BRICKWORKS
LIMITED

27 October 2006

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

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached Brickworks Ltd 2006 Annual Report for release to the market.

Yours faithfully,
BRICKWORKS LIMITED

IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS LIMITED
ABN 17 000 028 526
738-780 Wallgrove Road, Horsley Park NSW 2175; PO Box 6550, Wetherill Park NSW 1851
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Internet Address: http://www.brickworks.com.au E.Mail Address: info@brickworks.com.au

BRICKWORKS LIMITED

ABN 17 000 028 526

ANNUAL REPORT 2006

australbricks™ eurekatiles™ AUSTRALIA

bristile ROOFING™ AuswestTimbers

BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

FIVE YEAR SUMMARY

	2002	2003	2004	2005	2006	%
	$000	$000	$000	$000	$000	Growth
	AGAAP	AGAAP	AGAAP	AIFRS	AIFRS	
Total revenue	197,524	246,961	703,559	565,296	532,068	(6%)
Building Products revenue	149,709	180,793	487,691	519,122	483,083	(7%)
Earnings before interest, tax and amortisation						
Building products	26,463	31,560	94,667	87,133	65,529	(25%)
Property	1,510	5,485	9,601	25,156	53,269	112%
Waste management	-	1,226	1,639	1,428	1,936	36%
Investments	6,988	9,823	5,056	795	1,206	52%
Associates	28,592	32,348	24,876	47,603	32,110	(33%)
Head office and other expenses	(1,576)	(3,102)	(4,545)	(4,277)	(4,817)	(13%)
Total EBITA	61,977	77,340	131,294	157,838	149,233	(5%)
Amortisation	-	-	(14,566)	(2,754)	-	(100%)
Borrowing costs	(3,674)	(5,009)	(22,862)	(31,426)	(25,398)	19%
Income tax	(8,726)	(8,508)	(19,626)	(36,304)	(21,914)	40%
Net profit after income tax - normal	49,577	63,823	74,240	87,354	101,921	17%
Non-regular items (after tax)						
Washington H Soul Pattinson & Co.	2,350	2,916	11,788	92,110	(3,333)	
Write down of property, plant & equipment to recoverable value	-	-	-	(36,539)	(2,135)	
One-off tax items	-	-	-	-	5,749	
Portfolio sale	-	-	74,161	-	-	
Tax consolidation	-	5,950	(1,003)	-	-	
Funding	-	-	(1,812)	-	-	
Net profit after income tax (incl non-regular items)	51,927	72,689	157,374	142,925	102,202	(29%)
Basic earnings per share (cents)	39.4	55.2	114.3	108.5	77.0	(29%)
Dividends						
Ordinary dividends per share (cents)	15.5	20.0	24.0	31.0	36.0	16%
Ratios						
Net tangible assets per share	$4.13	$4.61	$4.91	$4.91	$5.47	11%
Return on shareholders equity	9.5%	12.0%	17.6%	16.0%	10.5%	(34%)
Interest cover ratio	-	22	5.0	5.0	6.3	27%
Net debt to capital employed	11.0%	4.7%	23.2%	28.3%	27.0%	(5%)

Note: Figures for 2006 and 2005 are AIFRS. Figures for 2004, 2003 and 2002 are AGAAP.

A table of important dates is located on the inside back cover for your information.

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

ANNUAL REPORT 2006

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 Director since 2003
	THE HON. ROBERT J. WEBSTER MAICD; MAIM; JP Director since 2001
MANAGING DIRECTOR:	LINDSAY R. PARTRIDGE BSc. Hons.Ceramic Eng; SFCDA; Dip.CD Director since 2000
CHIEF FINANCIAL OFFICER:	ALEXANDER J. PAYNE B.Comm; Dip CM; FCPA; FCIS; JP.
COMPANY SECRETARY:	IAIN H. THOMPSON B.Ec; CA; Grad Dip CSP; FCIS
AUDITORS:	ERNST & YOUNG
BANKERS:	NATIONAL AUSTRALIA BANK
SHARE REGISTER:	COMPUTERSHARE INVESTOR SERVICES PTY. LIMITED G.P.O. Box 7045 Sydney N.S.W. 2001 Telephone: 1800 269 981 Facsimile: (02) 8234 5050
PRINCIPAL ADMINISTRATIVE OFFICE:	THE AUSTRAL BRICK COMPANY PTY. LIMITED Group Administration Office 738 - 780 Wallgrove Road Horsley Park N.S.W. 2175 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 31 July 2006.

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
The Hon. Robert J. Webster MAICD; MAIM; JP

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

Principal activities

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

Change of financial year end

On 30 March 2005 ASIC approved a request by Brickworks to change its financial year end date to 31 July annually. The effect of this change was that the 2005 financial year was extended to 13 months ending on 31 July 2005, and covered the period 1 July 2004 to 31 July 2005.

All references in this report to the 2005 financial year, or year ended 31 July 2005, refer to the 13 month period from 1 July 2004 to 31 July 2005, covering the period from the end of the previous financial year, unless otherwise stated.

Result of operations

The consolidated net profit for the year ended 31 July 2006 (12 months) of the Brickworks Group after income tax expense, amounted to $102,202,000 compared with $142,925,000 for the previous year (13 months).

Dividends – ordinary shares

The Directors recommend that the following final dividend be declared:

Ordinary shareholders – 25.0 cents per share (fully franked)

Dividends paid during the year under review were:

(a) Final ordinary of 21.0 cents per share (fully franked) out of profits for the year ended 31 July 2005 and referred to in the previous Directors' report;

(b) Interim ordinary of 11.0 cents per share (fully franked) paid 11 May 2006.

Dividends – Redeemable Preference Shares

A dividend on Redeemable Preference Shares (PAVERS) is scheduled to be paid on 1 December 2006 for the period 1 June 2006 to 30 November 2006, calculated at 6.565% p.a. per PAVERS (fully franked), or $3.29 per share.

PAVERS dividends paid during the year under review were:

(a) Dividend paid on 1 June 2006 for the period 1 December 2005 to 31 May 2006, calculated at 6.565% p.a. per PAVERS (fully franked). This equated to $3.27 per share.

(b) Dividend paid on 1 December 2005 for the period 1 June 2005 to 30 November 2005, calculated at 6.565% p.a. per PAVERS (fully franked). This equated to $3.29 per share.

REVIEW OF OPERATIONS

Highlights

- Record Normalised NPAT up 16.6% to $101.9 million
- Building Products EBITA down 18.2% to $65.5 million (on pcp)
- Land and Development EBITA increased 107.5% to $55.2 million
- Associates EBITA down 32.6% to $32.1 million
- Normalised Income Tax Expense down 39.7% to $21.9 million
- Final dividend up 19.0% to 25.0 cents fully franked (full year dividend 36.0 cents)

Overview

Record Normalised Net Profit After Tax in the 12 months to July 2006 of $101.9 million was up 16.6% compared to $87.4 million in the 13 months ending July 2005. The main factors contributing to the normalised result were a significant boost in profit from Land and Development offsetting reductions from Building Products.

Lower tax offset reduced Associate's contribution which last year included a non regular after tax profit of $72.9 million on the disposal of New Hope Corporation's Indonesian operation.

Normalised, earnings per share increased to 76.8 cents per share for the 12 months ending July 2006 (normalised EPS were 65.9 cents for the 13 months ending July 2005).

Directors have recommended a 19.0% increase in the final dividend to 25.0 cents fully franked, taking the full year dividend to 36.0 cents fully franked, up 16.1% from 31.0 cents the previous year.

The record date for dividends will be 17 November 2006 with payment being made on 1 December 2006.

Financial Analysis

The Normalised Income Tax Expense of $21.9 million was down 39.7% on the $36.3 million for the 13 months to 31 July 2005. This includes a $5.5 million normalised adjustment caused by the change in the tax cost base of Washington H. Soul Pattinson. Income tax paid for the year was $19.8 million.

Free cash flow before capital expenditure and dividends was $92.5 million down from $177.4 million last year. Last year's result included substantial cash flow from land transactions that will be recognised as profit in future years.

Interest Bearing Liabilities increased from $367.6 million at 31 July 2005 to $375.6 million at 31 July 2006.

Borrowing expenses during the year, including PAVERS dividends, was $25.4 million, down 19.1% on last year's $31.4 million.

During the period Ordinary Dividends of $42.5 million were paid along with Capital Expenditure of $52.3 million.

Net Debt (including PAVERS) to Capital Employed also continues to improve, finishing the year at 27.0% down from 28.3% at July 2005.

Gearing (debt to equity) decreased from 41.2% at 31 July 2005 to 38.5% at 31 July 2006 including PAVERS.

Interest Cover improved significantly to 6.2 times at 31 July 2006 (4.6 times in 2005) excluding non-regular items and the non-cash portion of Equity Accounted profits. Interest includes bank debt interest and the PAVERS dividend.

Working capital at 31 July 2006 was $115.0 million compared to $84.1 million at 31 July 2005. The increases were largely the result of an additional $24.4 million of land transactions awaiting completion and a $15.1 million increase in inventory in Building Products (including $4.0 million of working capital added by acquisitions during the year).

Strategy Overview

Brickworks Limited consists of three core businesses: Building Products, Land and Development and Investments. These businesses have provided consistent earnings and capital growth through diversity of revenue streams.

The Building Products strategy is to maximise margin and subsequently return on funds by vigorous competition in product range and quality while offering superior service. Concurrently every effort is made to reduce costs including prudent capital expenditure. Building Products continues to pursue bolt on acquisitions that meet stringent investment criteria and enhance Building Products performance.

Land and Development maximises the use of property assets that are no longer required for the Building Products business and now consists of three main businesses: Land Sales, Property Trust and Waste Management. Profit is maximised through a timely change to highest and best use.

In order to maximise the long term profit potential of Brickworks' land assets an industrial property trust has been established in conjunction with Macquarie Goodman. Excess land that can be developed into industrial uses will be sold to, and then developed by, the trust. This will allow Brickworks to benefit from ongoing development profit, rental income and potential capital returns as well as the initial land sale into the trust. Excess land that is suitable for residential uses is to be sold at an appropriate point in its development. Waste management will continue to operate in former clay quarries that can not be immediately reclaimed to be sold as usable land.

Investments ensure that profits from the cyclical Building Products business and the volatile Land and Development business are balanced by consistent earnings. A significant part of that investment portfolio has long been Washington H. Soul Pattinson (WHSP). WHSP offers exposure to a diverse range of sectors including telecommunications and media, pharmaceuticals, mineral resources and investment management.

Building Products

Market conditions*

Starting in 1997 was one of the longest national housing booms in recent history, which was briefly interrupted by the introduction of the GST in 2000 before peaking in December 2003 at 46,497 commencements for the quarter. Since the peak, the market has experienced one of the longest declines on record. Reduced commencements were caused by lower consumer confidence due primarily to higher interest rates and increased petrol prices. In the 12 months to June 2006 commencements fell 4.5% to 150,506. Whilst substantially lower than the previous three years it is still high by historical standards.

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* All commencement data sourced from ABS Cat. 8750.0 Dwelling Unit Commencements, Australia, Preliminary, June 2006

Building Products greatest exposure is in NSW where commencements fell 15.2% to 32,036 dwellings and fell 17.1% to 15,524 for single dwellings, the lowest number of single dwellings being commenced since records began. NSW built less single homes than Western Australia, Victoria or Queensland.

Building land remains in chronic short supply throughout Sydney and priced beyond the reach of most first homebuyers. Brickworks, along with the building industry, continues to urge the NSW government to remove the restrictions to supply and the substantial imposts on land for single dwellings.

In sharp contrast to NSW, Western Australian commencements increased 12.3% to 25,595 dwellings. Whilst there is currently considerable work in the construction pipeline, the industry is concerned that a critical land shortage is starting to emerge.

In Queensland overall commencements fell 3.4% to 37,394 dwellings, however the Queensland market is showing encouraging signs of recovery.

Victorian commencements softened 4.7% to 39,103 dwellings, while in South Australia commencements were stable at 10,611.

Results

Sales for the year ending July 2006 were up 0.9% at $483.1 million compared to $479.0 million in the 12 months ending July 2005. Sales were supported by acquisitions. On a like-for-like basis sales were down 5.7%.

EBITA in the 12 months to July 2006 was $65.5 million, down 18.2% on the $80.1 million in the 12 months to July 2005.

Brickworks' focus is to maintain the EBITA to sales ratio and profitability despite the downturn and competitive environment. Building Products achieved an EBIT to sales ratio for the 12 months to July 2006 of 13.6% compared to 16.8% in the previous corresponding period.

EBITDA was $92.0 million (19.0% to sales) for the 12 months to July 2006. This compared to $107.4 million (22.4% to sales) in the 12 months to July 2005.

During the period $1.6 million was spent on redundancies which led to a reduction in employee numbers of 56. Employee numbers reduced to 1466 prior to the inclusion of the 28 net positions after acquisitions and divestments and now total 1494. The relentless pursuit of the lowest cost base in the industry is underscored by employee productivity. Revenue of $324,000 and EBITA of $45,100 per employee compares favourably to our Australian building products peers.

Brickworks continued to take advantage of the current housing lull on the east coast to complete an ambitious capital expenditure program. The focus of the program within Building Products is cost reduction and improvement in safety and environmental performance. Capital expenditure totalled $47.5 million in the 12 months to July 2006, compared to depreciation of $26.5 million.

As a result of substantial capital expenditure and greater management focus the safety performance improved substantially. The key safety measure is Lost Time Injury Frequency Rate (LTIFR) which measures the number of injuries that result in a lost shift per million hours worked. LTIFR improved 29% compared with the previous year.

Exports have suffered in Asia where exchange rates, fuel driven shipping charges (bunker surcharges) and aggressive Asian competitors have all combined to make our products less attractive resulting in lower exports to this region.

Segment Results

Austral Bricks™

Impacted by the large exposure to the New South Wales market, national sales of Austral Bricks™ and pavers for the 12 months to July 2006 dropped 5.6% by volume.

Unit brick prices increased by 0.8% in line with expectations. Managing the lower demand to maintain efficient factories has been difficult. To avoid excessive increases in inventory, substantial reductions in production were achieved by mothballing one kiln at Rochedale in Brisbane, and carrying out extensive shutdowns and slowdowns at two of three Horsley Park plants in Sydney, and at Summerhill and Craigieburn in Melbourne. Overall, production output was reduced by 6.7%. Combined with cost increases and east coast factory refurbishment costs, unit costs increased 4.4%.

On 1 August 2006 Brickworks completed the $17.4 million acquisition of GB Masonry. The initial phase of the integration into Austral Bricks™ has been successfully completed. GB Masonry has a capacity of 75,000 tonnes and produces Australia's most sought after range of landscape and block products, including retaining walls. Situated in Gympie, 160 kilometres north of Brisbane the plant operates three production lines and sells products from Cairns to Sydney.

In New Zealand arrangements are being made for the establishment of a distribution centre in Auckland following the acquisition of key distributors on both North and South Islands.

North of Melbourne at Wollert, Austral Bricks™ is building a new brick plant at a cost of $44.0 million, of which $21.1 million was spent this year. This plant will replace the aging Scoresby brick plant and free 56 hectares of residential land for sale at Scoresby as well as 19 hectares of industrial land at Hallam. Wollert is on schedule to be completed by February 2007 and is expected to be the lowest cost plant in Australia with design capacity of 85 million standard brick equivalents (SBE).

The capital program for the Austral Bricks™ Riverview plant in Queensland at a cost of $2.4 million, of which $1.3 million was spent this year, was completed on time and on budget. The capital program will substantially increase efficiency and allow a small capacity increase.

The Austral Bricks™ plant in Golden Grove, South Australia was upgraded at a cost of $5.5 million, of which $3.3 million was spent this year. Whilst capacity will remain the same, the introduction of robotic unloading and loading equipment will greatly reduce the cost of manufacture and enhance production flexibility once fully commissioned in the first quarter of 2006/07.

During the year the Punchbowl facility, which had previously manufactured floor tiles for Eureka Tiles™ was transferred to the Austral Bricks™ business in order to facilitate the full time manufacture of Australia's biggest selling large format clay pavers. This product range will be further enhanced with the recent release of Freedom® series stain resistant pavers.

