	<u>256,577</u>
	<u><u>435,736</u></u>

(d) Disposal of entities

On 9 December 2003 the controlled entity Brickworks Securities Pty Ltd (BSPL) was sold. BSPL owned the Brickworks investment portfolio at the time of disposal.

Details of this transaction are:

Disposal price	<u>158,390</u>
Cash proceeds on disposal	119,889
Shares issued by purchaser	38,501
	<u>158,390</u>

Assets and liabilities held at disposal date

Receivables	1,974
Investments	68,146
Provisions	(13)
Net assets of entity sold	<u>70,107</u>
Net gain on disposal before income tax	<u>88,283</u>
	<u><u>158,390</u></u>

NOTE 29: RELATED PARTY TRANSACTIONS

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

Purchase of telecommunications services from SP Telemedia Ltd (SOT), an associated entity of Washington H Soul Pattinson & Co. Ltd, on terms no more favourable than to unrelated parties, totalling \$810,158 (2003 \$107,000). Mr M. J Millner is a director of SOT.

Purchase of investment advice in relation to the acquisition of Bristile Ltd shares by The Austral Brick Co. Pty Ltd, a wholly owned subsidiary of Brickworks Ltd, from Pitt Capital Partners Ltd, an associated entity of Washington H Soul Pattinson & Co. Ltd, on terms no more favourable than to unrelated parties, totalling \$3,460,283 (2003 \$285,000). Mr R. D. Millner is a director of Pitt Capital Partners Ltd.

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.

NOTE 30: FINANCIAL INSTRUMENTS

(a) Net fair values

Cash, short term money market instruments, receivables, trade creditors and interest bearing liabilities are included in the financial statements at the carrying value which approximates their net fair values because of their short maturity. Current investments represent the share trading portfolio, which is carried at the lower of cost or net realisable value. Non-current investments are held at cost as these are not expected to be traded in the foreseeable future.

The market values of current and non-current investments are disclosed at Note 10.

(b) Interest rate risk

Interest rates on money market instruments (deposits) vary with current short term bank bill rate movements. At balance date, the effective weighted interest rate on these financial assets was 5.10% (2003 4.60%).

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

The Brickworks Group variable interest rate facility currently drawn to \$276,000,000 is a floating rate facility determined with reference to the BBSY bid rate at each 90 day maturity. The effective weighted interest rate current on the bills borrowed under this facility at balance date is 5.53%.

The Brickworks Group has entered into an interest rate swap contract that allows the Brickworks Group to raise borrowings at floating rates and effectively swap them into a fixed rate (6.155%). 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 debt and are brought to account as an adjustment to borrowing costs.

The notional principal amounts reduce from \$200,000,000 over the next five years (2003 \$45,000,000 over four years) as detailed below.

At balance date, the details of the interest rate swap contracts are:

Settlement	Effective Interest Rate Payable		Reduction in Notional Principal	
	2004	2003	2004	2003
	%	%	\$000	\$000
Less than 1 year	6.16	5.18	60,000	15,000
1 to 2 years	6.16	5.18	30,000	10,000
2 to 3 years	6.16	5.18	30,000	10,000
3 to 4 years	6.16	5.18	20,000	10,000
4 to 5 years	6.16	—	60,000	—
Total notional principal at balance date			<u>200,000</u>	<u>45,000</u>

The value of the interest rate swap not recognised in the statement of financial position, reflecting the estimated amount which the Group would expect to pay to terminate the contract, is \$1,108,113 (2003 \$351,468).

NOTE 30: FINANCIAL INSTRUMENTS (cont)

(c) Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount net of provisions for doubtful debts, as disclosed in the balance sheet 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.

(d) Exchange rate 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.

