

BRICKWORKS

LIMITED

31 October 2007

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

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached Brickworks Ltd 2007 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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BRICKWORKS

LIMITED

ABN 17 000 028 526

ANNUAL REPORT 2007



BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

FIVE YEAR SUMMARY

	2003	2004	2005	2006	2007	%
	\$000	\$000	\$000	\$000	\$000	Growth
	AGAAP	AGAAP	AIFRS	AIFRS	AIFRS	
Total revenue	246,961	703,559	565,296	532,068	558,936	5%
Building Products revenue	180,793	487,691	519,122	483,083	516,851	7%
Earnings before interest, tax and amortisation						
Building products	31,560	94,667	87,133	65,529	65,919	1%
Property	5,485	9,601	25,156	53,269	58,168	9%
Waste management	1,226	1,639	1,428	1,936	2,115	9%
Investments	9,823	5,056	795	1,206	655	(46%)
Associates	32,348	24,876	47,603	32,110	31,837	(1%)
Head office and other expenses	(3,102)	(4,545)	(4,277)	(4,817)	(5,807)	21%
Total EBITA	77,340	131,294	157,838	149,233	152,887	2%
Amortisation	-	(14,566)	(2,754)	-	-	
Borrowing costs	(5,009)	(22,862)	(31,426)	(25,398)	(27,305)	8%
Income tax	(8,508)	(19,626)	(36,304)	(21,914)	(23,385)	7%
Net profit after income tax - normal	63,823	74,240	87,354	101,921	102,197	0%
Non-regular items (after tax)						
Washington H Soul Pattinson & Co.	2,916	11,788	92,110	(3,333)	9,724	
Write down of property, plant & equipment to recoverable value	-	-	(36,539)	(2,135)	-	
Costs associated with decommissioning of fast fire production line	-	-	-	-	(2,449)	
One off tax items	-	-	-	5,749	(1,939)	
Portfolio sale	-	74,161	-	-	-	
Tax consolidation	5,950	(1,003)	-	-	-	
Funding	-	(1,812)	-	-	-	
Net profit after income tax (incl non-regular items)	72,689	157,374	142,925	102,202	107,533	5%
Basic earnings per share (cents)	55.2	114.3	108.5	77.0	81.0	5%
Dividends						
Ordinary dividends per share (cents)	20.0	24.0	31.0	36.0	38.0	6%
Ratios						
Net tangible assets per share	\$4.61	\$4.91	\$4.91	\$5.39	\$6.06	13%
Return on shareholders equity	12.0%	17.6%	16.0%	10.6%	10.0%	(5%)
Interest cover ratio	22.0	5.0	5.0	6.3	5.2	(17%)
Net debt to capital employed	4.7%	23.2%	28.3%	27.2%	32.0	18%

Note: Figures from 2005 onwards are AIFRS. Figures for 2004 and 2003 are preceding AGAAP. Figures for 2005 represent 13 months. All other periods are 12 months.

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

ANNUAL REPORT 2007

REGISTERED OFFICE:

738 – 780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Facsimile: (02) 9620 1328

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
Joined the Company in 1985. Director since 2000

CHIEF FINANCIAL OFFICER:

ALEXANDER J. PAYNE B.Comm; Dip CM; FCPA; FCIS; JP
Joined the Company in 1985.

COMPANY SECRETARY:

IAIN H. THOMPSON B.Ec; CA; Grad Dip CSP; FCIS
Joined the Company in 1996

AUDITORS:

ERNST & YOUNG

BANKERS:

NATIONAL AUSTRALIA BANK

SHARE REGISTER:

COMPUTERSHARE INVESTOR SERVICES PTY. LIMITED
G.P.O. Box 7045
Sydney NSW 2001
Telephone: 1800 269 981
Facsimile: (02) 8234 5050

**PRINCIPAL
ADMINISTRATIVE
OFFICE:**

738 - 780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
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 2007.

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.

Result of operations

The consolidated net profit for the year ended 31 July 2007 of the Brickworks Group after income tax expense, amounted to \$107,533,000 compared with \$102,202,000 for the previous year.

Dividends – ordinary shares

The Directors recommend that the following final dividend be declared:

Ordinary shareholders – 26.0 cents per share (fully franked)

Dividends paid during the year under review were:

- (a) Final ordinary of 25.0 cents per share (fully franked) out of profits for the year ended 31 July 2006 and referred to in the previous Directors' report;
- (b) Interim ordinary of 12.0 cents per share (fully franked) paid 11 May 2007.

Dividends – Redeemable Preference Shares

A dividend on Redeemable Preference Shares (PAVERS) is scheduled to be paid on 1 December 2007 for the period 1 June 2007 to 30 November 2007, 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 2007 for the period 1 December 2006 to 31 May 2007, calculated at 6.565% p.a. per PAVERS (fully franked). This equated to \$3.27 per share.
- (b) Dividend 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). This equated to \$3.29 per share.

REVIEW OF OPERATIONS

Highlights

- NPAT up 5.2% to \$107.5 million
- Normalised NPAT up 0.3% to \$102.2 million
- Building Products EBIT up 0.6% to \$65.9 million
- Land and Development EBIT up 9.2% to \$60.3 million
- Brickworks Property Trust market value up 117.9% to \$91.3 million
- Associates and Investments EBIT up 62.8% to \$46.4 million (including non-regular items)
- Value of WHSP investment during year up by 27.2% to \$1.014 billion
- Final dividend up 4.0% to 26.0 cents fully franked

Overview

Normalised Net Profit after Tax for the year to July 2007 of \$102.2 million was up 0.3% compared to \$101.9 million in the year ending July 2006. The result was supported by a record EBIT from Land and Development of \$60.3 million and a steady Building Products EBIT of \$65.9 million.

Normalised earnings per share (EPS) increased to 77.0 cents for the year ending July 2007 (normalised EPS was 76.8 cents for the year ending July 2006).

Directors have declared a 4.0% increase in the final dividend to 26.0 cents fully franked, taking the full year dividend to 38.0 cents fully franked, up 5.6% from 36.0 cents the previous year.

The record date for both the final ordinary dividend and PAVERS dividend will be 16 November 2007 with payment being made on 3 December 2007.

Financial Analysis

The total free cash flow before capital expenditure and ordinary dividends was \$55.0 million, down from \$92.5 million on the previous year.

Cash flow was low due to the non-cash nature of the trust transactions and deferred settlements on some of the property sales to improve returns. Cash flow is expected to return to more normal levels during the coming year.

Total Interest Bearing Liabilities including PAVERS has increased by \$144.6 million from \$375.6 million in July 2006 to \$520.2 million at 31 July 2007.

During the period significant cash outlays included ordinary dividends of \$49.1 million and PAVERS dividends of \$10.8 million, along with capital expenditure of \$51.7 million, acquisitions of \$40.0 million, investment in the BKI rights issue of \$11.6 million and re-purchase of the Eastwood site in New South Wales for \$52.8 million to improve the return from this investment.

Borrowing expenses during the year, including PAVERS dividends, was \$27.3 million, up 7.5% on last year's \$25.4 million.

Net Debt (including PAVERS) to Capital Employed was 32.0% at 31 July 2007 compared to 27.2% at July 2006.

Gearing (debt to equity) increased to 48.5 % at 31 July 2007 from 39.0% at 31 July 2006 including PAVERS.

Interest Cover decreased slightly to 5.2 times at 31 July 2007 (6.3 times in July 2006) 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 2007 was \$199.7 million compared to \$115.0 million at 31 July 2006. The increase was largely the result of an increase in current inventory of \$66.9 million. Current land held for resale contributed \$42.8 million to this increase, being Eastwood, M7 Business Hub, Bolinda Road and Oxley.

Total Building Products inventory increased by \$26.4 million. Finished goods increased by \$18.8 million, of which \$2.9 million was attributed to acquisitions. Raw materials increased \$4.1 million due to accelerated mining at Horsley Park to facilitate additional revenue from Collex.

The tax expense has increased \$14.6 million to \$28.4 million for the year ended 31 July 2007 and is the result of non-regular tax adjustments in Accounting for Associates last year.

Brickworks Building Products

Market conditions*

Market conditions were steady through the period with total national dwelling commencements in the year to June 2007 at 150,993. This is still significantly down on the estimated underlying demand for housing in Australia of around 175,000 dwellings. Low affordability caused mainly by increased interest rates and government taxes and charges, continues to depress construction of new dwellings.

In **New South Wales** there were just 29,315 dwellings commenced during the year, down a further 8.5% on last years very low levels. This is the fourth year of decline in succession and is the lowest level of housing starts on record. Single dwelling commencements remained steady this year at 15,565, in line with last year's record low result. The New South Wales residential market has fallen over 40% from the peak market experienced in 2003.

In **Queensland** more prosperous conditions led to a 9.4% increase in commencements for the year to 40,908 dwellings. Interestingly, South East Queensland which is predominantly a brick market only experienced growth in approvals of 4.2% during the year. The strong growth has been in Central and Far North Queensland, where approvals increased by 24.8% on the previous year. This is a market dominated by concrete block and was one of the reasons for the company's decision to acquire the four masonry businesses throughout Queensland during the year.

Western Australian commencements were down by 4.0% to 24,560 dwellings during the year. More of a concern was that commencements during the second half of the 2006/07 year were 12.4% lower than the same period during last year, resulting in the backlog of construction being eliminated by financial year end.

Victorian commencements were down 1.6% to 38,495 dwellings, reflecting the more stable conditions prevailing in that state.

South Australian commencements were up 4.8% on the prior year to 11,119 dwellings, with good trading conditions currently prevailing.

Tasmanian commencements were up by 11.8% to 2,865 dwellings during the year.

* Commencements data sourced from ABS Cat. 8750.0 Dwelling Unit Commencements, Australia, Preliminary, June 2007

* Approvals data sourced from ABS Cat. 8731.0 Building Approvals, Australia, July 2007

Results

Sales for the year ending July 2007 were up 7.0% at \$516.8 million compared to \$483.1 million in the year ending July 2006. Sales were supported by acquisitions. On a like-for-like basis sales were up 3.2%.

EBIT for the year ending July 2007 was \$65.9 million, up 0.6% on the \$65.5 million in the year ended July 2006. On a like-for-like basis EBIT was down 5.0%.

Building products' focus is to maintain the EBIT to sales ratio and profitability despite the downturn and competitive environment. Building Products achieved an EBIT to sales ratio for the year ended July 2007 of 12.8%, down from 13.6% last year. EBITDA was \$92.3 million (17.9% to sales) for the year ended July 2007. This compared to the \$92.0 million (19.0% to sales) in the year ended July 2006. Both the EBIT and EBITDA to sales performance compare favourably to industry peers.

The company's extensive capital expenditure and maintenance program continued during the year. The program has delivered many real benefits including production cost reductions and improved product quality, along with safety and environmental performance improvements.

Productivity continued to improve with a reduction of 91 employees (6.1%). There were 1,478 employees at 31 July 2007 after allowing for acquisitions.

Capital expenditure totalled \$48.3 million in the year ended July 2007. Major projects during the year included the completed construction of the new brick plant at Wollert, Victoria and the upgrade of the existing brick plants at Golden Grove, South Australia and Bowral, New South Wales.

The business recorded a Lost Time Injury Frequency Rate¹ of 5.9. The substantial investment in safety training and equipment is showing results with this dramatically improved safety performance. While the result was satisfying, the company remains determined to continually improve workplace safety.

Exports have suffered in Asia where exchange rates, fuel driven shipping charges (bunker surcharges) and aggressive competitors have combined to make our products less attractive. Exports to New Zealand are now supported by a national distribution network. This has produced strong sales growth during the year and provides a platform for further growth in the future.

National marketing expenditure was boosted for the year as part of a long term program to increase understanding in the market of the benefits of brick and roof tiles. An extensive 'Think Brick' program was run in conjunction with the industry to promote the benefits of brick compared to alternative building products and improve the market perception of clay bricks.