A major television campaign promoting Austral Bricks™ was launched during 2005/06. The "It's a fashion thing™" campaign, featuring Nicky Buckley, has had an immediate impact on brand awareness. Supporting the campaign is a significant revamp of displays. Major new displays have been built or are underway at Malaga (W.A.), Golden Grove (S.A.), Hobart (Tas.), Rochedale (Qld.), Craigieburn (Vic.) and Scoresby (Vic.).

Austral Bricks™, as Australia's largest brick company, contributed significantly to the industry programs and campaigns that are addressing bricklayer shortages, sustainability and environmental issues.

Bristile Roofing™

Sales of Bristile roof tiles for the 12 months to 31 July 2006 declined 4.6% by volume.

The strong increase in EBIT reported in the first half continued through the balance of the year driven by a 4.8% increase in price and significantly lower costs as a result of the previous year's capital program.

In 2005 a major upgrade was undertaken at both the Queensland and Victorian manufacturing facilities. These upgrades were completed on budget and on time and continue to drive lower production costs, lower transport costs and higher quality.

Eureka Tiles™

Sales of floor tiles for the 12 months to 31 July 2006 declined 7.3% by volume.

Selling prices increased 1.7% in the face of domestic and import competition.

Strong import and domestic competition requires further adjustment to the business model. This period of transition is difficult but substantial progress has been made with sales of traditional terracotta tiles and tile imports recording strong volume increases. This has resulted in the mix between domestically produced and imported tiles moving towards imported.

On 30 June 2006 the bathroom fittings business was divested. This small activity was proving to be a distraction leading to its divestment in excess of book value.

Auswest Timbers

Sales of timber for the 12 months to 31 July 2006 increased 6.3% by volume.

Selling prices decreased 4.1%.

The hardwood timber industry continues to shift emphasis from low value products such as structural timber towards high value added product such as floor boards and furniture grade timber. Despite some challenges in the current period, signs of a favourable shift in product mix are beginning to emerge.

During the year Auswest acquired the remaining 58% of Terra Timbers, a value added producer in Bairnsdale, Victoria. At the same time the Victorian roof tile industry has been encouraged to move from hardwood battens to pine battens produced in Auswest's dedicated pine batten mill in Canberra. Each of these three initiatives drives Auswest to a sustainable future.

Adding to the sustainable future has been the securing of considerable log licences for Victoria. The East Gippsland business now has licences and contracts extending eight years to 2014 and combined with Pemberton's 17 year log contract, puts Auswest in a strong position.

Auswest Timbers completed a $3.2 million value adding facility in Pemberton, WA. The upgraded Pemberton plant will be capable of completing most of its own 'value adding' on site, including the production of flooring products. Wet weather and difficulties obtaining skilled trades in WA's overheated labour market contributed to delays in the project. The project, whilst completed, is now expected to be commissioned in the first half of 2006/07.

Land and Development

The 2005/06 financial year has seen the highest return to date from the Brickworks property realisation program for surplus land holdings. Normalised profit before tax totalled $55.2 million, an increase of $28.6 million from 2004/05.

Land and Development now consists of three main businesses: Land Sales, Property Trust and Waste Management.

Capital expenditure of $4.8 million was required for land purchases, planning and site preparation. In the 2005/06 period 59.9 Ha of land was sold and 120.0 Ha of land was acquired for the Building Products businesses resulting in a net increase in land holdings of 60.1 Ha.

Land Sales

The development of the M7 Business Hub with Macquarie Goodman has continued strongly and underpinned the profit in 2005/06. Profit came largely from land sales in the Eastern Precinct of the M7 Business Hub. The site is valued for its proximity to Sydney's newly created transport hub, the intersection of the M7 and M4 freeways from where most of Sydney is readily accessible.

Completion of major services to the site and internal infrastructure works to the Eastern Precinct of the M7 Business Hub secured sub-division approval of this area in June 2006. This allowed 17 sale contracts already signed on the site to be exchanged. Very few lots now remain unsold for this precinct.

The sale of the Mamre Road site into the newly created Brickworks/Macquarie Goodman property trust also contributed significant profit.

The 2005/06 period saw the Eastwood, NSW site enter an important phase, with the completion of infrastructure and servicing works to the first stage of the residential development near Skenes Avenue. The first six lots were offered to the market in April 2006 and all were under contract by July 2006. Titles for these lots have now been secured which will allow the sales to settle early in the 2006/07 financial year. The first major stage of development, consisting of twenty lots and six terraces, is scheduled to be offered to the market in late 2006 or early 2007.

Work on the redevelopment of the Scoresby, Victoria site has continued over the 2005/06 financial year. Approval to fill the Scoresby site was received from Knox Council in early 2006 and the rezoning application, lodged in October 2005, was put on public exhibition in March 2006. No major objections were made to the rezoning and Council is expected to make a decision on the application by the end of 2006. This will allow the property to be offered to the market for redevelopment in early 2007.

The Bolinda Road site (5Ha) in Melbourne's north is also under consideration for sale as a land fill site.

Property Trust

The future development of the remaining sections of the M7 Business Hub property and several other properties has been secured by the establishment of the property trust, to be owned in equal interests by Brickworks and Macquarie Goodman Wholesale Fund. The Trust will develop and own prime industrial facilities on land already owned by Brickworks.

The Trust's initial transactions on the M7 Business Hub site include development pre-commitments for a new 49,000 m2 Chilled Distribution Facility for Coles Myer and 16,500 m2 Logistics/Fleet Facility for Toll Holdings with an estimated on-completion value of $177.6 million. These transactions are conditional on development approvals, which are expected to be secured in late 2006. Other land on the M7 Business Hub has also been set aside for development by the Trust in the future.

The Mamre Road, NSW site currently consists of 33 hectares of developable land. Pre-commitment interest in the site has been strong with negotiations well advanced with a number of prominent Australian and international corporations. In total the site should accommodate up to 200,000 m^2 of new industrial facilities over the next few years with an estimated value of $265 million.

On 19 September 2006 a Heads of Agreement was signed between Brickworks and the Brickworks/Macquarie Goodman property trust granting a six month exclusive period for the trust to evaluate Brickworks industrial properties. Properties under consideration include Oakdale, NSW (333 Ha), Hallam, Vic. (19 Ha) and a portion of Craigieburn, Vic. (83Ha). The Oakdale property was declared "state significant employment lands" in November 2005.

Waste Management

The Horsley Park and Bowral waste facilities provided royalties totalling $1.9 million in the 2005/06 financial year. The royalties from the Horsley Park facility, operated by Collex, have continued to be well over the minimum requirement and forecasted amount. An agreement with Collex, which will provide an additional payment for providing airspace earlier than initially contemplated, was signed in April 2006.

Investments

Washington H. Soul Pattinson Limited (WHSP)

ASX Code: SOL

The market value of Brickworks' 42.85% share of WHSP decreased $183.4 million (18.7%) to $797.6 million at year end. In the previous year the value increased by $286.0 million. Fully franked dividends of $41.9 million ($32.7 million last year) were also received and included a special dividend of 15.0 cents per share in November 2005.

The total 12 month normalised equity contribution of WHSP to 31 July 2006 was $29.5 million ($176.1 million last year, which included a NPAT non-regular contribution from the sale of New Hope Corporation's Indonesian operation for $72.9 million, and an additional six month period due to the change in reporting period of $19.2 million).

The investment in WHSP has a 15 year compound annual return of 13.5% compared to 12.2% in the ASX All Ordinary Accumulation Index. The compound annual return for 5 years is 13.1% compared to 13.1% in the ASX All Ordinary Accumulation Index.

Brickworks Investment Company Limited (BICL)

ASX Code: BKI

BICL has reported a Net Profit After Tax of $12.8 million to 30 June 2006 compared to $10.5 million in the 12 months to 30 June 2005.

Brickworks equity accounted share of BICL profit was $2.8 million. At 31 July Brickworks held 20.7% of BICL issued share capital.

The fully franked dividend of 2.5 cents per share and an additional 1.0 cent per share special dividend has been declared bringing the total to 6.0 cents (fully franked) per share for the year compared to 4.3 cents per share last year. This dividend of $1.5 million was received on 31 August 2006.

The value of Brickworks' investment in BICL increased 14.7% from $50.4 million to $57.8 million at 31 July 2006, however the total portfolio value of the BICL increased by 18.7% during the period to $294.7 million from $248.3 million.

Net Asset backing per share before tax as at 31 July has also increased to $1.41 per share from $1.30 per share, an 8% improvement.

The BICL share price has increased from $1.17 per share at 31 July 2005 to $1.34 per share at 31 July 2006.

Outlook

Building Commencements and Building Products

Brickworks estimate that Building commencements will fall a further 7% in 2006/07 to around 140,000.

In Western Australia healthy economic conditions are expected to continue though land availability will be closely monitored. New South Wales is likely to decline throughout the coming year and a recovery seems some time away under the current circumstances. Queensland is anticipated to have similar trading conditions to 2005/06 whilst South Australia and Victoria are predicted to drift downwards slightly.

The Building Products businesses will attempt to maintain price momentum and match production to demand.

Land and Development

Brickworks' excess land is in desirable locations and is expected to continue contributing strongly to profit. As always, the timing of sales is difficult to predict due to the vagaries of various approval processes.

The Property Trust expects to continue to develop land already acquired.

Investments

Investments are expected to provide diversity to the income streams from Building Products and Land and Development.

Overall

Brickworks overall financial position continues to strengthen despite weaker building products markets.

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

On 18 July 2006 Brickworks announced that it was to acquire the assets of GB Masonry Pty Ltd for $17.4 million. The transaction was settled on 1 August 2006, and therefore no impact of this acquisition has been reflected in the financial statements for the year ended 31 July 2006. Further information surrounding this acquisition can be found in note 39 to the financial statements.

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

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

Likely developments and expected results of operations

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

The environment

The Brickworks Group understands and accepts its responsibility for environmental protection which is integral to the conduct of its commercial operations. Brickworks' objective is to comply with all applicable environmental laws and regulations 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.

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

The Group has manufacturing facilities in each state of Australia. 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 the level of compliance with site operating conditions.

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.

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.

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.

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

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

Independent environment auditors complete an environmental compliance audit of all factory sites annually, while operational clay mining areas are audited at least every two years. The purpose of this is to ensure compliance with all current licences and regulations and identify risks of an adverse environmental event under any other relevant legislation.

Ongoing environmental monitoring is an integral part of the operations at all factories. During the year, results of this monitoring indicated that some emissions were in excess of EPA licence limits. The company is investigating these non-compliances, and working closely with the EPA to resolve these issues. There have been no prosecutions arising as a result of these. During the year, in excess of $3 million was spent on capital projects aimed at improving our environmental performance.

As a timber processor, Brickworks' wholly owned subsidiary Auswest Timbers recognises that it has environmental and social responsibilities in relation to its milling operations. Auswest source the majority of hardwood and pine timber under Supply Agreements with various state-based government departments. All State Forests are managed in line with internationally accepted principles of ecologically sustainable forest management, ensuring that these forests are conserved for current and future generations to use and enjoy. The majority of logs received are now taken from re-growth or plantation forests. This has resulted in much smaller logs being available, requiring continuous change and improvement of practices in an effort to maximise recoveries from the available log resource. Auswest is also very conscious of its responsibility in disposing of the by-products of the business in an environmentally friendly manner.

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. He is the Chairman of the Remuneration Committee.

Other directorships:

Washington H. Soul Pattinson and Co. Ltd	Director since 1984
New Hope Corporation Ltd	Director since 1995
SP Telemedia Ltd (incl NBN)	Director since 2000
Brickworks Investment Company Ltd	Director since 2003
Choiseul Investments Ltd	Director since 1995
Milton Group	Director since 1998
Australian Pharmaceutical Industries Ltd	Director since 2000
Souls Private Equity Ltd	Director since 2004
KH Foods Ltd	Appointed 1994, Retired 2004

Michael J. Millner
Deputy Chairman

Mr M. Millner is a non-executive Director who was appointed to the Board in 1998. He is a councillor of the Royal Agricultural Society of NSW. Mr Millner is the deputy chairman of the Board, and a member of the Audit and Remuneration Committees.

Other directorships:

Washington H. Soul Pattinson & Co Ltd	Director since 1997
SP Telemedia Ltd	Director since 2000
Choiseul Investments Ltd	Director since 2001
Australian Food & Fibre Ltd	Appointed 2000, Resigned 2004
K H Foods Ltd	Appointed 1997, Resigned 2006
Ruralco Ltd	Appointed 2003, Resigned 2006

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. He held various senior management positions at Austral before being appointed Chief Executive Officer in 1999, and was subsequently appointed to the Board in 2000. Mr Partridge has also had extensive industry involvement, and is currently a director of various industry bodies, including the Australian Brick and Blocklaying Training Foundation, the Clay Brick and Paver Institute, and HIA YouthBuild.

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. Mr Bentley has over 35 years experience in the manufacture and marketing of ceramic products. He is a member of the Remuneration Committee.

Other directorships:

Hudson Timber Ltd	Appointed 2003, Resigned 2003

Timothy V. Fairfax AM; FAICD
Director

Mr Fairfax was appointed to the Board in 1997 and is a non-executive Director. He is a member of the Audit and Remuneration Committees. He is Deputy Chancellor of the University of the Sunshine Coast, Deputy Chairman of the National Portrait Gallery, Trustee of Queensland Art Gallery, Chairman of the University of the Sunshine Coast Foundation, Board member of the Foundation for Rural and Regional Renewal, Council Member of Royal National Association Brisbane and Chairman of the Salvation Army Brisbane Advisory Board.

Other directorships:

Rural Press Ltd	Director since 1988

David N. Gilham FCIT; FAIM; FAICD
Director

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

Other directorships:

Australian Wine Holdings Ltd	Director since 2004
Integrated Tree Cropping Ltd	Appointed 2004, Resigned 2005
Forest Enterprises Australia Ltd	Appointed 2004, Resigned 2005
Consolidated Minerals Ltd	Appointed 2004, Resigned 2005

The Hon. Robert J. Webster MAICD; MAIM; JP
Director

Mr Webster was appointed to the Board in 2001 and is a non-executive Director. He is Senior Client Partner in Korn/Ferry International's Sydney office. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Other directorships:

Allianz Australia Insurance Ltd	Director since 1997
Viridis Investment Management Ltd	Director since 2005
Investa Property Group Ltd	Director since 2006
Mirvac Group	Appointed 1997, Resigned 2004

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; Grad Dip CSP; FCIS
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, 16 meetings of Directors (including committees) were held. Attendances were:

	DIRECTORS' MEETINGS		REMUNERATION COMMITTEE MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R.D. Millner	12	11	2	2		
M.J. Millner	12	12	2	2	2	2
L.R. Partridge	12	12				
A.J. Bentley	12	12	2	2		
T.V. Fairfax	12	12	2	2	2	2
D.N. Gilham	12	12	2	2		
R.J. Webster	12	12	2	2	2	2

As at the date of this report there is an Audit Committee and a Remuneration Committee.

Directors interests

As at 27 October 2006, Directors had the following relevant interests in Brickworks shares:

	ORDINARY SHARES	PAVERS
R.D. Millner	3,640,188	-
M.J. Millner	3,626,688	300
L.R. Partridge	129,191	-
A.J. Bentley	22,840	-
T.V. Fairfax	25,000	550
D.N. Gilham	55,500	40,000
R.J. Webster	14,213	-

As at 27 October 2006, 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 27 October 2006, 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 27 October 2006, 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.

REMUNERATION REPORT

Remuneration committee

Brickworks Remuneration Committee operates under the delegated authority of Brickworks' Board of Directors. A summary of the Remuneration Committee charter is included on the Brickworks website (www.brickworks.com.au). All non-executive Directors of Brickworks are members of the Remuneration Committee.