NOTE 31: EVENTS OCCURRING AFTER BALANCE DATE

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

NOTE 32: CONTROLLED ENTITIES

(a) Controlled Entities

Parent Entity	Country of Incorporation	Parent Entity's Interest		Party to Deed of Cross Guarantee (Yes / No)
		2004 %	2003 %	
Brickworks Limited	Australia			Yes
Controlled entities of Brickworks Ltd				
The Austral Brick Company Pty Ltd	Australia	100.0	100.0	Yes
The Austral Tile Company Pty Ltd	Australia	100.0	100.0	Yes
The Austral Export Company Pty Ltd	Australia	100.0	100.0	No
Horsley Park Holdings Pty Ltd	Australia	100.0	100.0	No
Bowral Brickworks Pty Ltd	Australia	100.0	100.0	No
Eureka Tiles Pty Ltd	Australia	100.0	100.0	Yes
Visigoth Pty Ltd	Australia	100.0	100.0	Yes
Eureka Tiles (NZ) Pty Ltd	Australia	100.0	100.0	Yes
The Warren Brick Company Pty Ltd	Australia	100.0	100.0	Yes
Carrington Brick Company Pty Ltd	Australia	100.0	100.0	No
Horsley Park Operations Pty Limited	Australia	100.0	100.0	No
Bristile Ltd	Australia	100.0	22.9	Yes
Blend Investments Pty Ltd	Australia	100.0	22.9	No
Bristile (Asia) Pty Ltd	Australia	100.0	22.9	No
Bristile Guardians Pty Ltd	Australia	100.0	22.9	Yes
Bristile Holdings Pty Ltd	Australia	100.0	22.9	Yes
Bristile Operations Pty Ltd	Australia	100.0	22.9	Yes
Bristile Roofing (East Coast) Pty Ltd	Australia	100.0	22.9	Yes
Christies Sands Pty Ltd	Australia	100.0	22.9	Yes
Clay Lands Pty Ltd	Australia	100.0	22.9	No
Clifton Brick (Canberra) Pty Ltd	Australia	100.0	22.9	No
Clifton Brick (N.Q.) Pty Ltd	Australia	100.0	22.9	No
Clifton Brick (Queanbeyan) Pty Ltd	Australia	100.0	22.9	No
Clifton Brick (Tasmania) Pty Ltd	Australia	100.0	22.9	Yes
Clifton Brick Holdings Pty Ltd	Australia	100.0	22.9	Yes
Clifton Brick Manufacturers Pty Ltd	Australia	100.0	22.9	Yes
Davman Builders Pty Ltd	Australia	100.0	22.9	No
Evans Brothers (Bricks) Pty Ltd	Australia	100.0	22.9	Yes
Evans Brothers Pty Ltd	Australia	100.0	22.9	Yes
Gilburn Brick Company Pty Ltd	Australia	100.0	22.9	No
H.B. Co (Brunswick) Pty Ltd	Australia	100.0	22.9	No
Hallett Brick Pty Ltd	Australia	100.0	22.9	Yes
Hallet Roofing Services Pty Ltd	Australia	100.0	22.9	Yes
Huttons Bricks (Manufacturers) Pty Ltd	Australia	100.0	22.9	No
International Brick & Tile Pty Ltd	Australia	100.0	22.9	Yes
J. Hallet & Son Pty Ltd	Australia	100.0	22.9	Yes
Metropolitan Brick Company Pty Ltd	Australia	100.0	22.9	Yes
N.R.T. Pty Ltd.	Australia	100.0	22.9	Yes

NOTE 32: CONTROLLED ENTITIES (cont)

	Country of Incorporation	Parent Entity's Interest		Party to Deed of Cross Guarantee (Yes / No)
		2004 %	2003 %	
Controlled entities of Brickworks Ltd (cont)				
Nubrik (NRT) Pty Ltd	Australia	100.0	22.9	Yes
Nubrik Concrete Masonry Pty Ltd	Australia	100.0	22.9	Yes
Nubrik Pty Ltd	Australia	100.0	22.9	Yes
Pilsley Investments Pty Ltd	Australia	100.0	22.9	Yes
Prestige Brick Pty Ltd	Australia	100.0	22.9	Yes
Prestige Equipment Pty Ltd	Australia	100.0	22.9	Yes
Ralph Brittain & Company Pty Ltd	Australia	100.0	22.9	No
Sandhurst Brick Company Pty Ltd	Australia	100.0	22.9	No
Southern Bricks Pty Ltd	Australia	100.0	22.9	No
Team Hotels Pty Ltd	Australia	100.0	22.9	No
Team Securities Pty Ltd	Australia	100.0	22.9	Yes
The Clay Tile Trust	Australia	100.0	22.9	No
Triffid Investments Pty Ltd	Australia	100.0	22.9	Yes
Vitclay Pipes Pty Ltd	Australia	100.0	22.9	No

(b) Controlled entities acquired

Details of controlled entities acquired during the year can be found at note 28(c) Cash Flow Information.

(e) Controlled entities disposed of

Details of controlled entities disposed of during the year can be found at note 28(d) Cash Flow Information.