The company is committed to achieving its business objectives in an environmentally sustainable and socially responsible manner. The reduction of its carbon footprint and water self-sufficiency is a primary focus for all business units. Historical data is being gathered to allow both forecasting of future emissions and to set internal emission reduction targets. Changes to internal processes are being made which will ensure that the company takes advantage of all opportunities from an increased community focus on sustainability and emissions.

Divisional Results

Austral Bricks™ overall brick sales volumes were down approximately 2% compared to the previous corresponding period, while net average selling prices increased by around 3%. Austral Bricks™ sales in New South Wales have tracked the fall off in the residential market since 2003.

Manufacturing volumes were steady as New South Wales production was shipped to Western Australia. However, even after this significant positive impact, national brick kiln capacity utilisation averaged only 75%. The resources boom has resulted in increased input costs and a national skilled labour shortage that has required significant overtime to be worked in order to keep factories running at efficient levels. Despite this, capital expenditure driven efficiency improvements have resulted in stable group brick manufacturing costs during the year.

Construction of the most efficient brick factory in Australia at Wollert, Victoria was completed during the year. This plant is in the commissioning phase and is running exceptionally smoothly at 80% of capacity. The plants' performance trials are expected to be completed during the current first half of 2007/08. All water and most clay will come from the Wollert site, further improving the new factory's environmental performance and consequently reducing the embodied energy of the bricks produced. Wollert represents the future of low environmental impact plants.

Commissioning of the upgraded Golden Grove plant in South Australia was completed on budget and on time. The introduction of robotic brick handling equipment greatly reduced the cost of manufacture and enhanced production flexibility.

A new robotic packaging plant has been installed at the Bowral plant in New South Wales. This is the final stage of the plant upgrade at Bowral.

The company is now closer to achieving its goal of eliminating manual handling of bricks during the production process at all brick plants.

Austral Masonry™ expanded with acquisitions totalling \$40.0 million in Queensland. These included GB Masonry (Gympie), Caloundra Block, Whitsunday Concrete and Block (Proserpine) and Ayr Masonry (South of Townsville). The acquisitions are performing very well, successfully leveraging off the large sales infrastructure of the existing Austral Bricks™ business. These acquisitions have increased Brickworks' exposure to the fast growing state of Queensland and provide further diversification of earnings for the company.

Bristile Roofing™ continues to improve with higher quality product being the catalyst to drive price increases across all markets and products. Margins increased sharply compared to the same period last year. The low exposure of Bristile Roofing™ to the New South Wales residential market again assisted the result. Strong performances were also recorded in Queensland and Western Australia. Substantial improvements in factory efficiency, product quality and service have had a significant positive impact on profitability.

¹ Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked

Eureka Tiles™ again significantly increased sales of imported product and achieved a solid performance from traditional lines. The Fast Fire production facility was decommissioned at the end of the year and has been written off. The increased focus on imported products will drive increased revenue and profits from this division.

Auswest Timbers™ operates mills and value adding facilities in Western Australia, ACT and Victoria. The successful commissioning of the Western Australian value adding facility and the upgrading of the Bairnsdale value adding facility during the year were highlights. This transformation of the business has resulted in higher selling prices, however it has also resulted in higher manufacturing costs and stock levels during the initial period of production. Overall, Auswest Timbers™ experienced a flat profit compared to the previous period.

Brickworks Land and Development

The year ended July 2007 produced a record EBIT of \$60.3 million, an increase of 9.2% on last year's result, along with a significant increase in the value of the company's Property Trust investment to \$91.3 million.

Land and Development (excluding Waste Management) generated a total profit of \$58.2 million for the year.

Profit of \$10.3 million was realised from the sale of land in the eastern precinct of the M7 Business Hub to third parties. Other land sales to external parties generated a profit of \$16.1 million and included Hallam and Cranbourne in Victoria and Muchea in Western Australia.

The first six residential lots were sold at Eastwood, NSW for a profit of \$828,000. Re-purchase of the Eastwood site for \$52.8 million (excluding GST) was conducted to improve returns on the investment and was completed via the acquisition of the outstanding 50% of Newthorpe² from Investa Property Group.

Following further work on the Eastwood site, it was announced to the market on 24 September 2007, the property had been sold to AV Jennings Limited for \$70 million including GST.

Sales of land to the Property Trust at the M7 Business Hub, NSW in the year totalled 31.7 developable hectares for a total profit of \$24.6 million. The Property Trust also received a development approval for the Interlink Distribution Park (Erskine Park, NSW) which realised a greater developable area than expected and a further \$3.9 million profit to Brickworks.

Property Trust activities for the year included securing pre-commitments from Kimberly Clarke, Woolworths and Ubecco for the Interlink Distribution Park site and commencement of construction of these facilities. Construction is progressing well for the Coles cold store facility in the M7 Business Hub.

Practical completion was reached in July 2007 for the Toll warehouse facilities in the M7 Business Hub providing a development profit. This has also resulted in the commencement of the first lease by the Property Trust.

The Property Trust investments are included in Equity Accounted Investments on the Balance Sheet. The carrying value of these properties is \$56.4 million. The current market value of the Brickworks' share of those properties is \$91.3 million, up 117.9% on the market value at July 2006.

During the year 468 hectares of land were acquired by the group and a total of 177 hectares were sold.

Waste Management at the Horsley Park, NSW and Bowral, NSW waste facilities contributed \$2.1 million to profit over the 2006/07 financial year.

Brickworks Investments

Through its investments, Brickworks has a substantial exposure to the Australian equity markets. The buoyancy of these markets over the past four years has proven their value. Increases in the value of investments are not booked to profit unless realised.

Washington H. Soul Pattinson Limited ("WHSP")

ASX Code: SOL

The equity contribution of WHSP, including non-regular items, to 31 July 2007 was \$42.7 million compared to \$24.7 million in the same period last year.

During the year the market value of Brickworks' 42.85% share of WHSP increased \$216.8 million (27.2%) to \$1.014 billion at 31 July 2007. Fully franked dividends of \$43.5 million (\$41.9 million last year) were received, which included a special dividend of 15 cents per share in both years.

At 31 July 2007 WHSP held significant investments in Brickworks, New Hope Coal, SP Telemedia, API, KH Foods, Clover, Pitt Capital Partners and Souls Private Equity. In addition to these cornerstone investments, WHSP maintains a substantial investment in a broad portfolio of entities listed on the Australian Stock Exchange.

During the period WHSP participated in a renounceable rights issue in order to re-capitalise KH Foods. API was the subject of further substantial review which has revealed an additional non-regular write-off of \$30.5 million.

In July 2006 New Hope Coal ("NHC") acquired a substantial shareholding in Arrow Energy NL. This investment increased in value by \$231.6 million during the year ended 31 July 2007 and continues NHC's stated strategy of diversification beyond its domestic coal energy business.

The investment in WHSP has a 15 year compound annual return of 14.8% compared to 13.6% in the ASX All Ordinary Accumulation Index. The compound annual returns for five years is 19.6% compared to 19.9% in the ASX All Ordinary Accumulation Index.

Brickworks Investment Company Limited ("BICL")

ASX Code: BKI

Brickworks' equity accounted share of the BICL profit was \$3.1 million. At 31 July 2007 Brickworks held 20.5% of BICL issued share capital.

² Newthorpe was the development vehicle formed to undertake the development of the site.

BICL has reported a Net Profit after Tax of \$14.9 million to 30 June 2007 compared to \$12.8 million in the year to 30 June 2006.

A fully franked final dividend of 2.7 cents per share was declared bringing total ordinary dividends for the year to 5.3 cents per share compared to 5.0 cents per share in the previous corresponding period. Last year also included a 1.0 cent special dividend.

During the year BICL completed a 1 for 5 rights issue at \$1.35 per share and received additional funds of \$56.7 million. Brickworks invested \$11.6 million in this rights issue. Following the rights issue the BICL MER fell a further 17.9% to 0.46%.

The value of Brickworks' investment in BICL increased 35.1% from \$57.8 million to \$78.1 million in the twelve months to 31 July 2007 (including the rights issue). BICL's total portfolio value increased by 43.5% during the period to \$423.0 million from \$294.7 million.

BICL invests in equities traded on the Australian Stock Market (ASX). As at 31 July 2007, BICL's five largest investments were National Australia Bank, Commonwealth Bank, BHP Billiton, New Hope Corporation and St George Bank. The current share market volatility should provide opportunities to invest some of the funds raised in the rights issue.

Net Asset backing per share before tax as at 31 July 2007 has also increased to \$1.65 per share from \$1.42 per share as at 31 July 2006, a 16.2% improvement.

The BICL share price has increased from \$1.34 per share at 31 July 2006 to \$1.51 per share at 31 July 2007, a 12.7% increase.

Subsequent to end of the financial year, BICL made a share placement at \$1.45 per share to raise a further \$49.3 million. Brickworks share of BICL has reduced to 18.0% as a result.

Outlook

Building Products

Housing construction affordability continues to decline with interest rates increasing and limited access to affordable land in many markets. It is expected the building industry will continue to face tough times until interest rates start trending down and affordability improves.

Brickworks estimate that residential dwelling commencements will fall from 151,000 in 2006/07 to between 148,000 and 150,000 in 2007/08.

Western Australian dwelling commencements are in decline. The remainder of Australia is expected to be relatively steady during the coming year. There is no sign of a recovery in New South Wales.

The impact from the recent interest rate rises in both Australia and New Zealand is yet to be seen.

Land and Development

The Brickworks land bank is in desirable locations and is expected to contribute strongly to future profits with a solid pipeline of developments.

Significant returns are expected during 2008 from both the M7 Business Hub and the Interlink Distribution Park as more projects are completed and further lease rentals commence. This will increase the annuity income stream coming from the Property Trust and gradually reduce the volatility of earnings.

Investments

Investments, along with Land and Development will continue to provide diversity to the fluctuating earnings from Building Products.

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 24 September 2007 Brickworks announced the sale of its Eastwood, NSW site, currently under development by the Company, to AV Jennings Ltd. Proceeds on the sale are \$70 million including GST, with settlement occurring on a deferred basis from October 2007, as remediation works are completed over the next 2 years.

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.

³ 'MER' is Management Expense Ratio, which measures the total management expense against the average total assets under management for the period.

The environment

The Brickworks Group understands and accepts its responsibility for environmental protection which is integral to the conduct of its commercial operations. Brickworks' objective is to comply with all applicable environmental laws and regulations and community standards in a commercially effective way. We are committed to encouraging concern and respect for the environment and emphasising every employee's responsibility for environmental performance. During the year, in excess of \$3.5 million was spent on capital projects aimed at improving our environmental performance.

Brickworks has made a number of commitments to sustainability as a company in 2006-2007. Registration under the Federal Government's Energy Efficiency Opportunity (EEO) program has been a visible sign of our commitment to sustainability. Brickworks will provide continuing yearly improvements in fuel usage and greenhouse gas emissions as part of its commitment. The improvements will be achieved by a broad program covering leadership and management, sustainability data recording and the implementation of projects to reduce consumption and decrease emissions.

Significant work in sustainability is also occurring in the individual divisions of Brickworks. Austral Bricks in NSW has committed to the Sustainability Advantage program run by the NSW Department of Environment and Climate Change (DECC). Sustainability initiatives are developed and supported as part of the program in order to improve business through improved environmental management. The program also involves participation in a cluster of building products manufacturers, which will help to stimulate further sustainability initiatives.

Austral Bricks has also been at the forefront of water saving developments. A significant water saving system was opened at Plant 23 in NSW this year. The system is designed to cut the current town water usage by 90% from approximately 30 million litres per year to just 3 million litres. Although this water saving project is the largest so far for NSW, it follows a smaller project at the Bowral operation last year and is the forerunner to other proposed projects at Plants 21 and 22. Plant 21 also currently recycles around 13 million litres of water each year.