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

- Ensuring remuneration policies and practices are consistent with Brickworks' strategic goals and human resources objectives and which enable Brickworks to attract and retain executives and Directors who will create value for shareholders;
- Equitably, consistently and responsibly rewarding executives having regard to the performance of Brickworks, the performance of the executive and the general pay environment; and
- Ensuring executive succession planning is adequate and appropriate.

Attendance details of the Remuneration committee are included in the Directors' report.

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

Non-executive Directors

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 fixed each year, and are not subject to performance based incentives. Brickworks' non-executive Directors are not employed under an employment contract.

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 not proposed to vary this amount at the 2006 Annual General Meeting.

For the year ended 31 July 2006, Brickworks paid non-executive Directors base fees of $80,000 per annum, with the chairman of the Board receiving $160,000 per annum, and the chairman of the audit committee receiving an additional $10,000 per annum. All Directors are entitled to receive superannuation contributions at the statutory rate (9%) on these amounts. The total aggregate fees paid to non-executive Directors during the year was within the maximum approved by shareholders.

Brickworks constitution requires that Directors must own a minimum of 500 shares in the Company. All Directors have complied with this requirement during the year.

Executive Directors and executives

Board policy for determining remuneration

Board policy for determining the nature and amount of remuneration of the executive Director and senior managers (the executives) is set by the Remuneration Committee. This policy is applied consistently across all divisions within the Group. Brickworks' remuneration policy is to ensure that an executive's remuneration reflects their duties and responsibilities, as well as ensuring the Company is able to attract and retain key talent.

The Board of Brickworks recognises that the Group's performance is tied to its ability to attract, retain and develop highly skilled and motivated executives. Whilst remuneration is a key factor in achieving this, the Board recognises there are other factors that influence this ability, including the culture and reputation of the Group and its employees, the general human resources policies, and professional development opportunities.

Executive remuneration is comprised of both fixed and variable remuneration components. The structure of the remuneration is designed to provide an appropriate balance between these components.

Fixed remuneration is made up of base salary, superannuation and other benefits (where taken). Fixed remuneration is approved by the Remuneration Committee based on data sourced from external sources, including independent salary survey providers and government bodies.

Variable remuneration is tied to the performance of both the individual and the Company. Any such remuneration earned is split equally between short term and long term components. The short term component is available as Brickworks shares purchased through the Brickworks Deferred Employee Share Plan or as cash.

The long term component must be taken as Brickworks shares purchased through the Brickworks Deferred Employee Share Plan, which vest over the following five years. Any variable remuneration component is available only with the approval of the Brickworks Board.

Performance based remuneration

Brickworks Incentive Scheme has been designed to focus executives on the necessity to achieve a range of planned targets for their respective businesses. The variable remuneration program is structured around the achievement of annual performance criteria and is payable following recommendation by the Managing Director and approval by the Remuneration Committee. Any payments to executives under this incentive scheme are split equally between short term and long term components, as detailed above. Funding for the Incentive Scheme accrues based on divisional and group earnings.

Variable remuneration available as a proportion of total salary for an employee increases as that employee gains greater responsibility and has greater capacity to influence the performance of the business as a whole. The proportion of remuneration related to performance for the Managing Director and Chief Financial Officer is at the discretion of the Remuneration Committee, and for the 2005 and 2006 financial years the variable remuneration has exceeded the fixed component. For the other specified executives and senior managers covered by the incentive scheme, the potential variable component is either 10%, 25%, 50% or 75% of base salary, adjusted up or down for performance compared against prior years.

This scheme covers the Managing Director, Chief Financial Officer, General Managers, and various other senior managers within the group.

Seventy percent of variable remuneration is directly tied to achievement of divisional profit results against both prior year and budgeted performance. The Board considers this measure highly appropriate as it is directly linked to the Company's ability to generate profit and create value for shareholders. This is also appropriate from an executive's perspective as the executive is assessed against areas of direct responsibility and influence. Comparison of divisional profit is made against both prior year results and Board approved budgets for the current year. This criteria takes into account the aim of continual improvement in shareholders returns, whilst at the same time recognising that there are a number of external factors (such as the cyclical nature of the Australian Building industry) that are outside the control of the executive. Comparison against properly determined and approved budgets that take into account these external factors is aimed at rewarding executives for strong performance in a weaker environment, which assists in reducing the impact of any negative factors on the business as a whole.

The remaining thirty percent of variable remuneration is not directly tied to profit performance. The Board considers that there are a number of other areas of business performance that are critical to the success of the Company yet may not be reflected directly in divisional profits in the current year. These are areas of wider corporate responsibility that, if not achieved or improved, have the capacity to damage shareholder value, such as environmental compliance and performance, and occupational health and safety performance. Additionally, an executive's ability to train, develop and motivate staff, to maintain positive community relations, and to develop the industry we rely on, all have a major impact on the future profitability of the Company. These non-profit factors are assessed against internal targets set in advance and aimed at continual improvement in these areas.

Brickworks Employee Share Plan

Brickworks Employee Share Plan operates as part of the remuneration structure of the group. All employees of Brickworks with a minimum 3 months service are eligible to join the plan, whereby the employee salary sacrifices an amount toward the purchase of Brickworks Ordinary shares and the Company contributes a maximum of $500 per employee per annum. The plans are aimed at encouraging employees to share in ownership of their Company, and help to align the interests of all employees with that of the shareholders.

In addition to the optional salary sacrifice portion of the plans, annual bonuses are also paid into the share plan. Employees may elect the short term component of any bonus to be taken as cash, however the long term bonus must be taken as shares through the Employee Share Plan. Under the terms of the bonus, the employee will receive the voting rights and entitlement to any future dividends immediately upon purchase, however they are unable to access the shares to trade unless they satisfy continuity of service criteria. These shares will become available to the employee at 20% per annum at the end of each of the following five years, providing they continue to be employed by Brickworks. If the employee terminates their employment, they forfeit their entitlement to the unvested shares, except in limited circumstances, such as medical reasons, bona fide retirement or termination other than for gross misconduct.

An employee's right to transact the shares is governed by the trust deed for the Employee Share Plans and the Company's policy regarding trading windows.

Brickworks Employee Share Plan is seen as both an employee retention mechanism, due to the service criteria attaching to the vesting of the shares, and a method of aligning employee interests with those of external shareholders. At 31 July 2006, there were 662 employees participating in the share plans, holding 662,452 shares (0.50% of issued capital).

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

All share purchases through the employee share plans are performed on market, ensuring there is no dilution to existing shareholders through the issue of new shares.

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.

Superannuation

The Company contributes to a number of superannuation funds for its employees. Company superannuation contributions are set at 9% of salary as required under the relevant superannuation guarantee legislation. Employees are entitled to salary sacrifice additional amounts as superannuation contributions, provided any contributions comply with superannuation guarantee requirements.

Brickworks does not have any, or any interest in, defined benefit superannuation funds. All funds administered on behalf of the Company are accumulation funds, and as a result there is no ongoing liability to Brickworks for unfunded superannuation plans.

Company performance, shareholder wealth and remuneration

This remuneration policy has been tailored to help align Director and executive interests with those of shareholders. The main method of this is through the use of the variable remuneration component and the use of the Brickworks Employee Share Plan. The Company believes this policy has been effective in increasing shareholder wealth over the past five years, and will continue to be effective in creating additional shareholder value.

The following table shows a number of relevant measures of Company performance over the past five years. A detailed discussion on the current year results is included in the review of operations and is not duplicated here, however an analysis of the figures below demonstrates continued share price and dividend growth on the back of improving revenues and profits. The Board is of the opinion that these results can be attributed in part to the previously described remuneration policies and is satisfied that this continued improvement has led to increased shareholder wealth over the past five years.

	2002	**2003**	**2004**	**2005** (2)	**2006**
Total revenue (millions) (1)	$197.5	$247.0	$703.6	$565.3	$532.1
Net profit before non-regular items after tax (millions) (1)	$49.6	$63.8	$74.2	$84.5	$101.9
Net profit after tax (millions) (1)	$51.9	$72.7	$157.4	$142.9	$102.2
Share price at year end	$6.35	$7.88	$9.10	$10.51	$11.99
Dividends paid – ordinary shares (cents)	15.5	20.0	24.0	31.0	36.0 (3)

(1) Figures for 2002, 2003 and 2004 are in accordance with AGAAP. Figures for 2005 and 2006 are calculated under AIFRS.

(2) 13 months 1 July 2004 to 31 July 2005

(3) Includes proposed final dividend for 2006

Remuneration of Key Management Personnel

Directors ($000's)	Year	Short term employee benefits: Base salary / fees	Short term employee benefits: Short term bonus (4)	Short term employee benefits: Non-monetary benefits	Post employment (Super-annuation)	Share based payment (Long term bonus) (4)	Total
Mr R.D. Millner Non-Exec Chairman	2006	160	-	-	14	-	174
	2005(1)	152	-	-	14	-	166
Mr M.J. Millner Non-Exec Deputy Chairman	2006	80	-	-	7	-	87
	2005(1)	76	-	-	7	-	83
A.J. Bentley Non-Exec Director	2006	80	-	-	7	-	87
	2005(1)	76	-	-	7	-	83
T.V. Fairfax Non-Exec Director	2006	80	-	-	7	-	87
	2005(1)	76	-	-	7	-	83
D.N. Gilham Non-Exec Director	2006	80	-	-	7	-	87
	2005(1)	76	-	-	7	-	83
R.J. Webster Non-Exec Director	2006	90	-	-	8	-	98
	2005(1)	87	-	-	8	-	95
Mr L. Partridge Managing Director	2006	605	385	31	54	188	1,263
	2005(1)	660	335	20	38	121	1,174
Total Remuneration	2006	1,175	385	31	104	188	1,883
	2005(1)	1,203	335	20	88	121	1,767

Other Key Management Personnel ($000's)	Year	Short term employee benefits			Post employment (Super-annuation)	Share based payment (Long term bonus) (4)	Total
		Base salary / fees	Short term bonus (4)	Non-monetary benefits			
Mr A. Payne (2), (3) Chief Financial Officer	2006	352	242	15	27	118	754
	2005(1)	339	210	16	28	76	669
Mr P. Scott (3) Group GM - Western Australia	2006	331	125	23	12	52	543
	2005(1)	287	109	28	12	20	456
Mr D. Fitzharris (3) Group GM - Sales & Marketing, Austral Bricks East Coast & NZ	2006	312	50	24	25	88	499
	2005(1)	251	77	18	22	42	410
Mr D. Willmot (3) Group GM - Manufact. Austral Bricks East Coast & Group Projects	2006	323	25	10	23	15	396
	2005(1)	271	76	12	21	-	380
Ms M. Tamsett (3) GM - Property & Development	2006	234	150	25	18	47	474
	2005(1)	213	90	22	18	29	372
Mr D. Millington (3) GM – Bristile Roofing East Coast	2006	184	80	24	21	1	310
	2005(1)	180	5	28	32	-	245
Mr I. Thompson (2) Company Secretary	2006	136	38	11	12	14	211
	2005(1)	142	30	11	12	8	203
Total Remuneration	2006	1,872	710	132	138	335	3,187
	2005(1)	1,683	597	135	145	175	2,735

Notes

(1) References to 2005 amounts are for the 13 month period 1 July 2004 to 31 July 2005.
(2) Messrs Payne and Thompson are Company Executives as defined under s300A(1B) of the Corporations Act.
(3) Messrs Payne, Scott, Fitzharris, Willmot and Millington, and Ms Tamsett are Group Executives as defined under s300A(1B) of the Corporations Act, and Key Management Personnel as defined in AASB124 Related Party Disclosures.
(4) The short term bonus amounts disclosed were approved by the Remuneration Committee on 29 August 2006, in relation to performance during the 2006 financial year (2005 approved on 26 July 2005). The short term bonus payment was made during the month following approval. On the same date, the Remuneration Committee also approved long term bonus amounts of the same value for each of the employees listed above, to be granted as shares in the Deferred Employee Share Plan (as listed in the section on the share plan above). The values in the share based payment column reflect the shares vested to the employee during the financial year.

The disclosures contained in this section have been included within the remuneration report and audited in accordance with the exemption under Corporations Amendments Regulations 2006.

Discussion in relation to specific executives

During the 2005 financial year, the Company signed employment contracts with the Managing Director and other senior executives of the Brickworks Group. These contracts were a continuing agreement, and were aimed at confirming the existing arrangements for those executives. There is no fixed termination date under the contract, however the terms allow for a review every five years, or in certain limited circumstances, such as a material change in the executives position.

If the executive resigns from their employment, they are entitled to their salary up to termination date plus any accrued leave provisions. They will also be entitled to a pro-rata portion of the average of the previous 3 years annual bonus.

If the Company terminates Mr Partridge (Managing Director) other than under immediate termination (as defined in his employment contract), he will receive six months notice (or a payment equivalent to this amount in lieu of notice), plus a termination benefit of twelve months base salary and the average of the previous three years annual bonus. In addition Mr Partridge will receive immediate access to all unvested shares held on his behalf by the Brickworks Employee Share Plan.

If the Company terminates the specified executives other than under immediate termination (as defined in their employment contract), the executive will receive up to six months notice (or a payment equivalent to this amount in lieu of notice), plus a termination benefit of six months base salary and a pro-rata of the average of the previous three years annual bonus. In addition the executive will receive immediate access to all unvested shares held on their behalf by the Brickworks Employee Share Plan.

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

All senior executives gain strategic business knowledge during the course of their employment. Brickworks will use any means available to it by law to ensure that this information is not used to the detriment of the Company by any staff member on termination. In order to protect the Group's interests, Brickworks has an enforceable restraint through the executive's employment contract to prevent executives either going to work for a competitor, or inducing other employees to leave the Company, for a specified period. In consideration of the restraint, executives will receive a monthly payment, equivalent to their existing base salary plus one twelfth of the average of the previous three annual bonuses, for a period of time. For the Managing Director this period is 12 months, and for other executives this period is up to 6 months.

The employment contracts referred to above have been prepared and reviewed by an external party. The Managing Director's salary package has also been reviewed by an external party and is considered to be fair and reasonable.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

Provision of non-audit services by external auditor

During the year the external auditors, Ernst & Young, provided non-audit services to the Group, totalling $67,000 (2005 $64,000). The Directors are of the opinion that the provision of non-audit services has not compromised the independence of the auditors.

$38,000 was paid for a review of the Group's IT disaster recovery strategy (2005 $27,000), concentrating on the adequacy of procedures for the operation of the business in the event of a disaster involving the group's IT services. This work did not include any financial estimates or internal controls relating to the financial statements as reported.

$29,000 was paid for the provision of AIFRS advice (2005 $34,000). This advice was general in nature, relating to the interpretation and potential application of the new accounting standards. Brickworks management has been responsible for selecting, applying and calculating all impacts of AIFRS on the Group's financial statements.

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

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.

Rounding of Amounts

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

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

Dated 27 October 2006.

R.D. MILLNER	R.J. WEBSTER
Director	Director

ERNST & YOUNG

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Auditor's Independence Declaration

To the Directors of Brickworks Limited

In relation to our audit of the financial report of Brickworks Limited for the year ended 31 July 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Graham Ezzy

Partner

27 October 2006

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.

This 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".

A summary of corporate governance information can be found on the Brickworks website at www.brickworks.com.au.

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.

Brickworks 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 Directors' 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 Bristile 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 a 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 by shareholders 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 they 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 the Remuneration 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. A summary of the charter is available on the Brickworks website. The composition required under the charter is consistent with the best practice guidelines specified by the ASX.

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 Directors' 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.

Audit Committee attendance details are included in the Directors' report.

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 statements 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, 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 or delegate 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.

Non-executive Director performance 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 has a Remuneration Committee with a membership of all non-executive Directors. The committee operates under the delegated authority of the Board, and has its own charter, a summary of which is available on the Brickworks website.

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

- Ensuring remuneration policies and practices are consistent with Brickworks' strategic goals and human resources objectives and which enable Brickworks to attract and retain executives and Directors who will create value for shareholders;
- Equitably, consistently and responsibly rewarding executives having regard to the performance of Brickworks, the performance of the executive and the general pay environment; and
- Ensuring executive succession planning is adequate and appropriate.

Remuneration Committee attendance details are included in the Directors' report.