(d) Closed group

A deed of cross-guarantee between Brickworks Ltd and a number of its subsidiaries was enacted during the financial year and relief was obtained from preparing a financial report for those subsidiaries under ASIC Class Order 98/1418. Under the deed, Brickworks guarantees to support the liabilities and obligations of those subsidiaries. The controlled entities have also given a similar guarantee.

For details of those entities covered under the deed, refer note 32(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. No comparatives are provided as the deed was only entered into during the current year.

	CLOSED GROUP
	2004
	\$000
STATEMENT OF FINANCIAL PERFORMANCE	
Profit from ordinary activities before income tax expenses	198,147
Income tax attributable to profit from ordinary activities	<u>(33,255)</u>
Profit from ordinary activities after related income tax expenses	<u>164,892</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>164,892</u>
RETAINED PROFITS	
Retained profits at the beginning of the year	198,355
Net profit from ordinary activities after related income tax expenses	164,892
Dividends paid	(30,120)
Aggregate of amounts transferred to reserves	<u>—</u>
Retained profits at the end of the year	<u>333,127</u>

NOTE 32: CONTROLLED ENTITIES (cont)

	CLOSED GROUP
	2004
	\$000
STATEMENT OF FINANCIAL POSITION	
CURRENT ASSETS	
Cash assets	6,425
Receivables	81,315
Other financial assets	364
Inventories	75,703
Other	1,873
TOTAL CURRENT ASSETS	<u>165,680</u>
NON-CURRENT ASSETS	
Other financial assets	18,996
Inventories	31,804
Investments accounted for using the equity method	289,694
Property, plant and equipment	523,137
Deferred tax assets	18,693
Intangibles	247,310
TOTAL NON-CURRENT ASSETS	<u>1,129,634</u>
TOTAL ASSETS	<u>1,295,314</u>
CURRENT LIABILITIES	
Payables	44,710
Interest-bearing liabilities	76,000
Current tax liabilities	8,233
Provisions	30,215
TOTAL CURRENT LIABILITIES	<u>159,158</u>
NON-CURRENT LIABILITIES	
Payables	10,291
Interest-bearing liabilities	200,000
Provisions	10,756
Deferred tax liabilities	21,362
TOTAL NON-CURRENT LIABILITIES	<u>242,409</u>
TOTAL LIABILITIES	<u>401,567</u>
NET ASSETS	<u>893,747</u>
EQUITY	
Contributed equity	302,168
Reserves	258,452
Retained profits	333,127
TOTAL EQUITY	<u>893,747</u>

NOTE 33: ASSOCIATED COMPANIES

An interest is held in the following associated companies

Name	Principal Activities	Ownership interest		Carrying amount	
		2004	2003	2004	2003
		%	%	\$000	\$000
Washington H Soul Pattinson & Company Ltd	Pharmaceutical, coal, food, television, investment	42.85	42.85	242,320	229,838
Brickworks Investment Company Ltd	Listed Investment company	25.17	–	45,300	–
Auswest Timbers Pty Ltd	Timber building products	33.33	–	2,074	–
Bristile Ltd	Manufacture of building products	100.00	22.29	–	90,586
				<u>289,694</u>	<u>320,424</u>

Ownership interest in Washington H Soul Pattinson & Company Ltd at that company's balance date was 42.85% of ordinary shares. The reporting date of the company is 31 July annually. In applying the equity method of accounting the most recent information of the associate made available to the shareholders has been used – the half yearly report to 31 January 2004. The equity accounted result is based on the full year's results of the associate calculated for the 12 months to 31 January 2004.

Washington H Soul Pattinson & Company Ltd owns 49.84% of the issued ordinary shares of Brickworks Limited.

On 23 July 2003 Brickworks gained control of Bristile Ltd. Bristile was consolidated from this date.