Another example of Austral Bricks environmental commitment is the Company's new \$45 million Wollert plant based in Victoria. The state-of-the-art Wollert factory is designed to use one-third less electricity and one-third less natural gas than the plant it has superseded (Scoresby). The Wollert factory is also self-sufficient in water through rainwater capture and storage. The closure of Scoresby and the commissioning of Wollert will lead to a dramatic improvement in sustainability performance of Austral Bricks Victoria.

Austral Bricks is also a HIA GreenSmart Leader and is committed to protecting the environment throughout its production facilities and to reducing water and energy usage. All Brickworks divisions have the same commitment.

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.

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 where required 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.

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

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
Ruralco Holdings Ltd	Director since 2007
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.

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	Appointed 1988, Resigned 2007
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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 Bristle Ltd from 1997 until its acquisition by Brickworks in 2003, and has been involved with various timber companies. He is a member of the Remuneration Committee.

Other directorships:

Integrated Tree Cropping Ltd	Appointed 2004, Resigned 2005
Forest Enterprises Australia Ltd	Appointed 2004, Resigned 2005
Consolidated Minerals Ltd	Appointed 2004, Resigned 2005
Australian Wine Holdings Ltd	Appointed 2004, Resigned 2006

***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	Appointed 2006, Resigned 2007

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	14	13	2	2		
M.J. Millner	12	12	2	2	2	2
L.R. Partridge	14	14				
A.J. Bentley	12	12	2	2		
T.V. Fairfax	12	10	2	1	2	2
D.N. Gilham	12	12	2	2		
R.J. Webster	12	11	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 September 2007, Directors had the following relevant interests in Brickworks shares:

	ORDINARY SHARES	PAVERS
R.D. Millner	5,091,520	-
M.J. Millner	5,066,771	300
L.R. Partridge	169,491	-
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 September 2007, 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 September 2007, 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 September 2007, 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

The remuneration report has been audited.

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 2007 Annual General Meeting.

For the year ended 31 July 2007, 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.

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, at the discretion of the employee. 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 2006 and 2007 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 Brickworks Deferred 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 Brickworks 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 2007, there were 591 employees participating in the share plans, holding 730,578 shares (0.55% of issued capital).

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

All share purchases through the Brickworks 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 Deferred 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.

	2003	2004	2005 ⁽²⁾	2006	2007
Total revenue (millions) ⁽¹⁾	\$247.0	\$703.6	\$565.3	\$532.1	\$558.9
Net profit before non-regular items after tax (millions) ⁽¹⁾	\$63.8	\$74.2	\$84.5	\$101.9	\$102.2
Net profit after tax (millions) ⁽¹⁾	\$72.7	\$157.4	\$142.9	\$102.2	\$107.5
Share price at year end	\$7.88	\$9.10	\$10.51	\$11.99	\$13.50
Dividends paid – ordinary shares (cents)	20.0	24.0	31.0	36.0	38.0 ⁽³⁾

(1) Figures for 2003 and 2004 are in accordance with the preceding AGAAP. Figures from 2005 onwards are calculated under AIFRS.

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

(3) Includes proposed final dividend for 2007

Remuneration of Key Management Personnel

Directors (\$000's)	Year	Short term employee benefits			Post employment (Super-annuation)	Share based payment (Long term bonus) ⁽³⁾	Total
		Base salary / fees	Short term bonus ⁽³⁾	Non-monetary benefits			
Mr R.D. Millner Non-Exec Chairman	2007	160	-	-	14	-	174
	2006	160	-	-	14	-	174
Mr M.J. Millner Non-Exec Deputy Chairman	2007	80	-	-	7	-	87
	2006	80	-	-	7	-	87
Mr. A.J. Bentley Non-Exec Director	2007	80	-	-	7	-	87
	2006	80	-	-	7	-	87
Mr. T.V. Fairfax Non-Exec Director	2007	80	-	-	7	-	87
	2006	80	-	-	7	-	87
Mr. D.N. Gilham Non-Exec Director	2007	80	-	-	7	-	87
	2006	80	-	-	7	-	87
The Hon. R.J. Webster Non-Exec Director	2007	90	-	-	8	-	98
	2006	90	-	-	8	-	98
Mr L.R. Partridge Managing Director	2007	739	480	74	60	265	1,618
	2006	605	385	31	54	188	1,263
Total Remuneration	2007	1,309	480	74	110	265	2,238
	2006	1,175	385	31	104	188	1,883

Other Key Management Personnel (\$000's)	Year	Short term employee benefits			Post employment (Super-annuation)	Share based payment (Long term bonus) ⁽³⁾	Total
		Base salary / fees	Short term bonus ⁽³⁾	Non-monetary benefits			
Mr A. Payne ^{(1), (2)} Chief Financial Officer	2007	374	290	13	31	166	874
	2006	352	242	15	27	118	754
Mr P. Scott ⁽²⁾ Group GM - Western Australia	2007	343	150	38	13	77	621
	2006	331	125	23	12	52	543
Mr D. Fitzharris ⁽²⁾ Group GM - Sales & Marketing, Austral Bricks East Coast & NZ	2007	310	-	33	27	98	468
	2006	312	50	24	25	88	499
Mr D. Willmot ⁽²⁾ Group GM - Manufact. Austral Bricks East Coast & Group Projects	2007	347	-	13	25	20	405
	2006	323	25	10	23	15	396
Ms M. Kublins ⁽²⁾ GM - Property & Development	2007	281	165	24	22	77	569
	2006	234	150	25	18	47	474
Mr D. Millington ⁽²⁾ GM – Bristle Roofing East Coast	2007	208	84	13	23	17	345
	2006	184	80	24	21	1	310
Mr I. Thompson ⁽¹⁾ Company Secretary	2007	162	25	12	13	22	234
	2006	136	38	11	12	14	211
Total Remuneration	2007	2,025	714	146	154	477	3,516
	2006	1,872	710	132	138	335	3,187

Notes

- (1) Messrs Payne and Thompson are Company Executives as defined under s300A(1B) of the Corporations Act.
- (2) Messrs Payne, Scott, Fitzharris, Willmot and Millington, and Ms Kublins (nee Tamsett) are Group Executives as defined under s300A(1B) of the Corporations Act, and Key Management Personnel as defined in AASB124 Related Party Disclosures.
- (3) The short term bonus amounts disclosed were approved by the Remuneration Committee on 28 August 2007, in relation to performance during the 2007 financial year (2006 granted on 29 August 2006). The short term bonus payments were made during the month following approval. On the same date, the Remuneration Committee also approved long term bonus amounts for each of the employees listed above, to be granted as shares in the Deferred Employee Share Plan (as outlined 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

The Company has signed employment contracts with the Managing Director and other senior executives of the Brickworks group. 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 Deferred 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 Deferred 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 Deferred 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 15.

Provision of non-audit services by external auditor

During the year the external auditors, Ernst & Young, provided non-audit services to the Group, totalling \$51,000. The Directors are of the opinion that the provision of non-audit services has not compromised the independence of the auditors.

\$51,000 was paid for the provision of accounting advice. This advice was general in nature, relating to the interpretation and potential application of accounting standards. Brickworks management has been responsible for selecting, applying and calculating all impacts of accounting standards on the Group's financial statements.

The details of total amounts paid to the external auditors are included in note 5 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 September 2007.

R.D. MILLNER
Director

L.R. PARTRIDGE
Director

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 2007, 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 September 2007

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 Bristle respectively, and Messrs Robert Millner and Michael Millner are not independent due to their directorial relationships with Washington H. Soul Pattinson, a major shareholder in Brickworks. Whilst the majority of Directors are not strictly considered 'independent' in accordance with the ASX Best Practice Recommendations, the Brickworks Board feels that there is an appropriate blend of skills and experience covering all aspects of the Company's operations, particularly the core business of building products manufacturing.

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

Individual Directors of Brickworks are entitled to seek independent professional advice in relation to their role as 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 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
		\$000	\$000	\$000	\$000
Revenue	2	558,936	532,068	46,568	44,207
Cost of sales		<u>(345,221)</u>	<u>(323,258)</u>	-	-
Gross profit		213,715	208,810	46,568	44,207
Other income	2	22,421	18,035	-	328
Distribution expenses		(44,012)	(44,256)	-	-
Administration expenses		(18,757)	(17,311)	(2)	(7)
Selling expenses		(50,224)	(43,489)	-	-
Borrowing costs expense	3	(27,305)	(25,398)	(27,305)	(25,351)
Other expenses		(8,540)	(7,708)	-	-
Share of net profits of associates accounted for using the equity method	27,28	<u>48,676</u>	<u>27,341</u>	-	-
Profit before income tax expense		135,974	116,024	19,261	19,177
Income tax (expense) / benefit attributable to profit	4	<u>(28,441)</u>	<u>(13,822)</u>	<u>4,605</u>	<u>4,183</u>
Profit after related income tax expense		<u>107,533</u>	<u>102,202</u>	<u>23,866</u>	<u>23,360</u>
Net profit attributable to members of the parent entity		<u><u>107,533</u></u>	<u><u>102,202</u></u>	<u><u>23,866</u></u>	<u><u>23,360</u></u>
Basic earnings per share (cents per share)	7	81.0	77.0		
Diluted earnings per share (cents per share)	7	81.0	77.0		

Diluted earnings per share is equal to basic earnings per share as the effect of conversion of the redeemable preference shares (PAVERS) is antidilutive (ie EPS positive).

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 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07 \$000	31 JULY 06 \$000	31 JULY 07 \$000	31 JULY 06 \$000
CURRENT ASSETS					
Cash assets	8	14,382	15,542	168	625
Receivables	9(a)	98,969	88,552	94	-
Held for trading financial assets	10	87	91	-	-
Inventories	12(a)	185,567	118,665	-	-
Prepayments		4,675	4,655	-	-
TOTAL CURRENT ASSETS		<u>303,680</u>	<u>27,505</u>	<u>262</u>	<u>625</u>
NON-CURRENT ASSETS					
Receivables	9(b)	350	200	642,422	539,478
Other financial assets	11	-	-	248,437	236,800
Inventories	12(b)	21,755	26,801	-	-
Derivative financial instruments	13	731	316	731	316
Investments accounted for using the equity method	14	681,519	566,216	-	-
Property, plant and equipment	15	551,959	522,257	645	645
Deferred tax assets	16	39,216	38,122	253	413
Intangible assets	17	268,308	248,810	-	-
TOTAL NON-CURRENT ASSETS		<u>1,563,838</u>	<u>1,402,722</u>	<u>892,488</u>	<u>777,652</u>
TOTAL ASSETS		<u>1,867,518</u>	<u>1,630,227</u>	<u>892,750</u>	<u>778,277</u>
CURRENT LIABILITIES					
Payables	18(a)	67,750	66,360	5,491	3,998
Interest-bearing liabilities	19(a)	106,000	52,000	106,000	52,000
Current tax liabilities		8,335	14,311	8,279	14,311
Provisions	20(a)	27,897	31,793	-	-
TOTAL CURRENT LIABILITIES		<u>209,982</u>	<u>164,464</u>	<u>119,770</u>	<u>70,309</u>
NON-CURRENT LIABILITIES					
Payables	18(b)	-	29,040	483	485
Interest-bearing liabilities	19(b)	414,225	323,585	414,225	323,585
Provisions	20(b)	14,642	19,335	844	844
Deferred tax liabilities	21	155,714	128,855	12,024	11,182
Other non-current liabilities	22	240	1,320	-	-
TOTAL NON-CURRENT LIABILITIES		<u>584,821</u>	<u>502,135</u>	<u>427,576</u>	<u>336,096</u>
TOTAL LIABILITIES		<u>794,803</u>	<u>666,599</u>	<u>547,346</u>	<u>406,405</u>
NET ASSETS		<u>1,072,715</u>	<u>963,628</u>	<u>345,404</u>	<u>371,872</u>
EQUITY					
Contributed equity	23	145,426	146,387	145,426	146,387
Reserves	24	379,994	327,682	96,162	96,439
Retained profits	25	547,295	489,559	103,816	129,046
TOTAL EQUITY		<u>1,072,715</u>	<u>963,628</u>	<u>345,404</u>	<u>371,872</u>