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

The Remuneration Report contains detailed information relating to Director and Senior Executive remuneration, including the policy for determining remuneration, the use of fixed and variable remuneration, and the relationship between executive remuneration and Company performance.

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
INCOME STATEMENT FOR THE YEAR ENDED 31 JULY 2006

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Revenue	3	532,068	565,296	44,207	34,855
Cost of sales		(323,258)	(345,280)	-	-
Gross profit		208,810	220,016	44,207	34,855
Other income	3	18,035	-	328	-
Distribution expenses		(44,256)	(44,576)	-	-
Administration expenses		(17,311)	(18,810)	(7)	(16)
Selling expenses		(43,489)	(42,745)	-	-
Borrowing costs expense	4	(25,398)	(31,426)	(25,351)	(31,393)
Other expenses	4	(7,708)	(58,603)	-	-
Share of net profits of associates accounted for using the equity method	30	27,341	179,188	-	-
Profit before income tax expense		116,024	203,044	19,177	3,446
Income tax (expense) / benefit attributable to profit	5	(13,822)	(60,119)	4,183	5,936
Profit after related income tax expense		102,202	142,925	23,360	9,382
Net profit attributable to members of the parent entity		102,202	142,925	23,360	9,382
Basic earnings per share (cents per share)	8	77.0	108.5		
Diluted earnings per share (cents per share)	8	77.0	106.0		

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

BRICKWORKS LIMITED AND CONTROLLED ENTITIES A.B.N. 17 000 028 526

BALANCE SHEET AS AT 31 JULY 2006

	NOTE	CONSOLIDATED 31 JULY 06 $000	CONSOLIDATED 31 JULY 05 $000	PARENT ENTITY 31 JULY 06 $000	PARENT ENTITY 31 JULY 05 $000
CURRENT ASSETS					
Cash assets	9	15,542	15,042	625	1,438
Receivables	10(a)	88,552	73,084	-	-
Held for trading financial assets	11	91	223	-	-
Inventories	14(a)	118,665	100,640	-	-
Prepayments		4,655	3,681	-	5
TOTAL CURRENT ASSETS		227,505	192,670	625	1,443
NON-CURRENT ASSETS					
Receivables	10(b)	200	1,018	539,478	547,891
Other financial assets	12	-	-	236,800	236,764
Available for sale financial assets	13	-	1,108	-	1,108
Inventories	14(b)	26,801	34,697	-	-
Derivative financial instruments	15	316	(1,674)	316	(1,674)
Investments accounted for using the equity method	16	584,213	549,691	-	-
Property, plant and equipment	17	522,257	502,651	645	645
Deferred tax assets	18	38,122	42,940	413	573
Intangible assets	19	248,810	246,202	-	-
TOTAL NON-CURRENT ASSETS		1,420,719	1,376,633	777,652	785,307
TOTAL ASSETS		1,648,224	1,569,303	778,277	786,750
CURRENT LIABILITIES					
Payables	20(a)	66,360	61,500	3,998	4,823
Interest-bearing liabilities	21(a)	52,000	4,700	52,000	-
Current tax liabilities		14,311	16,227	14,311	16,233
Provisions	22(a)	31,793	30,860	-	-
TOTAL CURRENT LIABILITIES		164,464	113,287	70,309	21,056
NON-CURRENT LIABILITIES					
Payables	20(b)	29,040	43,117	485	629
Interest-bearing liabilities	21(b)	323,585	362,945	323,585	362,945
Provisions	22(b)	19,335	17,067	844	844
Deferred tax liabilities	23	135,344	138,156	11,182	11,182
Other non-current liabilities	24	1,320	1,320	-	-
TOTAL NON-CURRENT LIABILITIES		508,624	562,605	336,096	375,600
TOTAL LIABILITIES		673,088	675,892	406,405	396,656
NET ASSETS		975,136	893,411	371,872	390,094
EQUITY					
Contributed equity	25	146,387	147,500	146,387	147,500
Reserves	26	327,682	314,401	96,439	94,447
Retained profits	27	501,067	431,510	129,046	148,147
TOTAL EQUITY		975,136	893,411	371,872	390,094

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

BRICKWORKS LIMITED
AND CONTROLLED ENTITIES A.B.N. 17 000 028 526
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2006

		CONSOLIDATED		PARENT ENTITY	
		12 MTHS 31 JULY 06	**13 MTHS 31 JULY 05**	**12 MTHS 31 JULY 06**	**13 MTHS 31 JULY 05**
	NOTE	$000	$000	$000	$000
Total equity at beginning of the year		893,411	747,906	390,094	405,203
Available for sale investments:					
Gain / (loss) taken to equity	26	-	(2)	-	(2)
Cash flow hedges:					
Gain / (loss) taken to equity	26	1,992	(566)	1,992	(566)
Share of increments in reserves attributable to associates	26	18,157	24,427	-	-
Tax on movement in equity accounted investment recognised directly in equity	26	(6,053)	(6,920)	-	-
Net income recognised directly in equity		14,096	16,939	1,992	(568)
Profit for the year	27	102,202	142,925	23,360	9,382
Total recognised income and expense for the year		116,298	159,864	25,352	8,814
Transactions with equity holders in their capacity as equity holders					
Ordinary shares issued during the year	25	-	9,637	-	9,637
Dividends provided or paid during the year	7	(33,460)	(23,367)	(42,461)	(32,931)
Treasury stock:					
Purchase of shares through employee share plan	25	(2,031)	(1,103)	(2,031)	(1,103)
Shares transferred to profit and loss on vesting	25	918	474	918	474
		(34,573)	(14,359)	(43,574)	(23,923)
Total equity at the end of the year		975,136	893,411	371,872	390,094

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2006

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Cash flows from operating activities					
Receipts from customers		560,223	621,315	-	-
Payments to suppliers and employees		(467,703)	(464,638)	(2)	(3)
Interest received		539	1,726	165	365
Borrowing costs		(13,925)	(18,011)	(14,414)	(17,978)
PAVERS dividend		(10,832)	(10,826)	(10,824)	(10,826)
Dividends received		44,050	34,689	44,041	34,490
Income tax paid		(19,823)	(27,838)	2,316	(3,882)
Net cash flows from operating activities	28(a)	92,529	136,417	21,282	2,166
Cash flows from investing activities					
Proceeds from the sale of investments		3,094	208	2,919	-
Purchases of investments		(1,477)	(1,110)	(1,729)	(1,110)
Purchases of intangible assets		(2,609)	-	-	-
Payment for controlled entity net of cash acquired	29(b)	(423)	78	(86)	(257)
Proceeds from sale of property, plant and equipment		859	9,902	-	-
Purchases of property, plant and equipment		(52,312)	(55,260)	-	-
Net cash flows from / (used in) investing activities		(52,868)	(46,182)	1,104	(1,367)
Cash flows from financing activities					
Proceeds from borrowings		147,000	60,500	12,000	-
Repayment of borrowings		(139,700)	(139,950)	-	(76,000)
Proceeds from issue of shares		-	-	-	-
Loan (to) / from controlled entity		-	-	7,262	107,490
Loan (to) / from other entity		(4,000)	30,762	-	-
Dividends paid		(42,461)	(32,931)	(42,461)	(32,931)
Net cash flows from / (used in) financing activities		(39,161)	(81,619)	(23,199)	(1,441)
Net increase / (decrease) in cash held		500	8,616	(813)	(642)
Cash at beginning of year		15,042	6,426	1,438	2,080
Cash at end of year	9	15,542	15,042	625	1,438

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brickworks Limited is a listed public company, incorporated and domiciled in Australia. These accounts were authorised for issue in accordance with a resolution of the directors on 27 October 2006.

During the prior year Brickworks received approval from ASIC to change its financial year end date to 31 July annually, effective from the 2005 financial year. Accordingly, references to the year ended 31 July 2005 refer to the 13 month period 1 July 2004 to 31 July 2005. The 2006 financial year is for the 12 month period 1 August 2005 to 31 July 2006.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Brickworks Limited as an individual entity and the consolidated entity consisting of Brickworks Limited and its subsidiaries ("the Group").

(a) Basis of preparation and Statement of compliance

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

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards.

These financial statements are the first Brickworks Limited financial statements to be prepared in accordance with AIFRS. AASB1: First time adoption of Australian equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Brickworks Limited until 31 July 2005 had been prepared in accordance with Australian Generally Accepted Accounting Principles (AGAAP), and comparative figures in respect of 2005 have been restated accordingly. When preparing Brickworks 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of transition from AGAAP to AIFRS on the Group's equity and its net income have been included in note 2 to the financial statements.

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

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Brickworks Ltd (the parent entity) and all entities that Brickworks controlled from time to time during the period and at reporting date. Control exists where Brickworks 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 to achieve the objectives of Brickworks.

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

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

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

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

(c) Revenue

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

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

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

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

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

Rental revenue is recognised on an accruals basis.

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

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

(d) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

Tax consolidation

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

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

(f) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

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

(g) Cash and cash equivalents

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

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

Cash and cash equivalents are stated at nominal value.

(h) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. A provision for doubtful debts is established when there is existence of objective evidence that the Group will not be able to collect the debts. Bad debts are written off as incurred.

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

(i) Inventories

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

(j) Land held for resale

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

(k) Property, plant and equipment

Land is carried at cost less any impairment losses.

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

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

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

Depreciation

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

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

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

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

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

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

(l) Leases

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

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

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

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

(m) Financial assets

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

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

Financial assets at fair value through profit and loss

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

The fair value of financial instruments traded in active markets is based on quoted market bid prices at the balance sheet date.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Financial assets (cont.)

Loans and Receivables

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

Derecognition

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

Impairment

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

(n) Investments in associates

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

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

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

Where reporting dates of associates are not identical to the Group, the financial information used is the last publicly available information, but in any event is no older than 3 months from the Group’s balance date. The associate’s accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(o) Investments in joint ventures

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

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

Where reporting dates of joint ventures are not identical to the Group, the financial information used is the last publicly available information, but in any event is no older than 3 months from the Group’s balance date.

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

(p) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets (including contingent liabilities) at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Any goodwill acquired in a business combination is allocated to each of the cash-generating units expected to benefit from the combination’s synergies, unless there is no reasonable and consistent basis to do so, in which case goodwill is allocated to groups of cash generating units. Impairment is determined by assessing the recoverable amount of the cash generating unit (or groups of units) to which the goodwill relates. Where this recoverable amount is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

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

Log licences

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

Brand names

Purchased brand names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of brand names over their estimated useful lives.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Acquisition of assets

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

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

(r) Impairment of assets

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

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

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

(s) Payables

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

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

(t) Provisions

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

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

(u) Employee benefits

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

Share-based payments

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

(v) 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.

(w) Interest bearing liabilities

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

(x) Financial instruments issued by the company

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

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

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

(y) Derivatives

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

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

Fair value hedge

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

Cash flow hedge

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

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

Derivatives that do not qualify for hedge accounting

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

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

(z) Derecognition of financial liabilities

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

(aa) Government grants

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

Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and credited to the income statement on a straight-line basis over the expected lives of the related assets.

(ab) Reserved shares

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

(ac) Goods and Services Tax (GST)

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

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

(ad) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. The balances of foreign currency monetary items are translated at the period end exchange rate. The balances of non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Group companies

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

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

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

(ae) Comparative information

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

(af) Significant accounting estimates and assumptions

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

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

(ag) Accounting standards issued but not yet effective

Australian accounting standards that have been issued but have not been adopted for the financial year ended 31 July 2006 are as follows:

Amendments to financial statements – AASB 2004-3, 2005-1, 2005-4, 2005-5, 2005-6, 2005-9, 2005-10, 2006-1;
AASB 119: Employee Benefits;
AASB 7: Financial Instruments: Disclosures;
UIG 4: Determining whether an arrangement contains a lease;
UIG 5: Rights to interests in Decommissioning, Restoration and Environmental Rehabilitation Funds;
UIG 6: Liabilities arising from participating in a specific market – Waste electrical and electronic equipment;
UIG 7: Applying the Restatement Approach under AASB 129 Financial reporting in hyperinflationary economies;
UIG 8: Scope of AASB 2; and
UIG 9: Reassessment of embedded derivatives.

The directors have assessed the impact of these new or amended standards and interpretations, and are of the opinion that there will not be any changes required to amounts recognised in the financial statements. However, it is anticipated that there will be some changes to information disclosures required.

NOTE 2: IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS.

The consolidated entity changed its accounting policies on 1 August 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to AIFRS has materially affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)
(a) Effect of AIFRS on the balance sheet as at 1 July 2004

	NOTE	AGAAP $000	Effect of Transition to AIFRS $000	AIFRS $000
CURRENT ASSETS				
Cash		6,426	-	6,426
Receivables		81,317	-	81,317
Other financial assets	(l)	364	(364)	-
Held for trading financial assets	(l)	-	364	364
Inventories		78,008	-	78,008
Other		1,901	-	1,901
TOTAL CURRENT ASSETS		168,016	-	168,016
NON-CURRENT ASSETS				
Inventories		31,804	-	31,804
Equity accounted investments	(d),(e)	289,694	83,028	372,722
Property, plant and equipment		541,684	-	541,684
Deferred tax assets	(j)	18,693	11,876	30,569
Intangibles		247,311	-	247,311
TOTAL NON-CURRENT ASSETS		1,129,186	94,904	1,224,090
TOTAL ASSETS		1,297,202	94,904	1,392,106
CURRENT LIABILITIES				
Payables	(g)	45,522	891	46,413
Current interest-bearing liabilities		76,000	-	76,000
Current tax liabilities		8,233	-	8,233
Provisions	(h)	30,232	(1,174)	29,058
TOTAL CURRENT LIABILITIES		159,987	(283)	159,704
NON-CURRENT LIABILITIES				
Payables		10,250	-	10,250
Non-current interest-bearing liabilities	(g)	200,000	162,250	362,250
Derivative financial instruments	(i)	-	1,108	1,108
Provisions		10,887	-	10,887
Deferred tax liabilities	(j)	21,362	78,639	100,001
TOTAL NON-CURRENT LIABILITIES		242,499	241,997	484,496
TOTAL LIABILITIES		402,486	241,714	644,200
NET ASSETS		894,716	(146,810)	747,906
EQUITY				
Contributed Equity	(g),(h)	302,168	(163,678)	138,490
Reserves	(e),(i)	255,822	37,810	293,632
Retained Profits	(d),(e),(g),(h),(j)	336,726	(20,942)	315,784
TOTAL EQUITY		894,716	(146,810)	747,906

NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)
(b) Effect of AIFRS on the balance sheet as at 31 July 2005

	NOTE	AGAAP $000	Effect of Transition to AIFRS $000	AIFRS $000
CURRENT ASSETS				
Cash		15,042	-	15,042
Receivables		73,084	-	73,084
Other financial assets	(l)	223	(223)	-
Held for trading financial assets	(l)	-	223	223
Inventories		100,640	-	100,640
Other		3,681	-	3,681
TOTAL CURRENT ASSETS		192,670	-	192,670
NON-CURRENT ASSETS				
Receivables		1,018	-	1,018
Other financial assets	(l)	1,110	(1,110)	-
Available for sale financial assets	(l)	-	1,108	1,108
Inventories		34,697	-	34,697
Equity accounted investments	(e)	489,258	60,433	549,691
Property, plant and equipment		502,651	-	502,651
Deferred tax assets	(j)	32,028	10,912	42,940
Intangibles	(f)	232,547	13,655	246,202
TOTAL NON-CURRENT ASSETS		1,293,309	84,998	1,378,307
TOTAL ASSETS		1,485,979	84,998	1,570,977
CURRENT LIABILITIES				
Payables	(g)	59,687	1,813	61,500
Current interest-bearing liabilities		4,700	-	4,700
Current tax liabilities		16,227	-	16,227
Provisions	(h)	32,637	(1,777)	30,860
TOTAL CURRENT LIABILITIES		113,251	36	113,287
NON-CURRENT LIABILITIES				
Payables		43,117	-	43,117
Non-Current interest-bearing liabilities	(g)	200,000	162,945	362,945
Derivative financial instruments	(i)	-	1,674	1,674
Provisions		17,067	-	17,067
Deferred tax liabilities	(j)	11,149	127,007	138,156
Other		1,320	-	1,320
TOTAL NON-CURRENT LIABILITIES		272,653	291,626	564,279
TOTAL LIABILITIES		385,904	291,662	677,566
NET ASSETS		1,100,075	(206,664)	893,411
EQUITY				
Contributed Equity	(g),(h)	311,805	(164,305)	147,500
Reserves	(e),(i)	287,360	27,041	314,401
Retained Profits	(e),(f),(g),(h),(j)	500,910	(69,400)	431,510
TOTAL EQUITY		1,100,075	(206,664)	893,411

NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)

(c) Effect of AIFRS on the income statement for the 13 month year ended 31 July 2005

	NOTE	AGAAP $000	Effect of Transition to AIFRS $000	AIFRS $000
Revenue		519,032	46,264	565,296
Cost of sales		(327,157)	(18,123)	(345,280)
Gross profit		191,875	28,141	220,016
Other income	(k)	47,266	(47,266)	-
Distribution expenses		(44,576)	-	(44,576)
Administration expenses		(18,810)	-	(18,810)
Selling expenses		(42,745)	-	(42,745)
Borrowing costs expense	(g)	(18,985)	(12,441)	(31,426)
Other expenses	(f),(h),(k)	(92,613)	34,010	(58,603)
Share of net profits of associates accounted for using the equity method	(d),(e)	200,120	(20,932)	179,188
Profit before income tax expense		221,532	(18,488)	203,044
Income tax attributable to profit	(j)	(17,706)	(42,413)	(60,119)
Profit after related income tax expense		203,826	(60,901)	142,925

(d) Re-allocation of associates profit to prior year

Under AASB128: Investments in Associates, Brickworks is required to use information that is current to within 3 months of Brickworks' reporting date. Historically under AGAAP, Brickworks had used the last publicly available information which, for Washington H. Soul Pattinson & Co Ltd (SOL) for reporting periods ended on or before 30 June 2004, were prepared by SOL 5 months prior to Brickworks' reporting date. To align SOL's results with Brickworks accounting periods, an adjustment was required to opening retained earnings at transition date and profit for the 13 months to 31 July 2005, with a corresponding adjustment to the balance sheet at the end of each period.