NOTE 33: ASSOCIATED COMPANIES (cont)

	2004	2003
	\$000	\$000
(a) Movements during the year in equity accounted investments in associated companies		
Balance at beginning of financial year	320,424	309,825
New investments during the period	44,350	2,337
Share of associated company's profit from ordinary activities after income tax and outside equity interests	36,664	35,265
Share of associated company's reserve increments arising during the year	(2,397)	(4,885)
Dividend revenue from associated companies	(23,620)	(26,478)
Group's share of dividend received by associated company	5,626	4,360
Equity accounted associate consolidated during the year	(91,353)	–
Carrying amount at end of financial year	<u>289,694</u>	<u>320,424</u>
(b) Retained earnings attributable to associate		
Share of associated company's profit from ordinary activities before income tax	65,873	54,033
Share of associated company's income tax expense	(14,692)	(11,733)
Share of associated company's outside equity interests	(14,517)	(7,035)
Share of associated company's profit from ordinary activities after income tax and outside equity interests	36,664	35,265
Share of retained profits at beginning of the financial year	70,630	57,279
Dividend revenue from associated companies	(23,620)	(26,478)
Group's share of dividend received by associated company	5,626	4,360
Share of associated company's amounts transferred to reserves	–	204
	<u>89,300</u>	<u>70,630</u>
(c) Reserves attributable to associates		
Capital profits reserve		
Balance at beginning of financial year	4,107	4,299
Share of associates transfer from retained earnings	–	(192)
Share of associates increment / (decrement) in reserve	(14)	–
Balance at end of financial year	<u>4,093</u>	<u>4,107</u>
Asset revaluation reserve		
Balance at beginning of financial year	682	687
Share of associates increment / (decrement) in reserve	2,715	(5)
Balance at end of financial year	<u>3,397</u>	<u>682</u>
General reserve		
Balance at beginning of financial year	127,786	127,781
Share of associates transfer from retained earnings	–	–
Share of associates increment / (decrement) in reserve	–	5
Balance at end of financial year	<u>127,786</u>	<u>127,786</u>
Foreign currency reserve		
Balance at beginning of financial year	1,417	6,314
Share of associates transfer from retained earnings	–	(12)
Share of associates increment / (decrement) in reserve	(5,099)	(4,885)
Balance at end of financial year	<u>(3,682)</u>	<u>1,417</u>
(d) Summarised presentation of aggregate assets, liabilities and performance of associates		
Share of associated company's total assets	496,509	486,580
Share of associated company's total liabilities	143,091	166,168
Share of associated company's net assets	353,418	320,412
Share of associated company's outside equity in controlled entities	59,795	44,278
Equity attributable to members of the parent entity of the associated companies	<u>293,623</u>	<u>276,134</u>
Share of associated company's profit from ordinary activities after income tax and outside equity interests	<u>36,664</u>	<u>35,265</u>

NOTE 34: DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

Specified directors

Mr R. Millner	Chairman (non-executive)
Mr M. Millner	Deputy Chairman (non-executive)
Mr L. Partridge	Managing Director (executive)
Mr A. Bentley	Director (non-executive)
Mr T. Fairfax	Director (non-executive)
Mr D. Gilham	Director (non-executive) appointed 1 August 2003
The Hon. R. Webster	Director (non-executive)

Specified executives

Mr A. Payne	Chief Financial Officer
Mr D. Fitzharris	General Manager Sales & Marketing – Austral Bricks East Coast
Mr P. Scott	General Manager Western Australia
Ms M. Tamsett	General Manager Property & Development
Mr D. Millington	General Manager Bristle Roofing East Coast

(b) Remuneration of Specified Directors and Specified Executives

	Year	Primary			Equity	Post	Total
		Salary & Fees	Bonus Short term	Non-monetary Benefits	Compensation Bonus Long term	Employment Super-annuation	
Specified Directors							
Mr R. Millner	2004	140,000	–	–	–	12,600	152,600
	2003	100,000	–	–	–	9,000	109,000
Mr M. Millner	2004	70,000	–	–	–	6,300	76,300
	2003	50,000	–	–	–	4,500	54,500
Mr L. Partridge	2004	461,290	320,000	17,829	320,000	54,394	1,173,513
	2003	307,641	160,000	37,399	160,000	62,800	727,840
Mr A. Bentley	2004	70,000	–	–	–	6,300	76,300
	2003	50,000	–	–	–	4,500	54,500
Mr T. Fairfax	2004	70,000	–	–	–	6,300	76,300
	2003	50,000	–	–	–	4,500	54,500
Mr D. Gilham	2004	64,167	–	–	–	5,775	69,942
	2003	–	–	–	–	–	–
The Hon R. Webster	2004	80,000	–	–	–	7,200	87,200
	2003	50,000	–	–	–	4,500	54,500
Total Remuneration Specified Directors	2004	955,457	320,000	17,829	320,000	98,869	1,712,155
	2003	607,641	160,000	37,399	160,000	89,800	1,054,840
Specified Executives							
Mr A. Payne	2004	254,370	200,000	17,134	200,000	27,602	699,106
	2003	182,394	100,000	35,131	100,000	28,833	446,358
Mr D. Fitzharris	2004	178,156	90,000	13,644	90,000	25,330	397,130
	2003	157,120	65,000	34,102	65,000	24,300	345,522
Mr P. Scott	2004	172,646	180,000	13,814	–	11,004	377,464
	2003	–	–	–	–	–	–
Ms M. Tamsett	2004	145,352	70,000	14,163	70,000	20,933	320,448
	2003	–	–	–	–	–	–
Mr D. Millington	2004	151,258	100,000	23,460	–	22,764	297,482
	2003	–	–	–	–	–	–
Total Remuneration Specified Executives	2004	901,782	640,000	82,215	360,000	107,633	2,091,630
	2003	971,530	445,000	139,329	445,000	174,350	2,175,209