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

BRICKWORKS LIMITED

AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07 \$000	31 JULY 06 \$000	31 JULY 07 \$000	31 JULY 06 \$000
Total equity at beginning of the year		963,628	893,411	371,872	390,094
Adjustment to Opening Retained Earnings due to associates change in accounting policy		-	(11,508)	-	-
Amended equity at beginning of the year		<u>963,628</u>	<u>881,903</u>	<u>371,872</u>	<u>390,094</u>
Cash flow hedges:					
Gain / (loss) taken to equity	24	231	1,992	231	1,992
Currency translation differences arising during the year	24	155	-	-	-
Share of increments in reserves attributable to associates	24	64,088	18,157	-	-
Tax on movement in equity accounted investment recognised directly in equity	24	(19,638)	(6,053)	(508)	-
Net income / (expense) recognised directly in equity		<u>44,836</u>	<u>14,096</u>	<u>(277)</u>	<u>1,992</u>
Profit for the year	25	<u>107,533</u>	<u>102,202</u>	<u>23,866</u>	<u>23,360</u>
Total recognised income and expense for the year		<u>152,369</u>	<u>116,298</u>	<u>23,589</u>	<u>25,352</u>
Transactions with equity holders in their capacity as equity holders:					
Share of associate's transfer to outside equity interests	25	(1,645)	-	-	-
Share of associate's increase in equity interests of controlled entities	25	(1,988)	-	-	-
Dividends provided or paid during the year	6	(38,688)	(33,460)	(49,096)	(42,461)
Treasury stock:					
Purchase of shares through employee share plan	23	(2,309)	(2,031)	(2,309)	(2,031)
Shares transferred to profit and loss on vesting	23	1,348	918	1,348	918
		<u>(43,282)</u>	<u>(34,573)</u>	<u>(50,057)</u>	<u>(43,574)</u>
Total equity at the end of the year		<u><u>1,072,715</u></u>	<u><u>963,628</u></u>	<u><u>345,404</u></u>	<u><u>371,872</u></u>

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

BRICKWORKS LIMITED

AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07 \$000	31 JULY 06 \$000	31 JULY 07 \$000	31 JULY 06 \$000
Cash flows from operating activities					
Receipts from customers		586,878	560,223	-	-
Payments to suppliers and employees		(527,201)	(467,703)	(19)	(2)
Interest received		646	539	480	165
Borrowing costs		(18,481)	(13,925)	(14,403)	(14,414)
PAVERS dividend		(10,846)	(10,832)	(10,846)	(10,824)
Dividends received		46,094	44,050	46,089	44,041
Income tax paid		(28,491)	(19,823)	(28,134)	2,316
Net cash flows from / (used in) operating activities	26(a)	<u>48,599</u>	<u>92,529</u>	<u>(6,833)</u>	<u>21,282</u>
Cash flows from investing activities					
Proceeds from the sale of investments		-	3,094	-	2,919
Purchases of investments		(12,317)	(1,477)	(11,637)	(1,729)
Purchases of intangible assets		(5)	(2,609)	-	-
Payment for controlled entity net of cash acquired	30(b)	(40,025)	(423)	-	(86)
Proceeds from sale of property, plant and equipment		8,929	859	-	-
Purchases of property, plant and equipment		(51,738)	(52,312)	-	-
Net cash flows from / (used in) investing activities		<u>(95,156)</u>	<u>(52,868)</u>	<u>(11,637)</u>	<u>1,104</u>
Cash flows from financing activities					
Proceeds from borrowings		246,000	147,000	246,000	12,000
Repayment of borrowings		(149,017)	(139,700)	(102,000)	-
Loan (to) / from controlled entity		-	-	(76,891)	7,262
Loan (to) / from other entity		(2,490)	(4,000)	-	-
Dividends paid		(49,096)	(42,461)	(49,096)	(42,461)
Net cash flows from / (used in) financing activities		<u>45,397</u>	<u>(39,161)</u>	<u>18,013</u>	<u>(23,199)</u>
Net increase / (decrease) in cash held		(1,160)	500	(457)	(813)
Cash at beginning of year		<u>15,542</u>	<u>15,042</u>	<u>625</u>	<u>1,438</u>
Cash at end of year	8	<u><u>14,382</u></u>	<u><u>15,542</u></u>	<u><u>168</u></u>	<u><u>625</u></u>

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

BRICKWORKS LIMITED

AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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 September 2007.

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 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) Finance costs

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

(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.

NOTE 1: BASIS OF PREPARATION (cont.)**(e) Income tax (cont.)**

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.

(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

NOTE 1: BASIS OF PREPARATION (cont.)**(k) Property, plant and equipment (cont.)**

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 (held for trading)

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

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.

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.

NOTE 1: BASIS OF PREPARATION (cont.)**(m) Financial Assets (cont.)****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) Investment property

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

(q) 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.

(r) 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.

NOTE 1: BASIS OF PREPARATION (cont.)**(r) Acquisition of assets (cont.)**

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.

(s) 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.

(t) 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.

(u) Provisions

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

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

(v) 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.

(w) 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.

(x) 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.

(y) 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.

NOTE 1: BASIS OF PREPARATION (cont.)**(y) Financial instruments issued by the Company (cont.)**

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

(z) 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.

(aa) 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.

(ab) 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.

(ac) Reserved shares

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

(ad) 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.

(ae) 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

NOTE 1: BASIS OF PREPARATION (cont.)**(ae) Foreign currency transactions and balances (cont.)**

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.

(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 2007 are as follows:

Amendments to financial statements – AASB 2005-10, 2007-1, 2007-2, 2007-3, 2007-4, 2007-5, 2007-6, 2007-7;

AASB 7: Financial Instruments: Disclosures;

AASB 8: Operating Segments;

AASB 123: Borrowing Costs;

AASB Interpretation 10: Interim Financial Reporting and Impairment;

AASB Interpretation 11: Group and Treasury Share Transactions;

AASB Interpretation 12: Service Concession Arrangements;

AASB Interpretation 13: Customer Loyalty Programs; and

IFRIC Interpretation 14: IAS19 The Asset Ceiling: Availability of economic benefits and minimum funding requirements

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.

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 2: REVENUE				
Trading revenue				
Sale of goods	516,872	484,372	-	-
Sale of current investments	7	175	-	-
Sale of land held for resale	38,516	45,559	-	-
	<u>555,395</u>	<u>530,106</u>	<u>-</u>	<u>-</u>
Other operating revenue				
Interest received:				
- other corporations	646	539	480	166
Dividends received:				
- associated companies	-	-	46,088	43,951
- other corporations	5	98	-	90
Rental revenue	698	560	-	-
Government grant revenue	1,083	219	-	-
Other	1,109	546	-	-
	<u>558,936</u>	<u>532,068</u>	<u>45,568</u>	<u>44,207</u>

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 2: REVENUE (cont.)				
Other income				
Net gain on sale of:				
- property, plant and equipment	22,130	17,707	-	-
- non-current investments	-	328	-	328
Other items	-	-	-	-
Total other income	<u>22,421</u>	<u>18,035</u>	<u>-</u>	<u>328</u>

NOTE 3: EXPENSES

(a) Specific expense disclosures

Depreciation and amortisation

- Buildings	3,050	3,265	-	-
- Leasehold Improvements	44	-	-	-
- Plant and equipment	23,034	23,191	-	-

Total depreciation	<u>26,128</u>	<u>26,456</u>	<u>-</u>	<u>-</u>
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- Timber access rights	<u>287</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total amortisation	<u>287</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total depreciation and amortisation expense	<u>26,415</u>	<u>26,456</u>	<u>-</u>	<u>-</u>
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Finance costs - other corporations	15,827	13,926	15,827	13,879
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Finance costs - PAVERS interest	10,838	10,832	10,838	10,832
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Finance costs - PAVERS amortisation	640	640	640	640
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Total finance costs expensed	<u>27,305</u>	<u>25,398</u>	<u>27,305</u>	<u>25,351</u>
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Finance costs capitalised	<u>4,172</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total finance costs	<u>31,477</u>	<u>25,398</u>	<u>27,305</u>	<u>25,351</u>
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Rental expense on operating leases

- Minimum lease repayments	2,372	3,073	-	-
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Employee benefit expense	119,051	103,678	-	-
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Defined contribution superannuation expense	7,622	10,003	-	-
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Research and development expenditure	1,511	1,269	-	-
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Bad and doubtful debts - trade debtors	(76)	403	-	-
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Write down of inventories to net realisable value	501	3	-	-
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(b) Significant Revenues and Expenses

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

Share of associates profit from discontinued operations	21,099	40	-	-
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Additional profit due to significant one-off transactions of Washington H Soul Pattinson & Co Ltd	13,892	-	-	-
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The following one-off expenses were incurred during the year:

Costs associated with decommissioning of fast fire production line	3,499	-	-	-
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Demolition, redundancy and rehabilitation costs of Scoresby factory	-	3,050	-	-
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	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 4: INCOME TAX EXPENSE				
(a) Current Tax	25,025	17,072	(4,797)	(4,183)
Deferred Tax	1,106	(289)	-	-
Under / (over) provision in prior years	2,310	(2,961)	192	-
	<u>28,441</u>	<u>13,822</u>	<u>(4,605)</u>	<u>(4,183)</u>
(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%	40,793	34,807	5,779	5,753
Adjust for tax effect of:				
- difference in foreign tax rates	34	(10)	-	-
- non-allowable PAVERS dividend	3,251	3,250	3,251	3,250
- rebateable dividends	(13,828)	(13,187)	(13,827)	(13,186)
- capital losses recognised during year	(3,622)	(4,200)	-	-
- share of net profits of associates	(771)	(3,935)	-	-
- amortisation of intangibles	86	-	-	-
- other non-allowable items	188	58	-	-
- deferred tax items derecognised	5,021	119	-	-
- (over) / under provision for income tax in prior year	(2,711)	(3,080)	192	-
Income tax expense / (benefit) attributable to profit	<u>28,441</u>	<u>13,822</u>	<u>(4,605)</u>	<u>(4,183)</u>
(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	358	95	-	-
Deferred tax - debited / (credited) directly to equity	19,280	5,958	508	-
	<u>19,638</u>	<u>6,053</u>	<u>508</u>	<u>-</u>

NOTE 5: AUDITORS' REMUNERATION

Auditor of the parent entity				
- Audit of the financial report	347	250	300	250
- Other regulatory audits	4	3	4	3
- Other non-audit services	51	68	51	68
	<u>402</u>	<u>321</u>	<u>355</u>	<u>321</u>

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

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 6: DIVIDENDS				
Final ordinary dividend (prior year) of 25.0 cents per share paid 1/12/06 (2005 21.0c paid 22/11/05)	33,173	27,865	33,173	27,865
Interim ordinary dividend of 12.0 cents per share paid 10/05/07 (2006 - 11.0c paid 11/05/06)	15,923	14,596	15,923	14,596
Group's share of dividend received by associated company	(10,408)	(9,001)	-	-
	<u>38,688</u>	<u>33,460</u>	<u>49,096</u>	<u>42,461</u>
Proposed final ordinary dividend of 26.0 cents per share not recognised as a liability at year end (2006 25.0c)	<u>34,500</u>	<u>33,173</u>	<u>34,500</u>	<u>33,173</u>

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	<u>146,743</u>	<u>130,423</u>	<u>146,743</u>	<u>130,423</u>
Impact on franking account balance of dividends not recognised	<u>(14,786)</u>	<u>(14,217)</u>	<u>(14,786)</u>	<u>(14,217)</u>

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

NOTE 7: EARNINGS PER SHARE

(a) Reconciliation of earnings		
Net profit	<u>107,533</u>	<u>102,202</u>
Earnings used in the calculation of basic EPS	107,533	102,202
add: redeemable preference share interest	<u>11,478</u>	<u>11,472</u>
Earnings used in the calculation of diluted EPS	<u>119,011</u>	<u>113,674</u>

	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	132,692,188	132,692,188
Number of potential ordinary shares from convertible redeemable preference shares (PAVERS) on issue	<u>11,550,000</u>	<u>13,200,000</u>
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<u>144,242,188</u>	<u>145,892,188</u>
Basic earnings per share (cents per share)	81.0	77.0
Diluted earnings per share (cents per share)	81.0	77.0

Diluted earnings per share is equal to basic earnings per share as the effect of conversion of the redeemable preference shares (PAVERS) is antidilutive (ie EPS positive).