(e) Share of Associates AIFRS adjustments

Brickworks' associates have reported net changes to equity as a result of the adoption of AIFRS. As a result of these changes, Brickworks is required to show its share of these adjustments to the relevant category of equity, with a corresponding net movement to the carrying value of investments in associates. Where these adjustments have impacted on the associates profit for a particular period Brickworks is required to show its share of that adjustment in profit for that period. Both SOL and Brickworks Investment Company Ltd (BKI), Brickworks' two associates listed on the ASX, have released details of their adjustments to equity as a result of the adoption of AIFRS, and specific details on the causes of these changes can be obtained from these company's reports.

(f) Goodwill

Under AASB3: Business Combinations, goodwill is not permitted to be amortised, but is subject to annual impairment testing under AASB136: Impairment of Assets. The policy under AGAAP is that goodwill is amortised over its useful life, but not exceeding 20 years. Under AASB136 amortisation will no longer be charged, but goodwill will be written down to the extent that it becomes impaired. As a result, goodwill amortisation subsequent to transition date has been reversed against retained earnings.

(g) Redeemable Preference Shares (PAVERS)

Under AASB132: Financial Instruments – Disclosure and Presentation, Brickworks redeemable preference shares (PAVERS) no longer meet the definition of equity, and hence are classified as a financial liability in the Balance Sheet. With this reclassification, the issue costs of these shares are amortised in the income statement over the term of the shares (5 years from issue date), whereas under AGAAP these costs were not expensed on an annual basis. Further, the payments classified as dividends under AGAAP will now be classified as a borrowing cost, calculated on an amortised cost basis using the effective interest method.

(h) Share based payments

Under AASB2: Share Based Payments, Brickworks is required to recognise the fair value of the shares granted to employees as remuneration as an expense, on a pro-rata basis, over the vesting period in the Income Statement, with a corresponding adjustment to equity via Reserved Shares. These shares relate to purchases under the long-term incentive plan. Under AGAAP, Brickworks had accrued and expensed the cost of the long term bonus in the year to which the performance relates.

(i) Hedge accounting

Under AASB139: Financial Instruments – Recognition and Measurement, Brickworks is required to recognise an asset or liability in its balance sheet for the fair value of derivatives which are classified as effective (cash flow) hedges. The other side to this entry is carried in reserves, and released against the asset or liability as the valuation of this instrument varies. Under AGAAP, these amounts were not recorded on the balance sheet of the Group.

NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)

(j) Income tax expense

Under AASB112: Income Taxes, the Group is required to use a Balance Sheet approach to calculate deferred tax assets and liabilities, rather than the Income Statement method used under AGAAP. This approach has seen deferred tax balances recognised for the first time on some items, such as land, buildings, and the carrying value of equity accounted investments. Any subsequent movement in either the book carrying value or the tax base of these Balance Sheet items will be reflected in the tax expense (for those movements which are reflected in the income statement) or directly in equity (for those movements which are reflected directly through equity) for that year.

(k) Revenue recognition

Under AASB118: Revenue, profit on disposal of fixed assets will be disclosed as other income from ordinary activities, whereas under AGAAP the proceeds on disposal and the cost of the asset were disclosed separately as other income and other expenses respectively. There is no net adjustment to profit as a result of this change.

(l) Reclassification of financial assets

Under AASB139: Financial Instruments – Recognition and Measurement, various investments that had been recorded in other financial assets under AGAAP are required to be reclassified, and are shown under AIFRS as available for sale financial assets or held for trading financial assets.

(m) Cash flows

The Group's adoption of AIFRS has had no effect on net cash flows, however with the reclassification of PAVERS from equity to debt, the interest paid has been reclassified within the statement of cash flows from a financing cash flow to an operating cash flow.

(n) Transitional exemptions

The Group has made certain elections in relation to its transition into AIFRS as allowed by AASB1: First time adoption of Australian equivalents to International Financial Reporting Standards as follows:

Business combinations

AASB3: Business Combinations was not applied retrospectively to past business combinations.

Deemed cost of land

Some of the Group's land had been carried at deemed cost as allowed under previous AGAAP. The Group has elected to use this deemed cost as the book cost of this land under AIFRS.

Financial instruments

The Group has not taken the available exemption from the application of AASB132 and AASB139 (financial instruments) to prior (comparative) periods.

	CONSOLIDATED		PARENT ENTITY	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000
NOTE 3: REVENUE				
Trading revenue				
Sale of goods	484,372	518,824	-	-
Sale of current investments	175	208	-	-
Sale of land held for resale	45,559	42,434	-	-
	530,106	561,466	-	-
Other operating revenue				
Interest received:				
- other corporations	539	1,726	166	365
Dividends received:				
- associated companies	-	-	43,951	34,490
- other corporations	98	10	90	-
Rental revenue	560	804	-	-
Government grant revenue	219	-	-	-
Other	546	1,290	-	-
Total operating revenue	532,068	565,296	44,207	34,855
Other income				
Net gain on sale of:				
- property, plant and equipment	17,707	-	-	-
- non-current investments	328	-	328	-
Total other income	18,035	-	328	-

	CONSOLIDATED		PARENT ENTITY	
	12 MTHS 31 JULY 06	**13 MTHS 31 JULY 05**	**12 MTHS 31 JULY 06**	**13 MTHS 31 JULY 05**
	$000	$000	$000	$000

NOTE 4: EXPENSES

(a) Specific expense disclosures				
Depreciation and amortisation				
- Buildings	3,265	3,751	-	-
- Plant and equipment	23,191	25,225	-	-
Total depreciation	26,456	28,976	-	-
- Brand names	-	2,754	-	-
Total amortisation	-	2,754	-	-
Total depreciation and amortisation expense	26,456	31,730	-	-
Net loss on disposal of:				
- property, plant and equipment	-	5,991	-	-
Finance costs - other corporations	13,926	18,986	13,879	18,953
Finance costs - PAVERS interest	10,832	11,746	10,832	11,746
Finance costs - PAVERS amortisation	640	694	640	694
	25,398	31,426	25,351	31,393
Rental expense on operating leases				
- Minimum lease payments	3,073	2,404	-	-
- Contingent rentals	-	-	-	-
- Sub-leases	-	-	-	-
Total rental expense relating to operating leases	3,073	2,404	-	-
Employee benefit expense	103,678	108,422	-	-
Defined contribution superannuation expense	10,003	9,347	-	-
Research and development expenditure	1,269	1,066	-	-
Bad and doubtful debts - trade debtors	403	(53)	-	-
Write down of inventories to net realisable value	3	5	-	-
(b) Significant Revenues and Expenses				
The following items are relevant in explaining the financial performance for the year:				
Additional profit due to significant one-off transactions of Washington H Soul Pattinson & Company	-	131,585	-	-
The following one-off expenses were incurred during the year:				
Impairment loss - property	-	17,876	-	-
Impairment loss - plant and equipment	-	21,153	-	-
Net loss on disposal of property, plant and equipment	-	5,754	-	-
Demolition, redundancy and rehabilitation costs of Scoresby factory	3,050	7,416	-	-
	3,050	52,199	-	-

(c) Revision of Accounting Estimates

During the year the directors reassessed the useful lives of certain items of plant and equipment used in the manufacture of clay building products. The effect of the changes in the current financial year was to decrease the depreciation expense of the group by $1.1 million. The effect of these changes will be to decrease the depreciation expense of the group by $2.2 million per year for each of the next 3 years, and by a varying (lesser) amount in following financial years, as assets become fully depreciated.

	CONSOLIDATED		PARENT ENTITY	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000
NOTE 5: INCOME TAX EXPENSE				
(a) Current Tax	17,072	60,475	(4,183)	(5,597)
Deferred Tax	(289)	-	-	-
Under / (over) provided in prior years	(2,961)	(356)	-	(339)
	13,822	60,119	(4,183)	(5,936)
(b) The prima facie tax on profit before income tax is reconciled to the income tax provided in the accounts as follows:				
Prima facie tax payable on profit before income tax at 30%	34,807	60,913	5,753	1,034
Adjust for tax effect of:				
- difference in foreign tax rates	(10)	-	-	-
- non-allowable PAVERS dividend	3,250	3,524	3,250	3,524
- rebateable dividends	(13,187)	(10,349)	(13,186)	(10,348)
- capital losses recognised during year	(4,200)	-	-	-
- share of net profits of associates	(3,935)	4,879	-	-
- amortisation of intangibles	-	826	-	193
- (over) / under provision for income tax in prior year	(3,080)	(356)	-	(339)
- (over) / under statement of deferred tax items in prior year	(379)	-	-	-
- uplift in tax values on entry into tax consolidation	498	-	-	-
- other non-allowable items	58	682	-	-
Income tax expense / (benefit) attributable to profit	13,822	60,119	(4,183)	(5,936)
(c) Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Current tax - debited / (credited) directly to equity	95	-	-	-
Deferred tax - debited / (credited) directly to equity	5,958	6,920	-	-
	6,053	6,920	-	-
NOTE 6: AUDITORS' REMUNERATION				
Auditor of the parent entity				
- Audit of the financial report	250	210	250	200
- Other regulatory audits	3	-	3	-
- Other non-audit services	68	64	68	31
	321	274	321	231

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

	CONSOLIDATED		PARENT ENTITY	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000

NOTE 7: DIVIDENDS

Final ordinary dividend (prior year) of 21.0 cents per share paid 22/11/05 (2004 15.0c paid 08/11/04)	27,865	19,759	27,865	19,759
Interim ordinary dividend of 11.0 cents per share paid 11/05/06 (2005 10.0c paid 12/04/05)	14,596	13,172	14,596	13,172
Group's share of dividend received by associated company	(9,001)	(9,564)	-	-
	33,460	23,367	42,461	32,931
Proposed final ordinary dividend of 25.0 cents per share not recognised as a liability at year end (2005 21.0c)	33,173	27,865	33,173	27,865

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

Dividends payable on Redeemable Preference Shares (PAVERS) are included in finance costs in the income statement, as the PAVERS are classified as liabilities.

Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable and dividends recognised as receivables	130,423	116,810	130,423	116,810
Impact on franking account balance of dividends not recognised	(14,217)	(11,942)	(14,217)	(11,942)

There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.

NOTE 8: EARNINGS PER SHARE

(a) Reconciliation of earnings		
Net profit	102,202	142,925
Earnings used in the calculation of basic EPS	102,202	142,925
add: redeemable preference share interest	11,472	12,447
Earnings used in the calculation of diluted EPS	113,674	155,372

	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	132,692,188	131,784,748
Number of potential ordinary shares from convertible redeemable preference shares (PAVERS) on issue	13,200,000	14,850,000
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	145,892,188	146,634,748
Basic earnings per share (cents per share)	77.0	108.5
Diluted earnings per share (cents per share)	77.0	106.0

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
NOTE 9: CASH ASSETS					
Cash on hand		14,988	13,685	71	81
Deposits at call		554	1,357	554	1,357
		15,542	15,042	625	1,438

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

NOTE 10: RECEIVABLES

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
(a) Current					
Trade receivables		65,733	67,065	-	-
Less: provision for doubtful debts		1,543	1,555	-	-
		64,190	65,510	-	-
Less: advance payments by customers		2,781	2,577	-	-
Net trade receivables		61,409	62,933	-	-
Add: other debtors		27,143	10,151	-	-
		88,552	73,084	-	-

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

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
(b) Non-Current					
Amount receivable from associated companies	38	200	1,018	-	-
Amount receivable from wholly owned subsidiaries	38	-	-	539,478	547,891
		200	1,018	539,478	547,891

NOTE 11: HELD FOR TRADING FINANCIAL ASSETS

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Share trading portfolio at fair value		91	223	-	-

The share trading portfolio represents ordinary shares listed on the ASX, and hence have no maturity date.

NOTE 12: OTHER FINANCIAL ASSETS

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Unlisted investments, at cost					
- Shares in controlled entities		-	-	165,438	165,402
Listed investments, at cost					
- Shares in associated companies	30	-	-	71,362	71,362
		-	-	236,800	236,764
Market values of listed investments					
- Shares in associated companies		-	-	855,367	1,032,104

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
NOTE 13: AVAILABLE FOR SALE FINANCIAL ASSETS					
Listed investments, at cost					
- Shares in other corporations		-	1,108	-	1,108

The listed investments represent ordinary shares listed on the ASX, and hence have no maturity date.

NOTE 14: INVENTORIES

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
(a) Current					
Raw materials and stores at cost		23,402	21,670	-	-
Work in progress at cost		6,748	3,416	-	-
Finished goods at cost		78,408	68,412	-	-
		108,558	93,498	-	-
Finished goods at net realisable value		289	229	-	-
		108,847	93,727	-	-
Land held for resale		9,818	6,913	-	-
Total inventories at lower of cost or net realisable value		118,665	100,640	-	-
(b) Non-Current					
Raw materials and stores at cost		3,553	1,411	-	-
Land held for resale		23,248	33,286	-	-
		26,801	34,697	-	-

NOTE 15: DERIVATIVE FINANCIAL ASSETS

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Interest rate swap contract	33(c)	316	(1,674)	316	(1,674)

The interest rate swap is being used to hedge the exposure to changes in the interest rate payable on its commercial bills (refer note 21). These borrowings and the swap have the same critical terms.