No comparatives are provided for Mr Scott, Ms Tamsett or Mr Millington as they were not specified executives in the prior year.

Group totals in respect of the financial year ended 30 June 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

NOTE 34: DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(b) Remuneration of Specified Directors and Specified Executives (cont)

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. They assess the appropriateness of the nature and amount of remuneration of these officers on a periodic basis with reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

A portion of senior executive remuneration is tied to a bonus scheme payable upon the achievement of certain key performance indicators, the most important being profitability based measures.

The long term bonus has been introduced to retain key management personnel through an employee share scheme. Shares are purchased "on market" to the value of the bonus (thus being non-dilutive to existing shareholders) by the trustee of the employee share plan, and are held in trust for the employee. The employee receives trading access to these shares at 20% per annum at the end of each of the five succeeding years. The employee retains voting rights and dividend rights on all shares issued in this manner. The amounts noted above represent the full value of the bonus issued for the current financial year. There is no additional cost to the company on the vesting of these shares in future years. The short term bonus is paid as cash.

Shares identified below as granted as remuneration relate to purchases within the employee share plans.

There were no loans to specified directors or specified executives at any time or during or since the end of the financial year.

(c) Shareholdings

Specified directors

Ordinary shares

	Held 30 June 2003	Granted as Remuneration	Net change Other	Shares Disposed of	Held 30 June 2004
Mr R. Millner	3,119,841	–	131,000	–	3,250,841
Mr M. Millner	3,106,341	–	131,000	–	3,237,341
Mr L. Partridge	55,734	18,824	–	–	74,558
Mr A. Bentley	11,440	–	6,000	–	17,440
Mr T. Fairfax	15,000	–	10,000	–	25,000
Mr D. Gilham	–	–	55,500	–	55,500
The Hon R. Webster	4,000	–	–	–	4,000

Preference shares

	Held 30 June 2003	Granted as Remuneration	Net change Other	Shares Disposed of	Held 30 June 2004
Mr M. Millner	–	–	300	–	300
Mr L. Partridge	–	–	250	–	250
Mr A. Bentley	–	–	500	–	500
Mr T. Fairfax	–	–	100	–	100
Mr D. Gilham	–	–	40,000	–	40,000

All share transactions by directors were on normal terms and conditions on the Australian Stock Exchange.

Specified executives

Ordinary shares

	Held 30 June 2003	Granted as Remuneration	Net change Other	Shares Disposed of	Held 30 June 2004
Mr A Payne	20,196	13,260	–	–	33,456
Mr D. Fitzharris	9,715	7,946	–	–	17,661
Ms M. Tamsett	5,101	6,300	–	–	11,401
Mr D. Millington	–	67	–	–	67

Preference shares

	Held 30 June 2003	Granted as Remuneration	Net change Other	Shares Disposed of	Held 30 June 2004
Mr A. Payne	–	–	100	–	100

All share transactions by executives were on normal terms and conditions on the Australian Stock Exchange.