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 8: CASH ASSETS				
Cash on hand	14,257	14,988	43	71
Deposits at call	125	554	125	554
	<u>14,382</u>	<u>15,542</u>	<u>168</u>	<u>625</u>

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

NOTE 9: RECEIVABLES

(a) Current				
Trade receivables	68,502	65,733	-	-
Less: provision for doubtful debts	686	1,543	-	-
	<u>67,816</u>	<u>64,190</u>	-	-
Less: advance payments by customers	2,991	2,781	-	-
Net trade receivables	<u>64,825</u>	<u>61,409</u>	-	-
Add: other debtors	34,144	27,143	94	-
	<u>98,969</u>	<u>88,552</u>	<u>94</u>	<u>-</u>

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

(b) Non-Current				
Amount receivable from associated companies	36	350	200	-
Amount receivable from wholly owned subsidiaries	36	-	-	642,422
		<u>350</u>	<u>200</u>	<u>642,422</u>
				<u>539,478</u>

NOTE 10: HELD FOR TRADING FINANCIAL ASSETS

Share trading portfolio at fair value		87	91	-
		<u>87</u>	<u>91</u>	<u>-</u>

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

NOTE 11: OTHER FINANCIAL ASSETS

Unlisted investments, at cost				
- Shares in controlled entities		-	-	165,438
Listed investments, at cost				
- Shares in associated companies	27	-	-	82,999
		<u>-</u>	<u>-</u>	<u>248,437</u>
				<u>236,800</u>
Market values of listed investments				
- Shares in associated companies		-	-	1,080,227
		<u>-</u>	<u>-</u>	<u>1,080,227</u>
				<u>855,367</u>

	NOTE	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07 \$000	31 JULY 06 \$000	31 JULY 07 \$000	31 JULY 06 \$000
NOTE 12: INVENTORIES					
(a) Current					
Raw materials and stores at cost		25,222	23,402	-	-
Work in progress at cost		10,205	6,748	-	-
Finished goods at cost		96,611	78,408	-	-
		<u>132,038</u>	<u>108,558</u>	-	-
Finished goods at net realisable value		905	289	-	-
		<u>132,943</u>	<u>108,847</u>	-	-
Land held for resale		52,624	9,818	-	-
Total inventories at lower of cost or net realisable value		<u>185,567</u>	<u>118,665</u>	-	-
(b) Non-Current					
Raw materials and stores at cost		5,883	3,553	-	-
Land held for resale		15,872	23,248	-	-
		<u>21,755</u>	<u>26,801</u>	-	-
NOTE 13: DERIVATIVE FINANCIAL ASSETS					
Interest rate swap contract	31(c)	<u>731</u>	<u>316</u>	<u>731</u>	<u>316</u>
The interest rate swap is being used to hedge the exposure to changes in the interest rate payable on its commercial bills (refer note 19). These borrowings and the swap have the same critical terms.					
NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Investment in associated entities - listed	27	623,733	541,689	-	-
Investment in associated entities - unlisted		781	17	-	-
Investment in jointly controlled entities	28	57,005	24,510	-	-
		<u>681,519</u>	<u>566,216</u>	-	-
Market value of listed associates		<u>1,080,227</u>	<u>855,367</u>	-	-

	NOTE	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07 \$000	31 JULY 06 \$000	31 JULY 07 \$000	31 JULY 06 \$000
NOTE 15: PROPERTY, PLANT AND EQUIPMENT					
(a) Land					
Freehold land at cost		205,677	210,084	645	645
Leasehold land at cost		235	235	-	-
		<u>205,912</u>	<u>210,319</u>	<u>645</u>	<u>645</u>
(b) Buildings					
At cost		136,194	130,367	-	-
Less: accumulated depreciation		39,347	36,278	-	-
		<u>96,847</u>	<u>94,089</u>	<u>-</u>	<u>-</u>
(c) Plant and equipment					
At cost		384,884	353,454	-	-
Less: accumulated depreciation		200,724	182,619	-	-
		<u>184,160</u>	<u>170,835</u>	<u>-</u>	<u>-</u>
Add: capital works in progress		65,040	47,014	-	-
Total plant and equipment		<u>249,200</u>	<u>217,849</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment		<u>551,959</u>	<u>522,257</u>	<u>645</u>	<u>645</u>

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	-	-
Assets not subject to write-downs		96,847	94,024	-	-
		<u>96,847</u>	<u>94,089</u>	<u>-</u>	<u>-</u>
Plant and equipment					
Assets subject to write-downs		-	157	-	-
Assets not subject to write-downs		184,160	170,678	-	-
		<u>184,160</u>	<u>170,835</u>	<u>-</u>	<u>-</u>

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

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

Consolidated	Land	Buildings	Plant & Equip.	Total
	\$000	\$000	\$000	\$000
At 1 August 2005				
Cost	213,674	127,688	351,282	692,644
Accumulated depreciation	-	(31,397)	(158,596)	(189,993)
Balance at 1 August 2005	<u>213,674</u>	<u>96,291</u>	<u>192,686</u>	<u>502,651</u>
Year ended 31 July 2006				
Additions	4,047	1,086	74,426	79,559
Assets acquired by purchase of subsidiary	300	829	1,652	2,781
Assets transferred to inventory	(915)	-	(37)	(952)
Disposals	(6,787)	(852)	(27,687)	(35,326)
Depreciation expense	-	(3,265)	(23,191)	(26,456)
Balance at 31 July 2006	<u>210,319</u>	<u>94,089</u>	<u>217,849</u>	<u>522,257</u>
Year ended 31 July 2007				
Additions	1,833	3,341	49,259	54,433
Assets acquired by purchase of subsidiary	7,240	2,707	8,071	18,018
Assets transferred to inventory	(9,426)	-	(243)	(9,669)
Disposals / transfers	(4,054)	(196)	(2,702)	(6,952)
Depreciation expense	-	(3,094)	(23,034)	(26,128)
Balance at 31 July 2007	<u>205,912</u>	<u>96,847</u>	<u>249,200</u>	<u>551,959</u>
	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000

NOTE 16: DEFERRED TAX ASSETS

Deferred tax asset	<u>39,216</u>	<u>38,122</u>	<u>253</u>	<u>413</u>
The balance comprises temporary differences attributable to:				
Provisions	11,480	14,574	-	254
Deposits received on land sale agreements	1,670	3,721	-	-
Land held for development and resale	7,064	8,586	-	-
Equity accounted associates	10,467	5,277	-	-
Property, plant and equipment	7,867	4,707	-	-
Other sundry items	668	1,257	253	159
	<u>39,216</u>	<u>38,122</u>	<u>253</u>	<u>413</u>
Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	<u>23,772</u>	<u>34,275</u>	<u>-</u>	<u>-</u>
Potential tax benefit @ 30%	<u>7,132</u>	<u>10,283</u>	<u>-</u>	<u>-</u>

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 17: INTANGIBLE ASSETS				
(a) Brand names				
At cost	5,300	5,300	-	-
Less: accumulated amortisation	5,300	5,300	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Goodwill				
At cost	261,454	241,669	-	-
Less: impairment write-downs	-	-	-	-
	<u>261,454</u>	<u>241,669</u>	<u>-</u>	<u>-</u>
(c) Timber access rights				
At cost	7,141	7,141	-	-
Less: accumulated amortisation	287	-	-	-
	<u>6,854</u>	<u>7,141</u>	<u>-</u>	<u>-</u>
	<u>268,308</u>	<u>248,810</u>	<u>-</u>	<u>-</u>

(d) Reconciliations

Consolidated	Brand Names	Goodwill	Timber access rights	Total
	\$000	\$000	\$000	\$000
At 1 August 2005				
Cost	5,300	241,355	4,847	251,502
Accumulated amortisation and impairment	(5,300)	-	-	(5,300)
	<u>-</u>	<u>241,355</u>	<u>4,847</u>	<u>246,202</u>
Year ended 31 July 2006				
Additions	-	314	2,294	2,608
Balance at 31 July 2006	<u>-</u>	<u>241,669</u>	<u>7,141</u>	<u>248,810</u>
Year ended 31 July 2007				
Additions	-	19,785	-	19,785
Amortisation charge	-	-	(287)	(287)
Balance at 31 July 2007	<u>-</u>	<u>261,454</u>	<u>6,854</u>	<u>268,308</u>

(e) Intangible assets with indefinite useful lives

Timber access rights with a carrying value of \$4.8 million (2006 \$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 remaining timber access rights with a carrying value of \$2.0 million are amortised over the life of the supply agreement, which was 8 years from acquisition.

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

NOTE 17: 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 \$259.6 million of the total balance of \$261.5 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 2007 financial year the discount rate was 12.58% (2006 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.

NOTE	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000

NOTE 18: PAYABLES

(a) Current					
Trade payables and accruals		58,922	55,847	5,491	3,998
Deposits received on land sale agreements		8,828	10,513	-	-
		<u>67,750</u>	<u>66,360</u>	<u>5,491</u>	<u>3,998</u>
(b) Non-Current					
Deposits received on land sale agreements		-	29,040	-	-
Amounts owing to wholly owned subsidiaries	36	-	-	483	485
		<u>-</u>	<u>29,040</u>	<u>483</u>	<u>485</u>

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 19: INTEREST BEARING LIABILITIES

(a) Current					
Commercial bills - unsecured	31	<u>106,000</u>	<u>52,000</u>	<u>106,000</u>	<u>52,000</u>
(b) Non-current					
Commercial bills - unsecured	31	<u>250,000</u>	<u>160,000</u>	<u>250,000</u>	<u>160,000</u>
Redeemable preference shares		<u>164,225</u>	<u>163,585</u>	<u>164,225</u>	<u>163,585</u>
		<u>414,225</u>	<u>323,585</u>	<u>414,225</u>	<u>323,585</u>

Commercial bills are drawn under either a 12 month facility expiring in November 2007 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 13 and 31.

NOTE 19: 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.

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000

NOTE 20: PROVISIONS**(a) Current**

Employee benefits	16,791	15,705	-	-
Demolition	3,228	5,225	-	-
Product claims	471	708	-	-
Workers compensation	5,223	5,250	-	-
Site rehabilitation	789	2,708	-	-
Other	1,395	2,197	-	-
	<u>27,897</u>	<u>31,793</u>	<u>-</u>	<u>-</u>

(b) Non-current

Employee benefits	12,598	17,159	844	844
Site rehabilitation	2,044	2,176	-	-
	<u>14,642</u>	<u>19,335</u>	<u>844</u>	<u>844</u>

(c) Reconciliations**Consolidated**

	Demolition	Product	Workers
	\$000	Claims	Comp.
	\$000	\$000	\$000
Year ended 31 July 2007			
Balance at the beginning of the year	5,225	708	5,250
Additional provisions recognised	-	251	1,872
Amounts used	(1,997)	(228)	(1,667)
Reversals of provisions	-	(260)	(232)
Balance at the end of the year	<u>3,228</u>	<u>471</u>	<u>5,223</u>
Current	3,228	471	5,223
Non-current	-	-	-
	<u>3,228</u>	<u>471</u>	<u>5,223</u>
	Site Rehab.	Other	Total
	\$000	\$000	\$000
Year ended 31 July 2007			
Balance at the beginning of the year	4,884	2,197	18,264
Additional provisions recognised	303	784	3,210
Amounts used	(2,354)	(1,586)	(7,832)
Reversals of provisions	-	-	(492)
Balance at the end of the year	<u>2,883</u>	<u>1,395</u>	<u>13,150</u>
Current	789	1,395	11,106
Non-current	2,044	-	2,044
	<u>2,833</u>	<u>1,395</u>	<u>13,150</u>

NOTE 20: PROVISIONS (cont.)**(d) Descriptions****Provision for demolition**

A provision was recognised on the acquisition of the Bristle 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.