NOTE 16: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Investment in associated entities	30	559,703	549,691	-	-
Investment in jointly controlled entities	31	24,510	-	-	-
		584,213	549,691	-	-
Market value of listed associates		855,367	1,032,104	-	-

	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
NOTE 17: PROPERTY, PLANT AND EQUIPMENT				
(a) Land				
Freehold land at cost	210,084	213,439	645	645
Leasehold land at cost	235	235	-	-
	210,319	213,674	645	645
(b) Buildings				
At cost	130,367	127,688	-	-
Less: accumulated depreciation	36,278	31,397	-	-
	94,089	96,291	-	-
(c) Plant and equipment				
At cost	353,454	330,205	-	-
Less: accumulated depreciation	182,619	158,596	-	-
	170,835	171,609	-	-
Add: capital works in progress	47,014	21,077	-	-
Total plant and equipment	217,849	192,686	-	-
Total property, plant and equipment	522,257	502,651	645	645

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

Buildings				
Assets subject to write-downs	65	387	-	-
Assets not subject to write-downs	94,024	95,904	-	-
	94,089	96,291	-	-
Plant and equipment				
Assets subject to write-downs	157	1,597	-	-
Assets not subject to write-downs	170,678	170,012	-	-
	170,835	171,609	-	-

The recoverable value of non-current assets has been assessed after considering the economic benefits to be derived over the remaining useful life.

(d) Write down of property, plant & equipment

During the 2005 financial year the directors reviewed the carrying values of various buildings and items of plant and equipment throughout the Group. Particular attention was given to the condition of these assets and the expected future remaining useful lives of the factories as a whole. As a result, certain of the older factories within the building products division were written down to their recoverable values as assessed by the directors. Recoverable value was assessed based on the value in use of these assets.

(e) 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.

Parent Entity
There were no transactions or movements relating to property, plant and equipment for the parent entity.

NOTE 17: PROPERTY, PLANT AND EQUIPMENT (cont.)

Consolidated	Land	Buildings	Plant & Equip.	Total
	$000	$000	$000	$000
At 1 July 2004				
Cost	232,466	126,868	317,018	676,352
Accumulated depreciation	-	(11,522)	(123,146)	(134,668)
Balance at 1 July 2004	232,466	115,346	193,872	541,684
Year ended 31 July 2005				
Additions	3,131	3,298	91,151	97,580
Assets acquired by purchase of subsidiary	255	1,718	6,836	8,809
Assets transferred to inventory	(22,178)	-	-	(22,178)
Disposals	-	(2,453)	(52,786)	(55,239)
Impairment losses	-	(17,876)	(21,153)	(39,029)
Depreciation / amortisation expenses	-	(3,742)	(25,234)	(28,976)
Balance at 31 July 2005	213,674	96,291	192,686	502,651
Year ended 31 July 2006				
Additions	4,047	1,087	47,441	52,575
Assets acquired by purchase of subsidiary	300	829	1,652	2,781
Assets transferred to inventory	(915)	-	(37)	(952)
Disposals / transfers	(6,787)	(853)	(702)	(8,342)
Impairment losses	-	-	-	-
Depreciation / amortisation expenses	-	(3,265)	(23,191)	(26,456)
Balance at 31 July 2006	210,319	94,089	217,849	522,257

	CONSOLIDATED		PARENT ENTITY	
	12 MTHS 31 JULY 06	13 MTHS 31 JULY 05	12 MTHS 31 JULY 06	13 MTHS 31 JULY 05
	$000	$000	$000	$000
NOTE 18: DEFERRED TAX ASSETS				
Deferred tax asset	38,122	42,940	413	573
The balance comprises temporary differences attributable to:				
Provisions	14,574	13,863	254	254
Deposits received on land sale agreements	3,721	11,099	-	-
Land held for development and resale	8,586	9,942	-	-
Equity accounted associates	5,277	-	-	-
Property, plant and equipment	4,707	6,611	-	-
Other sundry items	1,257	1,425	159	319
	38,122	42,940	413	573
Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	34,275	48,387	-	-
Potential tax benefit @ 30%	10,283	14,516	-	-

	CONSOLIDATED		PARENT ENTITY	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000
NOTE 19: INTANGIBLE ASSETS				
(a) Brand names				
At cost	5,300	5,300	-	-
Less: accumulated amortisation	5,300	5,300	-	-
	-	-	-	-
(b) Goodwill				
At cost	241,669	241,355	-	-
Less: impairment write-downs	-	-	-	-
	241,669	241,355	-	-
(c) Timber access rights				
At cost	7,141	4,847	-	-
Less: accumulated amortisation	-	-	-	-
	7,141	4,847	-	-
	248,810	246,202	-	-

(d) Reconciliations

Consolidated	**Brand Names** $000	**Goodwill** $000	**Timber access rights** $000	**Total** $000
At 1 July 2004				
Cost	5,300	244,556	-	249,856
Accumulated amortisation and impairment	(2,546)	-	-	(2,546)
	2,754	244,556	-	247,310
Year ended 31 July 2005				
Additions	-	(5,026)	-	(5,026)
Asset acquired through purchase of subsidiary	-	1,825	4,847	6,672
Amortisation charge	(2,754)	-	-	(2,754)
Impairment charge	-	-	-	-
Balance at 31 July 2005	-	241,355	4,847	246,202
Year ended 31 July 2006				
Additions	-	286	2,294	2,580
Asset acquired through purchase of subsidiary	-	-	-	-
Amortisation charge	-	-	-	-
Adjustment for finalisation of fair value accounting	-	28	-	28
Impairment charge	-	-	-	-
Balance at 31 July 2006	-	241,669	7,141	248,810

(e) Intangible assets with indefinite useful lives

The timber access rights shown above with a carrying value of $7.1 million have been assessed as having an indefinite useful life. The main reason for this assessment is that although licences are subject to periodic renewal, the cost of the licence renewal is not significant compared to the future economic benefits obtainable under the licence, there is a history of renewals which are arranged by management as part of the normal operations of the business, there is a realistic expectation that all conditions for renewal will be successfully achieved, and if the licence was not renewed or substantially varied, the issuing authority would be liable to pay compensation to the Company.

The timber access rights have been allocated to the timber products Cash Generating Unit (CGU), which forms part of the building products segment.

NOTE 19: INTANGIBLE ASSETS (cont.)

(f) Impairment of Goodwill

Goodwill has been allocated for impairment testing purposes to the timber products CGU, and to a group of CGU's comprising the clay products operations. Combined, these CGUs represent the building products segment. The carrying amount of goodwill allocated to the clay products group of CGUs is significant, representing $239.8 million of the total balance of $241.7 million.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. These budgets use a combination of historical weighted average growth rates and externally sourced forecast housing approval data to project revenue. Costs are calculated taking into account historical gross margins, known cost increases (such as negotiated wage increases) as well as estimated weighted average inflation rates over the period that are consistent with inflation rates applicable to the locations in which the segments operate. Estimates beyond five years are calculated based on the projected five year average, with a conservative growth rate of 1%.

Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment. For the 2006 financial year the discount rate was 12.18% (2005 12.18%).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this group of CGUs.

		CONSOLIDATED		PARENT ENTITY	
		12 MTHS	13 MTHS	12 MTHS	13 MTHS
		31 JULY 06	31 JULY 05	31 JULY 06	31 JULY 05
	NOTE	$000	$000	$000	$000
NOTE 20: PAYABLES					
(a) Current					
Trade payables and accruals		55,847	52,246	3,998	4,823
Deposits received on land sale agreements		10,513	9,254	-	-
		66,360	61,500	3,998	4,823
(b) Non-Current					
Deposits received on land sale agreements		29,040	43,117	-	-
Amounts owing to wholly owned subsidiaries	38	-	-	485	629
		29,040	43,117	485	629

Payables have carrying amounts that reasonably approximate fair value. Average terms on trade payables are 30 days from statement. Terms on land deposits generally match settlement terms on final sale.

NOTE 21: INTEREST BEARING LIABILITIES					
(a) Current					
Commercial bills - unsecured	33	52,000	4,700	52,000	-
(b) Non-current					
Commercial bills - unsecured	33	160,000	200,000	160,000	200,000
Redeemable preference shares		163,585	162,945	163,585	162,945
		323,585	362,945	323,585	362,945

Commercial bills are drawn under either a 12 month facility expiring in November 2006 or a 5 year facility, expiring in February 2009. The individual bills are drawn for periods of up to three months. Interest is payable based on floating rates determined with reference to the BBSY bid rate at each maturity.

Commercial bills have carrying amounts that reasonably approximate fair value.

A portion of the borrowings are hedged using a fixed interest rate swap contract, details of which can be found in notes 15 and 33.

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000

NOTE 21: INTEREST BEARING LIABILITIES (cont.)

(c) Redeemable preference shares (PAVERS)

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.

PAVERS pay a fully franked dividend of 6.565% p.a, payable in June and December each year, which are recorded in the income statement as a borrowing cost.

NOTE 22: PROVISIONS

	NOTE	Consolidated 12 mths 31 July 06 $000	Consolidated 13 mths 31 July 05 $000	Parent 12 mths 31 July 06 $000	Parent 13 mths 31 July 05 $000
(a) Current					
Employee benefits		15,705	18,587	-	-
Demolition	(d)	5,225	4,815	-	-
Product claims	(e)	708	453	-	-
Workers compensation	(f)	5,250	4,739	-	-
Site rehabilitation	(g)	2,708	2,102	-	-
Other	(h)	2,197	164	-	-
		31,793	30,860	-	-
(b) Non-current					
Employee benefits		17,159	14,948	844	844
Site rehabilitation	(g)	2,176	2,119	-	-
		19,335	17,067	844	844

(c) Reconciliations

Consolidated	**Demolition**	**Product Claims**	**Workers Comp.**
Year ended 31 July 2006	$000	$000	$000
Balance at the beginning of the year	4,815	453	4,739
Amounts recognised on acquisition of subsidiary	-	-	-
Additional provisions recognised	2,150	628	2,436
Amounts used	(1,740)	(145)	(1,055)
Reversals of provisions	-	(228)	(870)
Discount rate adjustment	-	-	-
Balance at the end of the year	5,225	708	5,250
Current	5,225	708	5,250
Non-current	-	-	-
	5,225	708	5,250

	Site Rehab.	**Other**	**Total**
Year ended 31 July 2006	$000	$000	$000
Balance at the beginning of the year	4,221	164	14,392
Amounts recognised on acquisition of subsidiary	-	-	-
Additional provisions recognised	993	2,044	8,251
Amounts used	(330)	(11)	(3,281)
Reversals of provisions	-	-	(1,098)
Discount rate adjustment	-	-	-
Balance at the end of the year	4,884	2,197	18,264
Current	2,708	2,197	16,088
Non-current	2,176	-	2,176
	4,884	2,197	18,264

NOTE 22: PROVISIONS (cont.)

(d) Provision for demolition

A provision was 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. A further provision has been recognised for the closure and demolition of the Scoresby, Vic manufacturing facilities. The timing of the settlement of this provision is dependant upon relevant local authority approvals.

(e) 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. It is expected that this provision will be satisfied during the next financial year.

(f) Provision for workers compensation

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

(g) Site rehabilitation

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

(h) Other provisions

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

	CONSOLIDATED		PARENT ENTITY	
	12 MTHS 31 JULY 06 $000	**13 MTHS 31 JULY 05** $000	**12 MTHS 31 JULY 06** $000	**13 MTHS 31 JULY 05** $000
NOTE 23: DEFERRED TAX LIABILITIES				
Deferred tax liability	135,344	138,156	11,182	11,182
The balance comprises temporary differences attributable to:				
Equity accounted associates	114,389	117,301	-	-
Property, plant and equipment	20,022	20,350	-	-
Investment in listed company	-	-	10,677	10,677
Other sundry items	933	505	505	505
	135,344	138,156	11,182	11,182
NOTE 24: OTHER NON-CURRENT LIABILITIES				
Deferred government grant	1,320	1,320	-	-

The government grants not yet recognised in income relate to construction projects at the Auswest Timbers value adding facility in Pemberton, Western Australia.

Recognition of the government grant in the profit and loss is dependant upon Auswest meeting minimum performance standards in relation to employment levels and proportions of sales revenue being from value added products at future points in time.

NOTE 25: CONTRIBUTED EQUITY

132,692,188 fully paid ordinary shares	149,046	149,046	149,046	149,046
Reserved shares	(2,659)	(1,546)	(2,659)	(1,546)
	146,387	147,500	146,387	147,500

NOTE 25: CONTRIBUTED EQUITY (cont.)

	2006 No. of Shares	2006 Value $000	2005 No. of Shares	2005 Value $000
(a) Ordinary shares				
Opening balance	132,692,188	149,046	131,723,600	139,409
Shares issued during the year	-	-	968,588	9,637
Balance at end of year	132,692,188	149,046	132,692,188	149,046

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 share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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

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

	2006 No. of Shares	2006 Value $000	2005 No. of Shares	2005 Value $000
(b) Reserved shares				
Opening balance	168,815	1,546	123,793	918
add: bonus shares purchased by share plan	173,209	2,031	98,802	1,102
less: bonus shares vested during period	(95,313)	(918)	(53,780)	(474)
Balance at end of period	246,711	2,659	168,815	1,546

Reserved shares are those shares held by the employee share plans that have not vested to the participant at balance date. More information on the employee share plans is contained in note 36 of these financial statements.

NOTE 26: RESERVES

	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
(a) Composition of reserves				
- capital profits	88,102	88,102	84,479	84,479
- asset revaluation	315	(1,677)	315	(1,677)
- equity adjustment	(30,148)	(24,095)	-	-
- general	36,125	36,125	11,645	11,645
- associates	233,288	215,946	-	-
	327,682	314,401	96,439	94,447
(b) Reconciliations				
Capital profits reserve				
Balance at beginning of year	88,102	88,102	84,479	84,479
Transfer from / (to) retained earnings	-	-	-	-
Balance at end of year	88,102	88,102	84,479	84,479

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

	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Asset revaluation reserve				
Balance at beginning of year	(1,677)	(1,108)	(1,677)	(1,108)
Transfer from / (to) retained earnings	-	-	-	-
Movement in SWAP and investment valuations	1,992	(569)	1,992	(569)
Balance at end of year	315	(1,677)	315	(1,677)

The Asset revaluation reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets. It also includes the movements in fair values of derivatives and available for sale financial instruments. The reserve can only be used to pay dividends in limited circumstances.

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000

NOTE 26: RESERVES (cont.)

(b) Reconciliations (cont.)

Equity adjustments reserve					
Balance at beginning of year		(24,095)	(17,175)	-	-
Transfer from / (to) retained earnings		-	-	-	-
Net adjustment to tax directly through equity		(6,053)	(6,920)	-	-
Balance at end of year		(30,148)	(24,095)	-	-

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

General reserve					
Balance at beginning of year		36,125	36,125	11,645	11,645
Transfer from / (to) retained earnings		-	-	-	-
Balance at end of year		36,125	36,125	11,645	11,645

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

Associates reserve					
Balance at beginning of year		215,946	187,688	-	-
Share of associates transfer from / (to) retained earnings		(815)	3,831	-	-
Share of associates increment / (decrement) in reserve		18,157	24,427	-	-
Balance at end of year		233,288	215,946	-	-

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

NOTE 27: RETAINED PROFITS

Retained profits at the beginning of the year		431,510	315,783	148,147	171,696
Net profit after related income tax expense		102,202	142,925	23,360	9,382
Dividends paid	7	(33,460)	(23,367)	(42,461)	(32,931)
Aggregate of amounts transferred to reserves		815	(3,831)	-	-
Retained profits at the end of the year		501,067	431,510	129,046	148,147

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000

NOTE 28: CASH FLOW INFORMATION

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

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Net profit after tax		102,202	142,925	23,360	9,382
Non-cash flows in net profit					
Amortisation of intangible assets		-	2,754	-	-
Amortisation of borrowing costs		640	694	640	694
Depreciation of non-current assets		26,456	28,976	-	-
Impairment of property, plant and equipment		-	39,029	-	-
(Profits) / losses on disposal of property, plant and equipment		(17,707)	5,991	-	-
(Profits) / losses on sale of investments		(396)	(71)	(328)	-
Share of profits of associates not received as dividends		16,611	(144,508)	-	-
Changes in assets and liabilities net of the effects of purchase of subsidiaries					
(Increase) / decrease in trade and sundry debtors		(23,013)	7,877	-	-
(Increase) / decrease in inventories		(10,243)	7,664	-	-
(Increase) / decrease in other financial assets		-	-	-	-
(Increase) / decrease in prepayments		(936)	(1,556)	5	13
(Increase) / decrease in future income tax benefit		4,835	(12,112)	159	303
(Increase) / decrease in share trading portfolio		21	142	-	-
(Increase) / decrease in treasury stock		(1,113)	(628)	-	-
Increase / (decrease) in creditors and accruals		2,893	7,470	(527)	1,894
Increase / (decrease) in taxes payable		(1,917)	7,996	(2,027)	(10,313)
Increase / (decrease) in other current provisions		848	2,742	-	-
Increase / (decrease) in other non-current provisions		2,268	5,241	-	-
Increase / (decrease) in deferred taxes payable		(8,920)	35,791	-	193
Net cash flows from operations		92,529	136,417	21,282	2,166

(b) Reconciliation of cash

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

	NOTE	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000	PARENT ENTITY 12 MTHS 31 JULY 06 $000	PARENT ENTITY 13 MTHS 31 JULY 05 $000
Cash	9	15,542	15,042	625	1,438
Bank overdraft		-	-	-	-
		15,542	15,042	625	1,438

NOTE 29: CONTROLLED ENTITIES

(a) List of significant controlled entities

Details of the significant wholly owned entities within the Brickworks Group of companies is as follows. There are other wholly owned subsidiaries not included in this list as they are individually insignificant to the Group. All wholly owned entities within the Group have been consolidated into these financial statements.