NOTE 35: SEGMENT INFORMATION

(a) Business segments

	Building Products		Property		Investment (excl. associates)		Investment in Equity Accounted Associates		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE										
Revenue from sources outside the group	487,691	180,793	13,651	17,311	165,553	13,593	36,664	35,264	703,559	246,961
Total segment revenue									703,559	246,961
RESULT										
Segment EBITDA	117,451	42,927	11,240	6,711	93,339	9,823	36,664	35,264	258,694	94,725
Less depreciation	(22,784)	(11,367)	–	–	–	–	–	–	(22,784)	(11,367)
Segment EBITA	94,667	31,560	11,240	6,711	93,339	9,823	36,664	35,264	235,910	83,358
Less amortisation of intangibles	(14,566)	–	–	–	–	–	–	–	(14,566)	–
Segment result	80,101	31,560	11,240	6,711	93,339	9,823	36,664	35,264	221,344	83,358
Unallocated expenses										
Interest expense									(25,450)	(5,009)
Other unallocated expenses									(5,548)	(3,062)
Profit from ordinary activities before income tax expense									190,346	75,287
Income tax expense									(32,972)	(2,598)
Profit from ordinary activities after income tax expense									157,374	72,689
ASSETS										
Segment assets	674,933	244,474	66,862	29,158	2,463	113,173	289,694	320,424	1,033,952	707,229
Unallocated assets									263,249	–
Total assets									1,297,201	707,229
LIABILITIES										
Segment liabilities	77,040	26,680	17,250	–	–	3,448	–	–	94,290	30,128
Unallocated liabilities									308,196	70,000
Total liabilities									402,486	100,128
OTHER										
Acquisition of non-current segment assets	471,197	11,852	1,809	2,030	–	2,239	10,414	2,337	483,420	18,458
Depreciation and amortisation	37,350	11,367	–	–	–	–	–	–	37,350	11,367
Non-cash expenses other than depreciation and amortisation	15,627	11,960	–	–	52	674	–	–	15,679	12,634

(b) Geographical Segments

The economic entity's business segments are located in Australia, with some product manufactured by the building products division exported to countries within South-East Asia. Total revenue from sales outside of Australia in the year ended 30 June 2004 was \$13.216 million (2003 \$7.949 million).

NOTE 35: SEGMENT INFORMATION (cont)**(c) Business Segments**

The economic entity has the following four business segments:

Building products division manufactures vitrified clay and concrete masonry products used in the building industry. Major product lines include clay bricks, blocks, pavers, roof tiles, and terracotta floor tiles, concrete blocks and roof tiles and ceramic bathroom fittings.

Property division considers further opportunities to better utilise land owned by the Brickworks Group.

Investment division invests in the Australian share market, both for dividend income and capital growth.

Equity accounted associates includes the economic entity's investment in Washington H Soul Pattinson and Company Ltd, Brickworks Investment Company Ltd and Auswest Timbers Pty Ltd. It also includes the equity accounting for Bristile Ltd prior to it becoming a wholly owned subsidiary.

(d) Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies described in note 1. During the year there were no changes in segment accounting policies that had a material effect on the segment information.

NOTE 36: ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing on or after 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

Brickworks management are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to IFRS.

Set out below are the areas where the directors are of the opinion that there are key differences in the economic entity's accounting policies which will arise from the adoption of IFRS. At this stage the company has not been able to reliably quantify the impacts on the financial report.

(i) Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use based on discounted cash flows. This will result in a change in Brickworks' current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. It is likely that earnings will increase due to no amortisation charge, however, future earnings may be subject to increased volatility due to impairment losses.

(ii) Goodwill on Consolidation

Under the pending AASB 3: "Business Combinations", goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the economic entity's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired, which may impact future earnings.

(iii) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the pending AASB 112: "Income Taxes", the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

(iv) Redeemable Preference Shares

The economic entity has redeemable preference shares (PAVERS) which are currently accounted for as equity. Under pending AASB 132: "Financial Instruments", entities that have issued financial instruments, currently classified as equity, may be required to classify those instruments as debt depending on the terms and conditions of the instruments.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes of the company and the consolidated entity, as set out on pages 16 to 44 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the company and the Brickworks Group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. in the director's opinion, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 32 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 in accordance with a resolution of the Board of Directors.

Dated 24 August 2004

R. D. MILLNER
Director

R. J. WEBSTER
Director

INDEPENDENT AUDIT REPORT TO MEMBERS OF BRICKWORKS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Brickworks Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extend of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporation Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the financial report of Brickworks Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Brickworks Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Graham Ezzy
Partner

Sydney
24 August 2004

SHAREHOLDER INFORMATION

STATEMENT OF SHAREHOLDERS AT 5 AUGUST 2004 ORDINARY SHARES

	Fully paid ordinary shares
Number of holders	3,068
Voting entitlement is one vote per fully paid ordinary share	
% of total holdings by or on behalf of twenty largest shareholders	82.29%
Distribution of Shareholdings	
1 - 1,000	959
1,001 - 5,000	1,346
5,001 - 10,000	358
10,001 - 100,000	358
100,001 and over	47
	3,068
	3,068
Holdings of less than marketable parcel of 61 shares	12