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.

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.

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.

Other provisions

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

CONSOLIDATED		PARENT ENTITY	
31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
\$000	\$000	\$000	\$000

NOTE 21: DEFERRED TAX LIABILITIES

Deferred tax liability	<u>155,714</u>	<u>128,855</u>	<u>12,024</u>	<u>11,182</u>
The balance comprises temporary differences attributable to:				
Equity accounted associates	126,921	107,900	-	-
Property, plant and equipment	24,485	20,022	-	-
Investment in listed company	602	-	-	10,677
Other sundry items	<u>3,706</u>	<u>933</u>	<u>12,024</u>	<u>505</u>
	<u>155,714</u>	<u>128,855</u>	<u>12,024</u>	<u>11,182</u>

NOTE 22: OTHER NON-CURRENT LIABILITIES

Deferred government grant	<u>240</u>	<u>1,320</u>	<u>-</u>	<u>-</u>
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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 income statement 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.

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 23: CONTRIBUTED EQUITY				
132,692,188 fully paid ordinary shares	149,046	149,046	149,046	149,046
Reserved shares	(3,620)	(2,659)	(3,620)	(2,659)
	<u>145,426</u>	<u>146,387</u>	<u>145,426</u>	<u>146,387</u>

	2007		2006	
	No. of Shares	Value \$000	No. of Shares	Value \$000
	(a) Ordinary shares			
Opening balance	132,692,188	149,046	132,692,188	149,046
Shares issued during the year	-	-	-	-
Balance at end of year	<u>132,692,188</u>	<u>149,046</u>	<u>132,692,188</u>	<u>149,046</u>

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.

(b) Reserved shares				
Opening balance	246,711	2,659	168,815	1,546
add: bonus shares purchased by share plan	200,349	2,309	173,209	2,031
less: bonus shares vested during period	(132,099)	(1,348)	(95,313)	(918)
Balance at end of period	<u>314,961</u>	<u>3,620</u>	<u>246,711</u>	<u>2,659</u>

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 34 of these financial statements.

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
NOTE 24: RESERVES				
(a) Composition of reserves				
- capital profits	88,102	88,102	84,479	84,479
- asset revaluation	546	315	546	315
- equity adjustment	(49,786)	(30,148)	(508)	-
- general	36,125	36,125	11,645	11,645
- foreign currency translation	155	-	-	-
- associates	304,852	233,288	-	-
	<u>379,994</u>	<u>327,682</u>	<u>96,162</u>	<u>96,439</u>
(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	<u>88,102</u>	<u>88,102</u>	<u>84,479</u>	<u>84,479</u>
Asset revaluation reserve				
Balance at beginning of year	315	(1,677)	315	(1,677)
Movement in SWAP and investment valuations	231	1,992	231	1,992
Balance at end of year	<u>546</u>	<u>315</u>	<u>546</u>	<u>315</u>

	NOTE	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07 \$000	31 JULY 06 \$000	31 JULY 07 \$000	31 JULY 06 \$000
NOTE 24: RESERVES (cont.)					
(b) Reconciliations (cont.)					
Equity adjustments reserve					
Balance at beginning of year		(30,148)	(24,095)	-	-
Net adjustment to tax directly through equity		(19,638)	(6,053)	(508)	-
Balance at end of year		<u>(49,786)</u>	<u>(30,148)</u>	<u>(508)</u>	<u>-</u>
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		<u>36,125</u>	<u>36,125</u>	<u>11,645</u>	<u>11,645</u>
Foreign currency translation reserve					
Balance at beginning of year		-	-	-	-
Currency translation differences arising during the year		155	-	-	-
Balance at end of year		<u>155</u>	<u>-</u>	<u>-</u>	<u>-</u>
Associates reserve					
Balance at beginning of year		223,288	215,946	-	-
Share of associates transfer from / (to) retained earnings		7,476	(815)	-	-
Share of associates increment / (decrement) in reserve		64,088	18,157	-	-
Balance at end of year		<u>304,852</u>	<u>233,288</u>	<u>-</u>	<u>-</u>

(c) Descriptions

Capital profits reserve

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

Asset revaluation reserve

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.

Equity adjustments reserve

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

General reserve

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

Foreign currency translation reserve

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

Associates reserve

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	CONSOLIDATED		PARENT ENTITY	
		31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
		\$000	\$000	\$000	\$000
NOTE 25: RETAINED PROFITS					
Retained profits at the beginning of the year		489,559	420,002	129,046	148,147
Net profit after related income tax expense		107,533	102,202	23,866	23,360
Dividends paid	6	(38,688)	(33,460)	(49,096)	(42,461)
Aggregate of amounts transferred to reserves		(7,476)	815	-	-
Share of associate's increase in equity interests of controlled entities		(1,988)	-	-	-
Share of associate's transfer to outside equity interests		(1,645)	-	-	-
Retained profits at the end of the year		<u>547,295</u>	<u>489,559</u>	<u>103,816</u>	<u>129,046</u>
NOTE 26: CASH FLOW INFORMATION					
Reconciliation of cash flow from operations to net profit after tax					
Net profit after tax		107,533	102,202	23,866	23,360
Non-cash flows in net profit					
Amortisation of intangible assets		287	-	-	-
Amortisation of borrowing costs		640	640	640	640
Depreciation of non-current assets		26,128	26,456	-	-
Discount on acquisition of subsidiary		(263)	-	-	-
(Profits) / losses on disposal of property, plant and equipment		(22,130)	(17,707)	-	-
(Profits) / losses on sale of investments		-	(396)	-	(328)
Non cash profit on sale of land held for resale		(26,093)	-	-	-
Share of profits of associates not received as dividends		(2,587)	(16,611)	-	-
Changes in assets and liabilities net of the effects of purchase of subsidiaries					
(Increase) / decrease in trade and sundry debtors		6,624	(23,013)	(94)	-
(Increase) / decrease in inventories		(24,895)	(10,243)	-	-
(Increase) / decrease in prepayments		188	(936)	-	5
(Increase) / decrease in future income tax benefit		(1,094)	4,835	-	159
(Increase) / decrease in share trading portfolio		4	21	-	-
(Increase) / decrease in treasury stock		(961)	(1,113)	-	-
Increase / (decrease) in creditors and accruals		(5,734)	2,893	1,495	(527)
Increase / (decrease) in taxes payable		(5,977)	(1,917)	(32,740)	(2,027)
Increase / (decrease) in other current provisions		(4,317)	848	-	-
Increase / (decrease) in other non-current provisions		(4,693)	2,268	-	-
Increase / (decrease) in other non-current liabilities		(1,080)	-	-	-
Increase / (decrease) in deferred taxes payable		7,019	(8,920)	-	-
Net cash flows from / (used in) operating activities		<u>48,599</u>	<u>92,529</u>	<u>(6,833)</u>	<u>21,282</u>

NOTE 27: ASSOCIATED COMPANIES

(a) Carrying amounts

Information relating to significant associates is set out below:

Name	Principal Activities	Ownership interest		Consolidated carrying value	
		2007 %	2006 %	2007 \$000	2006 \$000
Washington H Soul Pattinson & Co Ltd	Pharmaceutical, coal, food television, investment	42.85	42.85	545,897	485,475
Brickworks Investment Company Ltd	Listed investment company	20.50	20.69	77,836	56,214

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 2007 by that entity.

Washington H Soul Pattinson & Co. Ltd owns 49.47% (2006 49.47%) of issued ordinary shares of Brickworks Limited.

	CONSOLIDATED	
	31 JULY 07 \$000	31 JULY 06 \$000
(b) Significant contributors to profit		
The following entities have made significant contributions to the Brickworks Group profit:		
Washington H Soul Pattinson & Co Ltd	42,657	24,711
Brickworks Investment Co Ltd	3,071	2,792
(c) Summarised share of associates financial information		
Current assets	327,910	344,226
Non-current assets	751,481	641,950
	<u>1,079,391</u>	<u>986,176</u>
Current liabilities	93,371	101,307
Non-current liabilities	116,472	77,443
	<u>209,843</u>	<u>178,750</u>
Net assets	<u>869,548</u>	<u>807,426</u>
Outside equity interest	243,280	233,829
	<u>626,268</u>	<u>573,597</u>
Revenue	<u>351,239</u>	<u>392,947</u>
Profit before income tax	85,744	50,260
Income tax expense	(14,093)	(14,956)
Outside equity interest	(25,923)	(7,955)
Profit after income tax	<u>45,728</u>	<u>27,349</u>
(d) Share of associates' expenditure commitments		
Capital commitments	- *	13,780
Lease commitments	- *	18,904
	<u>-</u>	<u>32,684</u>

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

* Note: Associated company (WHSP) figures for 2007 were not publicly available at the time of preparation of this report.

(e) Contingent liabilities of associates

Share of incurred jointly with other investors	- *	14,998
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NOTE 27: ASSOCIATED COMPANIES (cont.)**(e) Contingent liabilities of associates (cont.)**

The entity has no legal liability for any contingent liabilities incurred by associates.

* Note: Associated company (WHSP) figures for 2007 were not publicly available at the time of preparation of this report.

NOTE 28: JOINTLY CONTROLLED ENTITIES**(a) Carrying values**

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

Name	Principal Activities	Ownership interest		Consolidated	
		2007 %	2006 %	2007 \$000	2006 \$000
Newthorpe Pty Ltd	Property Development	100.00	50.00	n/a	(76)
BGAI CDC Trust	Property development & leasing	50.00	50.00	9,812	-
BGAI Erskine Trust	Property development & leasing	50.00	50.00	28,192	24,318
BGAI TTP Trust	Property development & leasing	50.00	n/a	8,726	n/a
BGAI Capicure Trust	Property development & leasing	50.00	n/a	2,458	n/a
BGAI1 Heritage Trust	Property development & leasing	50.00	n/a	7,193	n/a

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.

On 21 December 2006, Brickworks purchased the remaining shares of Newthorpe Pty Ltd to take its ownership to 100%. As a result Newthorpe has been consolidated from this date.

	CONSOLIDATED	
	31 JULY 07 \$000	31 JULY 06 \$000
(b) Significant contributors to profit		
The following entities have made significant contributions to the Brickworks Group profit:		
BGAI TTP Trust	2,095	-
(c) Summarised share of JV's financial information		
Current assets	49,353	1,563
Non-current assets	117,662	47,214
	<u>167,015</u>	<u>48,777</u>
Current liabilities	25,868	22,589
Non-current liabilities	83,591	26,196
	<u>109,459</u>	<u>48,785</u>
Net assets	<u>57,556</u>	<u>(8)</u>
Revenues	<u>4,143</u>	<u>1,940</u>
Profit before income tax	2,337	23
Income tax expense	(73)	(31)
Profit after income tax	<u>2,264</u>	<u>(8)</u>
(d) Share of JV's expenditure commitments		
Capital commitments	111,117	-
Lease commitments	-	241
	<u>111,117</u>	<u>241</u>

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

(e) Contingent liabilities of JV's

Share of incurred jointly with other investors	-	-
For which the company is severally liable	-	-
	<u>-</u>	<u>-</u>

The entity has no legal liability for any contingent liabilities incurred by JV's.