	Country of Incorporation	Parent Entity's Interest		Party to Deed of Cross Guarantee
		2006	2005	
		%	%	(Yes / No)
Austral Bricks (Tasmania) Pty Ltd	Australia	100.0	100.0	Yes
Auswest Timbers Pty Ltd	Australia	100.0	100.0	Yes
Bristile Guardians Pty Ltd	Australia	100.0	100.0	Yes
Bristile Holdings Pty Ltd	Australia	100.0	100.0	Yes
Bristile Operations Pty Ltd	Australia	100.0	100.0	Yes
Bristile Pty Ltd	Australia	100.0	100.0	Yes
Bristile Roofing (East Coast) Pty Ltd	Australia	100.0	100.0	Yes
Christies Sands Pty Ltd	Australia	100.0	100.0	Yes
Clifton Brick Holdings Pty Ltd	Australia	100.0	100.0	Yes
Clifton Brick Manufacturers Pty Ltd	Australia	100.0	100.0	Yes
Eureka Tiles (NZ) Pty Ltd	Australia	100.0	100.0	Yes
Eureka Tiles Australia Pty Ltd	Australia	100.0	100.0	Yes
Eureka Tiles Pty Ltd	Australia	100.0	100.0	Yes
Evans Brothers (Bricks) Pty Ltd	Australia	100.0	100.0	Yes
Evans Brothers Pty Ltd	Australia	100.0	100.0	Yes
Hallet Brick Pty Ltd	Australia	100.0	100.0	Yes
Hallet Roofing Services Pty Ltd	Australia	100.0	100.0	Yes
International Brick & Tile Pty Ltd	Australia	100.0	100.0	Yes
J. Hallet & Son Pty Ltd	Australia	100.0	100.0	Yes
Metropolitan Brick Company Pty Ltd	Australia	100.0	100.0	Yes
N.R.T. Pty Ltd	Australia	100.0	100.0	Yes
Nubrik (NRT) Pty Ltd	Australia	100.0	100.0	Yes
Nubrik Concrete Masonry Pty Ltd	Australia	100.0	100.0	Yes
Nubrik Pty Ltd	Australia	100.0	100.0	Yes
Pilsley Investments Pty Ltd	Australia	100.0	100.0	Yes
Prestige Brick Pty Ltd	Australia	100.0	100.0	Yes
Prestige Equipment Pty Ltd	Australia	100.0	100.0	Yes
Team Securities Pty Ltd	Australia	100.0	100.0	Yes
The Austral Brick Company Pty Ltd	Australia	100.0	100.0	Yes
The Warren Brick Company Pty Ltd	Australia	100.0	100.0	Yes
Triffid Investments Pty Ltd	Australia	100.0	100.0	Yes
Visigoth Pty Ltd	Australia	100.0	100.0	Yes

(b) Controlled entities acquired

On 29 November 2005 the Group acquired the remaining issued capital of Terra Timbers Pty Limited (Terra) that it did not already hold, for cash consideration of $550,000.

	$000
(i) Goodwill acquired	
Cash paid	550
Direct costs relating to the acquisition	26
Total purchase consideration	576
Fair value of net identifiable assets acquired	1,179
Less ownership interest already held	(603)
	576
Goodwill on acquisition	-

NOTE 29: CONTROLLED ENTITIES (cont.)

(b) Controlled entities acquired (cont.)

(ii) Purchase consideration

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	550
Less: Cash balances acquired	153
Outflow of cash	397

(iii) Assets and liabilities acquired

Details of the fair value of the assets and liabilities acquired and discount on acquisition are as follows:

	Acquiree's carrying amount $000	Fair Value $000
Cash	153	153
Current receivables	463	463
Inventories	837	654
Other current assets	38	38
Property, plant and equipment	2,289	2,432
Deferred tax assets	-	16
Payables	(653)	(653)
Current provisions	(34)	(84)
Non-current non interest bearing liabilities	(1,786)	(1,786)
Deferred tax liabilities	-	(54)
Fair value of net assets acquired	1,307	1,179

(iv) Contribution to Group results

Terra contributed revenues of $1,550,000 and net loss of $72,000 for the period from acquisition to balance date. If the acquisition had occurred on 1 August 2005, consolidated revenue and consolidated profit for the year ended 31 July 2006 would have been $532,738,000 and $101,931,000 respectively. These amounts have been calculated assuming the Group's accounting policies had been applied consistently during the year.

(c) Controlled entities disposed of

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

(d) Closed group

A deed of cross-guarantee between Brickworks Ltd and a number of its subsidiaries (the "closed group") was enacted during the 2004 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 29(a). The members of the closed group and the parties to the deed of cross guarantee are identical.

The following are the aggregate totals, for each category, relieved under the deed.

	CLOSED GROUP	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000
CONSOLIDATED INCOME STATEMENT		
Profit before income tax expense	112,159	201,400
Income tax expense	(12,662)	(60,119)
Profit after income tax expense	99,497	141,281

NOTE 29: CONTROLLED ENTITIES (cont.)	CLOSED GROUP 12 MTHS 31 JULY 06	CLOSED GROUP 13 MTHS 31 JULY 05
(d) Closed group (cont.)	$000	$000
RETAINED PROFITS		
Retained profits at the beginning of the year	426,268	313,802
Profit after income tax expense	99,497	141,281
Dividends paid	(33,460)	(23,367)
Share of associated companies adjustment to opening retained earnings	-	(1,617)
Aggregate of amounts transferred to reserves	829	(3,831)
Retained profits at the end of the year	493,134	426,268
CONSOLIDATED BALANCE SHEET		
CURRENT ASSETS		
Cash assets	15,535	14,403
Receivables	86,651	70,139
Held for trading financial assets	91	223
Inventories	111,582	98,182
Prepayments	4,590	3,636
TOTAL CURRENT ASSETS	218,449	186,583
NON-CURRENT ASSETS		
Receivables	(23,284)	1,018
Other financial assets	39,528	19,097
Inventories	26,801	34,554
Investments accounted for using the equity method	584,213	549,690
Property, plant and equipment	499,020	481,821
Deferred tax assets	38,105	42,940
Intangibles	247,403	246,202
TOTAL NON-CURRENT ASSETS	1,411,786	1,375,322
TOTAL ASSETS	1,630,235	1,561,905
CURRENT LIABILITIES		
Payables	63,259	58,780
Interest-bearing liabilities	52,000	4,150
Current tax liabilities	13,165	16,227
Provisions	31,361	30,299
TOTAL CURRENT LIABILITIES	159,785	109,456
NON-CURRENT LIABILITIES		
Payables	24,129	43,117
Interest-bearing liabilities	323,269	364,619
Provisions	19,252	17,067
Deferred tax liabilities	135,290	138,156
Other non-current liabilities	1,320	1,320
TOTAL NON-CURRENT LIABILITIES	503,260	564,279
TOTAL LIABILITIES	663,045	673,735
NET ASSETS	967,190	888,170
EQUITY		
Contributed equity	146,387	147,500
Reserves	327,669	314,402
Retained profits	493,134	426,268
TOTAL EQUITY	967,190	888,170

NOTE 30: ASSOCIATED COMPANIES

(a) Carrying amounts
Information relating to significant associates is set out below:

Name	Principal Activities	Ownership interest 2006 %	Ownership interest 2005 %	Consolidated 2006 $000	Consolidated 2005 $000
Listed					
Washington H Soul Pattinson & Co Ltd	Pharmaceutical, coal, food television, investment	42.85	42.85	503,472	497,671
Brickworks Investment Company Ltd	Listed investment company	20.69	22.17	56,214	51,306
Unlisted					
Terra Timbers Pty Ltd	Timber building products	100.00	41.27	n/a	714

Each of the above entities are incorporated in Australia.

The reporting date of Washington H. Soul Pattinson & Co Ltd (WHSP) is 31 July annually. All other equity accounted associates have reporting dates of 30 June each year, and information included above in relation to each significant associate is based on financial information reported for the financial year ended 30 June 2006 by that entity.

Washington H Soul Pattinson & Co. Ltd owns 49.47% (2005 49.47%) of issued ordinary shares of Brickworks Limited.

On 29 November 2005, Brickworks purchased the remaining shares of Terra Timbers to take its ownership to 100%. As a result Terra has been consolidated from this date.

	CONSOLIDATED 12 MTHS 31 JULY 06 $000	CONSOLIDATED 13 MTHS 31 JULY 05 $000
(b) Significant contributors to profit		
The following entities have made significant contributions to the Brickworks Group profit:		
Washington H Soul Pattinson & Co Ltd	24,711	176,089
Brickworks Investment Co Ltd	2,792	2,739
(c) Summarised share of associates financial information		
Current assets	232,702	326,231
Non-current assets	449,247	348,613
	681,949	674,844
Current liabilities	67,980	84,404
Non-current liabilities	53,531	40,269
	121,511	124,673
Net assets	560,438	550,171
Revenue	392,947	298,225
Profit before income tax	50,260	295,294
Income tax expense	(14,956)	(41,554)
Outside equity interest	(7,955)	(74,552)
Profit after income tax	27,349	179,189
(d) Share of associates' expenditure commitments		
Capital commitments	13,780	938
Lease commitments	18,904	12,244
	32,684	13,182

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

	CONSOLIDATED	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000
NOTE 30: ASSOCIATED COMPANIES (cont.)		
(e) Contingent liabilities of associates		
Share of incurred jointly with other investors	14,998	6,686
The entity has no legal liability for any contingent liabilities incurred by associates.		

NOTE 31: JOINTLY CONTROLLED ENTITIES

(a) Carrying values

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

Name	Principal Activities	Ownership interest 2006 %	Ownership interest 2005 %	Consolidated 2006 $000	Consolidated 2005 $000
Unlisted					
Newthorpe Pty Ltd	Property Development	50.00	50.00	(76)	-
BMGW Erskine Trust	Property development & leasing	50.00	n/a	24,318	-

These entities have balance dates of 30 June, as the other partner in the JV has this balance date.

Each of the above entities are incorporated in Australia.

	CONSOLIDATED	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000
(b) Summarised share of JV's financial information		
Current assets	1,563	-
Non-current assets	47,214	-
	48,777	-
Current liabilities	22,589	-
Non-current liabilities	26,196	-
	48,785	-
Net assets	(8)	-
Revenues	1,940	-
Profit before income tax	23	-
Income tax expense	(31)	-
Outside equity interest	-	-
Profit after income tax	(8)	-
(c) Share of JV's expenditure commitments		
Capital commitments	-	-
Lease commitments	241	-
	241	-

The entity has no legal liability for any expenditure commitments incurred by JV's.

(d) Contingent liabilities of JV's		
Share of incurred jointly with other investors	-	-
For which the company is severally liable	-	-
	-	-

The entity has no legal liability for any expenditure commitments incurred by JV's.

NOTE 32: SEGMENT INFORMATION

(a) Business segments
The business segments are the primary reporting segments.

	Building Products		Property		Investments		Consolidated	
	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000	12 MTHS 31 JULY 06 $000	13 MTHS 31 JULY 05 $000
REVENUE								
Segment revenue from sales to external customers	483,083	519,122	48,172	45,259	813	915	532,068	565,296
RESULT								
Segment EBITDA	91,985	116,109	55,205	26,584	33,316	48,398	180,506	191,091
Less depreciation	(26,456)	(28,976)	-	-	-	-	(26,456)	(28,976)
Segment EBITA	65,529	87,133	55,205	26,584	33,316	48,398	154,050	162,115
(Less) / add non-regular items	-	(52,199)	(3,050)	-	(4,761)	131,585	(7,811)	79,386
Less amortisation of intangibles	-	(2,754)	-	-	-	-	-	(2,754)
Segment result	65,529	32,180	52,155	26,584	28,555	179,983	146,239	238,747
Unallocated expenses								
Finance costs							(25,398)	(31,426)
Other unallocated expenses							(4,817)	(4,277)
Profit before income tax							116,024	203,044
Income tax expense							(13,822)	(60,119)
Profit after income tax							102,202	142,925
ASSETS								
Segment assets	1,005,599	937,607	80,968	79,667	560,403	550,643	1,646,970	1,567,917
Unallocated assets							1,254	1,386
Total assets							1,648,224	1,569,303
LIABILITIES								
Segment liabilities	134,227	128,663	39,554	52,371	104,049	106,624	277,830	287,658
Unallocated liabilities							395,258	388,234
Total liabilities							673,088	675,892
OTHER								
Aggregate share of the profit of investments accounted for using the equity method	(8)	-	-	-	27,349	179,188	27,341	179,188
Aggregate carrying amount of investments accounted for using the equity method	268	-	3,287	-	580,658	549,691	584,213	549,691
Acquisition of non-current segment assets	53,756	51,841	1,560	3,340	1,477	1,110	56,793	56,291
Impairment losses included in segment result	-	39,029	-	-	-	-	-	39,029
Depreciation & amortisation	26,456	31,730	-	-	-	-	26,456	31,730
Non-cash expenses other than depreciation & amortisation	22,901	73,509	-	-	-	-	22,901	73,509

NOTE 32: STATEMENT OF OPERATIONS BY SEGMENTS (cont.)

(a) Business Segments (cont.)

The economic entity has the following three business segments:

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

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

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

(b) Geographical Segments

The Group's business segments are located in Australia, with some product manufactured by the clay products division exported to countries within South-East Asia. Total revenue from sales outside of Australia in the 12 months ended 31 July 2006 was $14.1 million (31 July 2005 $12.0 million).

NOTE 33: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Group's activities expose it to a variety of financial risks, primarily to the risk of changes in interest rates, but also, to a lesser extent, credit risk of third parties with which the group trades and fluctuations in foreign currency exchange rates. The Group's overall risk management program seeks to minimise any significant potential adverse effects on the financial performance of the Group. Where approved by the Board, certain derivative financial instruments such as interest rate swaps or foreign exchange contracts may be used to hedge certain risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(b) Terms, conditions and accounting policies

Details of the accounting policies adopted in relation to financial instruments are included in note 1 to the accounts. Information regarding the significant terms and conditions of each significant category of financial instruments are included within the relevant note for that category.

(c) 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 rates on these financial assets was 5.60% (2005 5.35%).

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

The Brickworks Group variable interest rate facility currently drawn to $212.0 million (2005 $200.0 million) 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 5.99% (2005 5.72%).

(i) Cash flow hedge

The Brickworks Group has entered into an interest rate swap contract that allows the 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 long term debt and are brought to account as an adjustment to borrowing costs.

The notional principal amounts reduce from $110.0 million over the next three years (2005 $140.0 million over four years) as detailed below:

Settlement	**2006** %	**2005** %	**2006** $000	**2005** $000
Less than 1 year	6.16	6.16	30,000	30,000
1 to 2 years	6.16	6.16	20,000	30,000
2 to 3 years	6.16	6.16	60,000	20,000
3 to 4 years	-	6.16	-	60,000
Total notional principal at balance date			110,000	140,000

The hedge is designated as an effective cash flow hedge, and as a result the fair value of the hedge is recognised directly in equity through the asset revaluation reserve.