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

Shareholder	Number of Shares
1. Washington H Soul Pattinson & Co. Ltd	65,645,140
2. Perpetual Trustees Australia Ltd	17,538,702
3. Perennial Value Management Ltd	8,131,597
4. Permanent Trustee Company Ltd	7,111,550

20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 5 AUGUST 2004

	Number of Shares	%
1. Washington H. Soul Pattinson & Co. Ltd	65,645,140	49.84
2. RBC Global Services Australia Nominees Pty Ltd <PIPOOLED A/C>	12,633,422	9.59
3. J P Morgan Nominees Australia Ltd	3,898,048	2.96
4. National Nominees Ltd	3,735,249	2.84
5. IOOF Investment Management Ltd	2,568,175	1.95
6. Westpac Custodian Nominees Ltd	2,503,423	1.90
7. RBC Global Services Australia Nominees Pty Ltd <PIIC A/C>	2,335,193	1.77
8. J S Millner Holdings Pty Ltd	2,170,581	1.65
9. Mr K. S. Baker & Mrs M. I. Baker	1,725,162	1.31
10. AMP Life Ltd	1,518,217	1.15
11. Milton Corporation Ltd	1,483,580	1.13
12. Australian Foundation Investment Co. Ltd	1,477,970	1.12
13. Mr J. S. Millner	1,251,903	0.95
14. Queensland Investment Corporation	1,095,854	0.83
15. Choiseul Investments Ltd	1,014,360	0.77
16. RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C>	793,451	0.60
17. Cogent Nominees Pty Ltd	708,330	0.54
18. Citicorp Nominees Pty Ltd	698,657	0.53
19. Citicorp Nominees Pty Ltd <CFSIL CWLTH AUST SHS 4 A/C>	588,566	0.45
20. Argo Investments Ltd	554,960	0.42
	108,400,241	82.29
	108,400,241	82.29

SHAREHOLDER INFORMATION

STATEMENT OF SHAREHOLDERS AT 5 AUGUST 2004 REDEEMABLE PREFERENCE SHARES (PAVERS)

	PAVERS
Number of holders	3,049
There are no voting rights attached to the redeemable preference shares	
% of total holdings by or on behalf of twenty largest shareholders	46.27%
Distribution of Shareholdings	
1 - 1,000	2,937
1,001 - 5,000	89
5,001 - 10,000	8
10,001 - 100,000	13
100,001 and over	2
	3,049
	3,049
Holdings of less than marketable parcel of 1 share	Nil

20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 5 AUGUST 2004

	Number of Shares	%
1. J. P. Morgan Nominees Australia Ltd	125,007	7.58
2. Westpac Custodian Nominees Ltd	112,115	6.79
3. RBC Global Services Australia Nominees Pty Ltd <JBENIP A/C>	82,000	4.97
4. Australian Foundation Investment Co. Ltd	70,000	4.24
5. AMP Life Ltd	62,856	3.81
6. Citicorp Nominees Pty Ltd	55,000	3.33
7. Camelia Pty Ltd <The Gilham Family Trust>	40,000	2.42
8. Permanent Trustee Australia Ltd <MMC003 A/C>	35,000	2.12
9. Cogent Nominees Pty Ltd	27,323	1.66
10. ANZ Executors and Trustee Company Ltd	24,181	1.47
11. Tower Trust Ltd	23,353	1.42
12. RBC Global Services Australia Nominees Pty Ltd <PP A/C>	22,646	1.37
13. J B Were Capital Markets Ltd	17,563	1.06
14. Brencorp No 11 Pty Ltd	12,500	0.76
15. Darmal Pty Ltd	11,655	0.71
16. Milton Corporation Ltd	10,000	0.61
17. Permanent Trustee Australia Ltd <KAP0004 A/C>	10,000	0.61
18. Invia Custodian Pty Ltd <Wilson Invmt Fund Ltd A/C>	8,000	0.48
19. Share Direct Nominees Pty Ltd <National Nominees A/C>	7,500	0.45
20. Citicorp Nominees Pty Ltd <CFSIL Cwith Spec 5 A/C>	6,782	0.41
	763,481	46.27
	763,481	46.27