NOTE 29: SEGMENT INFORMATION**(a) Business segments**

The business segments are the primary reporting segments.

	Building Products		Property		Investments		Consolidated	
	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE								
Segment revenue from sales to external customers	516,851	483,083	41,426	48,172	659	813	558,936	532,068
RESULT								
Segment EBITDA	92,334	91,985	60,283	55,205	32,491	33,316	185,108	180,506
Less depreciation and amortisation	(26,415)	(26,456)	-	-	-	-	(26,415)	(26,456)
Segment EBIT	65,919	65,529	60,283	55,205	32,491	33,316	158,693	154,050
(Less) / add non-regular items	(3,499)	-	-	(3,050)	13,892	(4,761)	10,393	(7,811)
Segment result	62,420	65,529	60,283	52,155	46,383	28,555	169,086	146,239
Unallocated expenses								
Finance costs							(27,305)	(25,398)
Other unallocated expenses							(5,807)	(4,817)
Profit before income tax							135,974	116,024
Income tax expense							(28,441)	(13,822)
Profit after income tax							107,533	102,202
ASSETS								
Segment assets	1,068,282	1,005,675	174,169	80,892	624,085	542,406	1,866,536	1,628,973
Unallocated assets							982	1,254
Total assets							1,867,518	1,630,227
LIABILITIES								
Segment liabilities	120,369	134,250	11,973	39,531	127,307	97,560	259,649	271,341
Unallocated liabilities							535,154	395,258
Total liabilities							794,803	666,599
OTHER								
Aggregate share of the profit of investments accounted for using the equity method	796	(8)	2,095	-	45,785	27,349	48,676	27,341
Aggregate carrying amount of investments accounted for using the equity method	437	268	56,380	24,318	624,702	541,630	681,519	566,216
Acquisition of non-current segment assets	92,236	53,756	2,000	1,560	11,637	1,477	105,873	56,793
Non-cash expenses other than depreciation & amortisation	25,335	23,389	-	-	-	-	25,335	23,389

NOTE 29: SEGMENT INFORMATION (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 2007 was \$18.6 million (31 July 2006 \$14.1 million).

NOTE 30: 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.

Controlled entities incorporated in Australia	ABN / ACN	Parent Entity's Interest	
		2007 %	2006 %
A.C.N. 125 934 938 Pty Ltd	81 125 934 938	100.0	N/A
A.C.N. 125 934 947 Pty Ltd	83 125 934 947	100.0	N/A
Austral Bricks (NSW) Pty Ltd	60 125 934 849	100.0	N/A
Austral Bricks (SA) Pty Ltd	66 125 934 876	100.0	N/A
Austral Bricks (Tasmania) Pty Ltd	14 009 501 053	100.0	100.0
Austral Bricks (Vic) Pty Ltd	64 125 934 867	100.0	N/A
Austral Bricks Holdings Pty Ltd	55 120 364 365	100.0	100.0
Austral Masonry (Qld) Pty Ltd	30 000 646 695	100.0	100.0
Auswest Timbers (ACT) Pty Ltd	34 087 808 811	100.0	100.0
Auswest Timbers Finance Pty Ltd	53 108 239 925	100.0	100.0
Auswest Timbers Holdings Pty Ltd	51 120 364 347	100.0	100.0
Auswest Timbers Pty Ltd	28 071 093 591	100.0	100.0
Bowral Brickworks Pty Ltd	39 000 165 579	100.0	100.0
Brickworks Building Products Pty Ltd	63 119 059 513	100.0	100.0
Brickworks Head Holding Co Pty Ltd	95 120 360 036	100.0	100.0
Brickworks Industrial Developments Pty Ltd	47 120 364 329	100.0	100.0
Brickworks Properties Pty Ltd	12 094 905 996	100.0	100.0
Brickworks Sub Holding Co No. 1 Pty Ltd	120 360 009	100.0	100.0
Brickworks Sub Holding Co No. 2 Pty Ltd	61 120 364 392	100.0	100.0
Brickworks Sub Holding Co No. 3 Pty Ltd	59 120 364 383	100.0	100.0
Brickworks Sub Holding Co No. 4 Pty Ltd	57 120 364 374	100.0	100.0
Brickworks Sub Holding Co No. 5 Pty Ltd	16 125 922 821	100.0	N/A
Brickworks Sub Holding Co No. 6 Pty Ltd	18 125 922 830	100.0	N/A
Brickworks Sub Holding Co No. 7 Pty Ltd	97 125 922 849	100.0	N/A
Brickworks Sub Holding Co No. 8 Pty Ltd	99 125 922 858	100.0	N/A
Bristile Guardians Pty Ltd	40 079 711 630	100.0	100.0
Bristile Holdings Pty Ltd	32 008 668 540	100.0	100.0
Bristile Operations Pty Ltd	34 079 711 603	100.0	100.0
Bristile Pty Ltd	19 056 541 096	100.0	100.0
Bristile Roofing (East Coast) Pty Ltd	77 090 775 634	100.0	100.0
Bristile Roofing Holdings Pty Ltd	49 120 364 338	100.0	100.0
Carrington Brick Company Pty Ltd	93 000 002 979	100.0	100.0
Christies Sands Pty Ltd	63 007 635 529	100.0	100.0
Clifton Brick (Queanbeyan) Pty Ltd	52 000 602 531	100.0	100.0
Clifton Brick Holdings Pty Ltd	83 004 493 181	100.0	100.0
Clifton Brick Manufacturers Pty Ltd	63 004 529 104	100.0	100.0
Davman Builders Pty Ltd	66 004 434 342	100.0	100.0
Eureka Tiles (NZ) Pty Ltd	64 076 976 880	100.0	100.0
Eureka Tiles Australia Pty Ltd	38 000 012 340	100.0	100.0
Eureka Tiles Holdings Pty Ltd	53 120 364 356	100.0	100.0
Eureka Tiles Pty Ltd	82 074 202 592	100.0	100.0
Evans Brothers (Bricks) Pty Ltd	76 004 372 454	100.0	100.0
Evans Brothers Pty Ltd	51 004 096 137	100.0	100.0
Hallet Brick Pty Ltd	20 007 622 317	100.0	100.0
Hallet Roofing Services Pty Ltd	93 007 880 220	100.0	100.0
Horsley Park Holdings Pty Ltd	65 008 392 014	100.0	100.0
Hutton's Bricks (Manufacturers) Pty Ltd	58 009 477 463	100.0	100.0

NOTE 30: CONTROLLED ENTITIES (cont.)

(a) List of significant controlled entities (cont.)

Controlled entities incorporated in Australia	ABN / ACN	Parent Entity's Interest	
		2007 %	2006 %
International Brick & Tile Pty Ltd	31 003 281 123	100.0	100.0
J. Hallet & Son Pty Ltd	40 007 870 779	100.0	100.0
Metropolitan Brick Company Pty Ltd	13 008 666 840	100.0	100.0
Newthorpe Pty Ltd	34 111 744 640	100.0	50.0
N.R.T. Pty Ltd	22 004 047 849	100.0	100.0
Nubrik (NRT) Pty Ltd	18 000 041 485	100.0	100.0
Nubrik Concrete Masonry Pty Ltd	29 004 767 113	100.0	100.0
Nubrik Pty Ltd	59 004 028 559	100.0	100.0
Pilsley Investments Pty Ltd	70 008 768 330	100.0	100.0
Prestige Brick Pty Ltd	24 009 266 273	100.0	100.0
Prestige Equipment Pty Ltd	68 006 727 920	100.0	100.0
Ralph Brittain & Company Pty Ltd	61 009 687 709	100.0	100.0
Southern Bricks Pty Ltd	83 007 749 840	100.0	100.0
Team Securities Pty Ltd	65 005 079 167	100.0	100.0
Terra Timbers Pty Ltd	93 091 183 050	100.0	100.0
The Austral Brick Company Pty Ltd	52 000 005 550	100.0	100.0
Triffid Investments Pty Ltd	41 065 439 045	100.0	100.0
Visigoth Pty Ltd	72 076 286 710	100.0	100.0
Vitclay Pipes Pty Ltd	98 004 209 732	100.0	100.0
Warren Brick Company Pty Ltd	24 000 006 682	100.0	100.0

(b) Controlled entities acquired

During the year the Brickworks Group acquired the net assets and operations of four independent concrete masonry businesses located in Queensland. These businesses together form the new Austral Masonry (Qld) division. Details of the net assets acquired under these transactions are as follows:

	\$000
Cost of acquisition	
Cash paid	37,723
Direct costs relating to the acquisition	2,456
	<u>40,179</u>
Total payments made on acquisition	<u>40,179</u>
Net assets acquired	
Inventory	2,401
Receivables	150
Other assets	34
Property, plant & equipment	18,018
Investments in unlisted entities	214
Goodwill	19,785
Employee entitlements assumed	(423)
	<u>40,179</u>
Fair value of net assets acquired	<u>40,179</u>
Contribution to net profit before tax for the year	<u>3,748</u>

It is not practical to restate the revenue or profit of the combined entity for the period as if the acquisition date for these business combinations effected during the period had been at the beginning of the period, as the legal entities that had been operating those masonry businesses were not acquired, and the financial information of those entities provided to the Group to allow consideration of the purchase of those businesses is subject to signed confidentiality agreements. For the same reason it is not practical to disclose the carrying amounts of those assets immediately prior to the acquisition.

The acquisition of these businesses has resulted in the recognition of goodwill. The key factors contributing to the goodwill on these businesses are the strength of the companies acquired, due to their product ranges and exposure to growing markets, and the synergies presented from combining these similar businesses with the existing building product businesses within the Group.

NOTE 30: CONTROLLED ENTITIES (cont.)**(b) Controlled entities acquired (cont)**

On 22 December 2006 the Brickworks Group acquired the remaining 50% of Newthorpe Pty Ltd that it did not already own. Details of the net assets acquired under this transaction are as follows:

	\$000	\$000
Cost of acquisition		
Cash paid	306	
Direct costs relating to the acquisition	73	
	<u>379</u>	
Total payments made on acquisition	<u>379</u>	
	Fair Value	Acquiree's carrying amount
Net assets acquired		
Cash at bank	533	533
Inventory (land held for resale)	27,650	27,780
Receivables	25,777	25,564
Other assets	294	123
Deferred Tax Asset	-	73
Bank borrowings assumed	(47,017)	(47,017)
Loans to other entities	(5,751)	(5,751)
Deferred tax liability	(202)	-
	<u>1,284</u>	<u>1,305</u>
Fair value of net assets acquired	<u>1,284</u>	<u>1,305</u>
Investment already held	642	
Discount on acquisition	263	
	<u>379</u>	
Contribution to net profit before tax for year	<u>(3)</u>	

If the acquisition had taken place at the beginning of the period, the revenue for the group would have been \$558,936,000, and the profit before tax for the group would have been \$136,615,000.

(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 2007 financial year and relief was obtained from preparing a financial report for those subsidiaries under an ASIC instrument of relief under subsection 340(i) of the Corporations Act 2001. This new deed replaced a deed issued during the 2004 financial year. 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 to note 30(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. Amounts shown for 2007 represent the amended closed group, amounts shown for 2006 represent the previous closed group.

	CLOSED GROUP	
	31 JULY 07	31 JULY 06
	\$000	\$000
CONSOLIDATED INCOME STATEMENT		
Profit before income tax expense	131,663	201,400
Income tax expense	(27,148)	(60,119)
	<u>104,515</u>	<u>141,281</u>
Profit after income tax expense	<u>104,515</u>	<u>141,281</u>
RETAINED PROFITS		
Retained profits at the beginning of the year	474,105	426,268
Profit after income tax expense	104,515	99,497
Dividends paid	(38,688)	(33,460)
Share of associate's increase in equity interests of controlled entities	(1,988)	-
Share of associate's transfer to outside equity interests	(1,645)	-
Aggregate of amounts transferred to reserves	(7,477)	829
	<u>528,822</u>	<u>493,134</u>
Retained profits at the end of the year	<u>528,822</u>	<u>493,134</u>

NOTE 30 CONTROLLED ENTITIES (cont.)