NOTE 33: FINANCIAL INSTRUMENTS (cont.)

(c) Interest rate risk (cont.)

(ii) Redeemable Preference Shares

The PAVERS are a fixed interest rate security listed on the ASX (code BKWPA) that have a first rollover date on 1 December 2008. Interest is calculated at 6.565%p.a., and is payable on 1 June and 1 December each year.

(d) Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount net of provision 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.

(e) 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. The trading of the Group's foreign subsidiary is not material to the Group as a whole.

(f) Credit standby arrangements with banks

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

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 06	**31 JULY 05**	**31 JULY 06**	**31 JULY 05**
	$000	$000	$000	$000
Credit facilities	285,000	332,800	285,000	325,000
Amount utilised	212,000	204,700	212,000	200,000
Unused credit facility	73,000	128,100	73,000	125,000

A $285.0 million variable interest rate facility, currently drawn to $212.0 million (2005 $200.0 million) 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 is in two tranches, which expire during the 2007 financial year ($125.0 million) and 2009 financial year ($160.0 million). Brickworks expects that the facility expiring during the 2007 financial year will be re-negotiated prior to expiry.

The carrying amount of non-current assets pledged as security for this facility at 31 July 2006 was $1,171.6 million (2005 $1,132.1 million).

NOTE 34: CONTINGENT LIABILITIES

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

Bank guarantees issued in the ordinary course of business	14,760	11,184	9,348	11,184

The Directors do not anticipate that any of the bank guarantees issued on behalf of the Group will be called upon.

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

NOTE 35: CAPITAL AND LEASING EXPENDITURE COMMITMENTS

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

Payable not later than one year	40,680	53,823	-	-

The capital commitments relate to contracts to supply or construct buildings or various items plant and equipment for use in the building products segment of the business.

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 06	31 JULY 05	31 JULY 06	31 JULY 05
	$000	$000	$000	$000

NOTE 35: CAPITAL AND LEASING EXPENDITURE COMMITMENTS (cont.)

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements	8,964	9,833	-	-
Payable				
- not later than one year	2,184	2,847	-	-
- later than one year but not later than five years	6,317	6,063	-	-
- later than five years	463	923	-	-
	8,964	9,833	-	-

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 36: EMPLOYEE SHARE SCHEME

(a) Salary sacrifice arrangements

Brickworks Ltd has an employee share ownership plan, which allows all employees who have achieved 3 months service with the Group to purchase Brickworks Ltd shares, using their own funds plus a contribution of up to $500 from the company. All shares are fully paid ordinary shares, purchased on-market under an independent trust deed, thereby not causing any dilution to existing shareholders.

At 31 July 2006, the employee share schemes had 662 members taking part who owned a combined 662,452 shares or 0.50% of issued ordinary capital (2005 560 members, 448,065 shares, 0.34%). This represented shares purchased under the salary sacrifice arrangements described above, as well as shares held as part of the Brickworks equity based compensation plans shown below.

(b) Equity-based compensation plans

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

	Opening balance	Granted	Vested	Forfeited / Withdrawn	Closing Balance
Unvested					
Granted Aug 02	34,160	-	(16,563)	(997)	16,600
Granted Aug 03	49,618	-	(15,941)	(1,734)	31,943
Granted Sept 04	79,062	-	(19,125)	(2,476)	57,461
Granted Sept 05	-	175,825	(35,118)	-	140,707
Total unvested	162,840	175,825	(86,747)	(5,207)	246,711
Vested	90,151	-	86,747	(6,529)	170,369
Total	252,991	175,825	-	(11,736)	417,080

The amount recognised in the Income Statement in relation to equity based compensation arrangements for the year ended 31 July 2006 was $917,687 (2005 $474,418).

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

The fair value of vested shares held by the share plan at 31 July 2006 was $2,042,724 (2005 $947,487), based on the closing share price at 31 July 2006 ($11.99 per share) (2005 $10.51 per share).

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

More information regarding the employee share plan is outlined in the Remuneration Report.

NOTE 37: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Mr R. Millner	Non-executive Chairman
Mr M. Millner	Non-executive Deputy Chairman
Mr L. Partridge	Executive director (Managing Director)
Mr A. Bentley	Non-executive director
Mr T. Fairfax	Non-executive director
Mr D. Gilham	Non-executive director
The Hon. R. Webster	Non-executive director

(b) Key Management Personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Mr A. Payne	Chief Financial Officer
Mr D. Fitzharris	Group General Manager – Sales & Marketing, Austral Bricks East Coast & NZ
Mr D. Willmot	Group General Manager – Austral Bricks East Coast Manufacturing & Group Project Manager
Mr P. Scott	Group General Manager – Western Australia
Ms M. Tamsett	General Manager – Property & Development
Mr D. Millington	General Manager – Bristile Roofing East Coast
Mr I. Thompson	Group Company Secretary

(c) Key management personnel remuneration

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 06	31 JULY 05	31 JULY 06	31 JULY 05
	$000	$000	$000	$000
Short term employee benefits	4,305	3,973	2,385	2,306
Post-employment benefits	242	233	143	128
Other long-term employee benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payment benefits	523	296	320	205
	5,070	4,502	2,848	2,639

The Group has applied the exemption under Corporations Amendment Regulations 2006 (No. 4) which allows listed companies to transfer certain key management personnel remuneration disclosures required by Accounting Standard AASB 124 "Related Parties" from their annual financial reports, into the Remuneration Report. These disclosures are provided in the Remuneration Report section of the Directors' Report designated as audited.

(d) Key management personnel shareholdings

DIRECTORS

ORDINARY SHARES	Held 31 July 2005	Granted as Remuneration	Net change Other	Shares Disposed of	Held 31 July 2006
Mr R. Millner	3,370,088	-	190,100	-	3,560,188
Mr M. Millner	3,356,588	-	190,100	-	3,546,688
Mr L. Partridge	63,483	28,827	-	-	92,310
Mr A. Bentley	18,440	-	4,400	-	22,840
Mr T. Fairfax	25,000	-	-	-	25,000
Mr D. Gilham	55,500	-	-	-	55,500
The Hon. R. Webster	4,000	-	10,213	-	14,213
PREFERENCE SHARES					
Mr M. Millner	300	-	-	-	300
Mr L. Partridge	250	-	-	250	-
Mr A. Bentley	500	-	-	500	-
Mr T. Fairfax	550	-	-	-	550
Mr D. Gilham	40,000	-	-	-	40,000

NOTE 37: KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)

(d) Key management personnel shareholdings (cont.)

OTHER KEY MANAGEMENT PERSONNEL

ORDINARY SHARES	Held 31 July 2005	Granted as Remuneration	Net change Other	Shares Disposed of	Held 31 July 2006
Mr A. Payne	59,529	19,059	-	-	78,588
Mr D. Fitzharris	25,957	19,137	-	-	45,094
Mr D. Willmot	-	6,529	-	-	6,529
Mr P. Scott	1,792	21,648	-	-	23,440
Ms M. Tamsett	17,997	8,020	-	-	26,017
Mr D. Millington	150	627	-	-	777
Mr I. Thompson	5,825	2,779	-	-	8,604
PREFERENCE SHARES					
Mr A. Payne	100	-	-	100	-

Shareholdings shown above reflect all direct, indirect and beneficial holdings by key management personnel.

All share transactions by key management personnel were on normal terms and conditions on the Australian Stock Exchange.

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

NOTE 38: RELATED PARTIES

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

Various intercompany loans are in existence between the Parent entity and some of its wholly owned subsidiaries. The carrying value of these loans in the Parent is identified in note 10 (Receivables) and note 20 (Payables). The loans are unsecured, interest free and have no fixed terms for repayment.

Repayment of $3.6 million of the loan owed to Newthorpe Pty Ltd, an entity which is jointly owned by the Brickworks Group and Investa Residential Developments Pty Ltd. At balance date the Group owed Newthorpe $27.2 million, which is repayable on receipt of sale proceeds of the Eastwood, NSW property that Newthorpe is developing and marketing for the Brickworks Group.

Property sale transaction with BMGW Erskine Trust, an entity which is jointly owned by the Brickworks Group and Macquarie Goodman Wholesale Ltd. The sale of land at Erskine Park, NSW by a wholly owned subsidiary of Brickworks to the Trust has resulted in the consolidated group recognising revenues of $21.0 million and profit on sale of $17.6 million. At balance date the carrying value of the investment by the Group is $24.3 million. The initial sale was based on a developable area of the land being 33 hectares, with an additional amount payable to the Brickworks group if the approved Development Application on the site resulted in a developable area in excess of 33 hectares. The maximum additional revenue that may be recognised by the Group is $4.1 million, depending on the final approved developable area.

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 $0.7 million (2005 $1.1 million). Mr R.D. Millner and Mr M.J. Millner are directors of SOT.

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 39: EVENTS OCCURING AFTER BALANCE DATE

On 18 July 2006 Brickworks announced that it was to acquire the assets of GB Masonry Pty Ltd for $17.4 million. The transaction was settled on 1 August 2006, and therefore no impact of this acquisition has been reflected in the financial statements for the year ended 31 July 2006.

Details of the assets acquired under this transaction are as follows:

	$000
Inventory	1,129
Receivables	150
Land	1,800
Plant & Equipment	2,313
Investments in unlisted entities	214
Goodwill	11,873
Employee entitlements assumed	(85)
Cash paid to Vendor	17,394

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

DIRECTOR'S DECLARATION

In the opinion of the Directors:

1. the financial statements and notes of the Company and the consolidated entity, as set out on pages 20 to 60 , and the additional disclosures included in the Director's Report designated as audited, 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 31 July 2006 and of the performance for the year ended on that date of the Company and the Brickworks Group;
2. 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. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 29 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

This declaration is made after receiving the declaration required to be made to the Directors in accordance with s295A of the Corporations Act 2001 for the financial year ended 31 July 2006.

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

Dated 27 October 2006

R.D. MILLNER	R.J. WEBSTER
Director	Director

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Independent audit report to members of Brickworks Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Brickworks Limited (the company) and the consolidated entity, for the year ended 31 July 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 11 to 15 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach
We conducted an independent audit of the financial report in order to express an opinion 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 and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. 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 and whether the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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 the remuneration disclosures; 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 extent 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 and the remuneration disclosures. 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 the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is referred to in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, 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:

1. 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 31 July 2006 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.

2. the remuneration disclosures that are contained on pages 11 to 15 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst + Young

Ernst & Young

Graham Ezzy

Graham Ezzy
Partner
Sydney
27 October 2006

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

STATEMENT OF SHAREHOLDERS

ORDINARY SHARES AT 2ND OCTOBER 2006

Number of holders	2,736
Voting entitlement is one vote per fully paid ordinary share	
% of total holdings by or on behalf of twenty largest shareholders	83.98%

Distribution of Shareholdings

1 -	1,000	859
1,001 -	5,000	1,174
5,001 -	10,000	323
10,001 -	100,000	334
100,001	and over	46
		2,736

Holdings of less than marketable parcel of 43 shares	12
Number of shares held in voluntary escrow	108,696

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

Shareholder	**Number of Shares**
Washington H Soul Pattinson & Co. Ltd	65,645,140
Perpetual Trustees Australia Ltd	17,538,702
Perennial Value Management Ltd	12,338,582
Permanent Trustee Company Ltd	7,111,550

	20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 2ND OCTOBER 2006	**Number of Shares**	**%**
1.	Washington H. Soul Pattinson & Co. Ltd	65,645,140	49.47
2.	RBC Dexia Investor Services Australia Nominees Pty Ltd <PIPOOLED A/C>	12,806,340	9.65
3.	National Nominees Ltd	5,405,234	4.07
4.	J P Morgan Nominees Australia Ltd	3,820,183	2.88
5.	Cogent Nominees Pty Ltd	2,771,344	2.09
6.	Westpac Custodian Nominees Ltd	2,567,216	1.93
7.	RBC Dexia Investor Services Australia Nominees Pty Ltd <PIIC A/C>	2,506,918	1.89
8.	J S Millner Holdings Pty Ltd	2,390,928	1.80
9.	Mr K. S. Baker & Mrs M. I. Baker	1,840,307	1.39
10.	Citicorp Nominees Pty Ltd <CFSIL CWLTH AUST SHS 4 A/C>	1,503,627	1.13
11.	Milton Corporation Ltd	1,483,580	1.12
12.	Australian Foundation Investment Co. Ltd	1,477,970	1.11
13.	Queensland Investment Corporation	1,394,309	1.05
14.	Mr J. S. Millner	1,350,083	1.02
15.	Choiseul Investments Ltd	1,014,360	0.77
16.	Citicorp Nominees Pty Ltd <CFSIL CWLTH AUST SHS 18 A/C>	924,077	0.70
17.	AMP Life Limited	823,880	0.62
18.	T G Millner Holdings Pty Ltd	582,300	0.44
19.	RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C>	572,440	0.43
20.	Argo Investments Ltd	554,960	0.42
		111,435,196	83.98

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

STATEMENT OF SHAREHOLDERS

REDEEMABLE PREFERENCE SHARES (PAVERS) AT 2ND OCTOBER 2006

Number of holders	2,665
There are no voting rights attached to the redeemable preference shares	
% of total holdings by or on behalf of twenty largest shareholders	51.70%

Distribution of Shareholdings

1 -	1,000	2,553
1,001 -	5,000	92
5,001 -	10,000	10
10,001 -	100,000	9
100,001	and over	1
		2,665

Holdings of less than marketable parcel of 5 shares — Nil

	20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 2ND OCTOBER 2006	Number of Shares	%
1.	J P Morgan Nominees Australia Ltd	413,803	25.08
2.	RBC Dexia Investor Services Australia Nominees Pty Ltd <JBENIP A/C>	70,350	4.26
3.	Australian Foundation Investment Co. Ltd	70,000	4.24
4.	Cogent Nominees Pty Ltd <SMP Accounts>	64,485	3.91
5.	Citicorp Nominees Pty Ltd <CFSIL CWLTH SPEC 5 A/C>	46,227	2.80
6.	Camelia Pty Ltd <The Gilham Family Trust>	40,000	2.42
7.	ANZ Nominees Ltd <Cash Income A/C>	29,511	1.79
8.	M F Custodians Ltd	20,227	1.23
9.	Australian Executor Trustees Ltd <No. 1 Account>	13,938	0.84
10.	Brencorp No 11 Pty Ltd	12,500	0.76
11.	Milton Corporation Ltd	10,000	0.61
12.	Invia Custodian Pty Ltd <Wilson Invmt Fund Ltd A/C>	8,000	0.48
13.	Baker Custodian Corporation	7,727	0.47
14.	Share Direct Nominees Pty Ltd <National Nominees A/C>	7,500	0.45
15.	Perpetual Trustee Company Ltd	7,438	0.45
16.	RBC Dexia Investor Services Australia Nominees Pty Ltd <MLCI A/C>	7,102	0.43
17.	ANZ Executors & Trustee Company Ltd <Queensland Common Fund A/C>	6,768	0.41
18.	ARGO Investments Ltd	6,000	0.36
19.	Citicorp Nominees Pty Ltd	5,747	0.35
20.	ANZ Executors & Trustee Company Ltd <Franked Income CF1 A/C>	5,681	0.34
		853,004	51.70

TABLE OF IMPORTANT DATES

2006 Annual result released	5 October 2006
Record date for final ordinary dividend	17 November 2006
Record date for PAVERS dividend	17 November 2006
Annual General Meeting	28 November 2006
Payment date for final ordinary dividend	1 December 2006
Payment date for PAVERS dividend	1 December 2006
2007 half-year end	31 January 2007
2007 half-year result announced	29 March 2007
Record date for interim ordinary dividend	27 April 2007
Payment date for interim ordinary dividend	11 May 2007
Record date for PAVERS dividend	18 May 2007
Payment date for PAVERS dividend	1 June 2007
2007 financial year end	31 July 2007

The above dates are indicative only and are subject to change