(d) Closed group (cont.)

	CLOSED GROUP	
	31 JULY 07	31 JULY 06
	\$000	\$000
CONSOLIDATED BALANCE SHEET		
CURRENT ASSETS		
Cash assets	14,382	15,535
Receivables	95,264	86,651
Held for trading financial assets	87	91
Inventories	181,647	111,582
Prepayments	4,553	4,590
TOTAL CURRENT ASSETS	295,933	218,449
NON-CURRENT ASSETS		
Receivables	350	(23,284)
Other financial assets	10,000	39,528
Inventories	21,755	26,801
Derivative financial instruments	731	-
Investments accounted for using the equity method	681,520	584,213
Property, plant and equipment	535,184	499,020
Deferred tax assets	39,215	38,105
Intangibles	268,308	247,403
TOTAL NON-CURRENT ASSETS	1,557,063	1,411,786
TOTAL ASSETS	1,852,996	1,630,235
CURRENT LIABILITIES		
Payables	64,205	63,259
Interest-bearing liabilities	106,000	52,000
Current tax liabilities	8,335	13,165
Provisions	27,556	31,361
TOTAL CURRENT LIABILITIES	206,096	159,785
NON-CURRENT LIABILITIES		
Payables	7,973	24,129
Interest-bearing liabilities	414,225	323,269
Provisions	14,505	19,252
Deferred tax liabilities	155,715	135,290
Other non-current liabilities	240	1,320
TOTAL NON-CURRENT LIABILITIES	592,658	503,260
TOTAL LIABILITIES	798,754	663,045
NET ASSETS	1,054,242	967,190
EQUITY		
Contributed equity	145,426	146,387
Reserves	379,994	327,669
Retained profits	528,822	493,134
TOTAL EQUITY	1,054,242	967,190

NOTE 31: 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 6.07% (2006 5.60%).

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

The Brickworks group variable interest rate facility currently drawn to \$356.0 million (2006 \$212.0 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 6.41% (2006 5.99%).

(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 \$95.0 million over the next two years (2006 \$110.0 million over three years) as detailed below:

Settlement	2007	2006	2007	2006
	%	%	\$000	\$000
Less than 1 year	6.07	6.16	35,000	30,000
1 to 2 years	6.16	6.16	60,000	20,000
2 to 3 years	-	6.16	-	60,000
Total notional principal at balance date			<u>95,000</u>	<u>110,000</u>

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.

(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 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
Credit facilities	375,000	285,000	375,000	285,000
Amount utilised	<u>356,000</u>	<u>212,000</u>	<u>356,000</u>	<u>212,000</u>
Unused credit facility	<u>19,000</u>	<u>73,000</u>	<u>19,000</u>	<u>73,000</u>

NOTE 31: FINANCIAL INSTRUMENTS (cont.)

(f) Credit standby arrangements with banks (cont.)

A \$375.0 million variable interest rate facility, currently drawn to \$356.0 million (2006 \$212.0 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 2008 financial year (\$125.0 million) and 2009 financial year (\$250.0 million). Brickworks expects that the facility expiring during the 2008 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 2007 was \$1,295.3 million (2006 \$1,171.6 million).

CONSOLIDATED		PARENT ENTITY	
31 JULY 07	31 JULY 06	31 JULY 07	31 JULY 06
\$000	\$000	\$000	\$000

NOTE 32: CONTINGENT LIABILITIES

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

Bank guarantees issued in the ordinary course of business

14,401	14,760	9,888	9,348
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The Directors do not anticipate that any of the bank guarantees issued on behalf of the Group will be called upon.

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

NOTE 33: CAPITAL AND LEASING EXPENDITURE COMMITMENTS

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

Payable not later than one year	20,580	40,680	-	-
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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.

(b) Operating lease commitments

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

Payable	11,484	8,964	-	-
- not later than one year	4,200	2,184	-	-
- later than one year but not later than five years	7,284	6,317	-	-
- later than five years-	-	463	-	-
	11,484	8,964	-	-

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 34: EMPLOYEE SHARE PLANS

(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 2007, the Brickworks Employee Share Plans had 591 members taking part who owned a combined 730,578 shares or 0.55% of issued ordinary capital (2006 662 members, 662,452 shares, 0.50%). 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 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.

NOTE 34: EMPLOYEE SHARE PLANS (cont.)**(b) Equity-based compensation plans**

	Opening balance	Granted	Vested	Forfeited / Withdrawn	Closing Balance
Unvested					
Granted Aug 02	16,600	-	(11,991)	(4,609)	-
Granted Aug 03	31,943	-	(12,496)	(6,901)	12,546
Granted Sept 04	57,461	-	(16,439)	(8,069)	32,953
Granted Sept 05	140,707	-	(32,175)	(11,862)	96,670
Granted Sept 06	-	212,164	(31,288)	(8,084)	172,792
Total unvested	246,711	212,164	(104,389)	(39,525)	314,961
Vested	170,369	-	104,389	(65,331)	209,427
Total	417,080	212,164	-	(104,856)	524,388

The amount recognised in the Income Statement in relation to equity based compensation arrangements for the year ended 31 July 2007 was \$1,348,228 (2006 \$917,687).

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 2007 was \$2,827,264 (2006 \$2,042,724), based on the closing share price at 31 July 2007 (\$13.50 per share) (2006 \$11.99 per share). The fair value of shares granted during the period was \$2,457,472 (2006 \$2,096,000), based on the price paid for these shares when they were acquired on market.

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

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

NOTE 35: 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. Kublins	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 07	31 JULY 06	31 JULY 07	31 JULY 06
	\$000	\$000	\$000	\$000
Short term employee benefits	4,748	4,305	2,739	2,385
Post-employment benefits	264	242	154	143
Other long-term employee benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payment benefits	742	523	453	320
	5,754	5,070	3,346	2,848

NOTE 35: KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)

(c) Key management personnel remuneration (cont.)

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

	Held 31 July 2006	Granted as Remuneration	Net change Other	Shares Disposed of	Held 31 July 2007
ORDINARY SHARES					
Mr R. Millner	3,560,188	-	181,249	-	3,741,437
Mr M. Millner	3,546,688	-	170,000	-	3,716,688
Mr L. Partridge	92,310	34,181	51,000	(8,000)	169,491
Mr A. Bentley	22,840	-	-	-	22,840
Mr T. Fairfax	25,000	-	-	-	25,000
Mr D. Gilham	55,500	-	-	-	55,500
The Hon. R. Webster	14,213	-	-	-	14,213
PREFERENCE SHARES					
Mr M. Millner	300	-	-	-	300
Mr T. Fairfax	550	-	-	-	550
Mr D. Gilham	40,000	-	-	-	40,000

OTHER KEY MANAGEMENT PERSONNEL

	Held 31 July 2006	Granted as Remuneration	Net change Other	Shares Disposed of	Held 31 July 2007
ORDINARY SHARES					
Mr A. Payne	78,588	22,420	-	-	101,008
Mr D. Fitzharris	45,094	4,634	-	-	49,728
Mr D. Willmot	6,529	2,218	-	-	8,747
Mr P. Scott	23,440	18,972	-	(1,792)	40,620
Ms M. Kublins	26,017	13,592	-	-	39,609
Mr D. Millington	777	7,297	-	-	8,074
Mr I. Thompson	8,604	3,525	-	(100)	12,029

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 36: 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 9 (Receivables) and note 18 (Payables). The loans are unsecured, interest free and have no fixed terms for repayment.

Property transactions with various trusts (listed in note 28) which are jointly owned by the Brickworks Group and Goodman International Group. The sale of land held for resale by the Brickworks Group to these trusts resulted in revenue of \$32.9 million and profit of \$28.5 million. All transactions were at arms length values.

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 \$1.1 million (2006 \$0.7 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 37: EVENTS OCCURRING AFTER BALANCE DATE

On 24 September 2007 Brickworks announced the sale of its Eastwood, NSW site, currently under development by the Company, to AV Jennings Ltd. Proceeds on the sale are \$70 million including GST, with settlement occurring on a deferred basis from October 2007, as remediation works are completed over the next 2 years.

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 19 to 54, and the additional disclosures included in the Remuneration Report section of the Directors' Report designated as audited, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 July 2007 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 30 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 2007.

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

Dated 27 September 2007

R.D. MILLNER
Director

L.R. PARTRIDGE
Director

INDEPENDENT AUDIT REPORT TO MEMBERS OF BRICKWORKS LIMITED

We have audited the accompanying financial report of Brickworks Limited, which comprises the balance sheet as at 31 July 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 10 to 14 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referred to in the Directors' Report. 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 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 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
3. the remuneration disclosures that are contained on pages 10 to 14 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Graham Ezzy
Partner
Sydney

27 September 2007

SHAREHOLDER INFORMATION

ORDINARY SHARES AT 31 AUGUST 2007

Number of holders 3,030

Voting entitlement is one vote per fully paid ordinary share

% of total holdings by or on behalf of twenty largest shareholders 84.43%

Distribution of shareholdings:

1 - 1,000	1,126
1,001 - 5,000	1,214
5,001 - 10,000	316
10,000 - 100,000	330
100,001 and over	44
	3,030

Holdings of less than marketable parcel of 38 shares 8

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	16,245,133
Perennial Value Management Ltd	10,888,621
Permanent Trustee Company Ltd	7,111,550

20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 31 AUGUST 2007

	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>	10,803,641	8.14
3. National Nominees Ltd	5,914,790	4.46
4. J P Morgan Nominees Australia Ltd	5,812,319	4.38
5. HSBC Custody Nominees (Australia) Ltd	3,210,605	2.42
6. Cogent Nominees Pty Ltd	2,525,725	1.90
7. J S Millner Holdings Pty Ltd	2,480,928	1.87
8. Milton Corporation Ltd	2,019,580	1.52
9. RBC Dexia Investor Services Australia Nominees Pty Ltd <PIIC A/C>	1,983,849	1.50
10. Mr K. S. Baker & Mrs M. I. Baker	1,874,569	1.41
11. Citicorp Nominees Pty Ltd <CFSIL CWLTH AUST SHS 4 A/C>	1,693,937	1.28
12. Australian Foundation Investment Co. Ltd	1,477,970	1.11
13. Mr R D Millner & Mr M J Millner <est James S Millner A/C>	1,350,083	1.02
14. Citicorp Nominees Pty Ltd <CFSIL CWLTH AUST SHS 18 A/C>	1,104,900	0.83
15. Choiseul Investments Ltd	1,014,360	0.76
16. AMP Life Ltd	804,172	0.61
17. CPU Share Plans Pty Ltd	607,733	0.46
18. T G Millner Holdings Pty Ltd	597,300	0.45
19. Citicorp Nominees Pty Ltd	559,371	0.42
20. Argo Investments Ltd	554,960	0.42
	112,035,932	84.43

SHAREHOLDER INFORMATION

REDEEMABLE PREFERENCE SHARES (PAVERS) AT 31 AUGUST 2007

Number of holders 2,618

There are no voting rights attached to the redeemable preference shares

% of total holdings by or on behalf of twenty largest shareholders 52.67%

Distribution of shareholdings:

1 - 1,000	2,514
1,001 - 5,000	85
5,001 - 10,000	7
10,000 - 100,000	10
100,001 and over	2
	2,618

Holdings of less than marketable parcel of 5 shares Nil

20 LARGEST SHAREHOLDERS AS DISCLOSED ON THE SHARE REGISTER AS AT 31 AUGUST 2007

	Number of Shares	%
1. J P Morgan Nominees Australia Ltd	337,480	20.45
2. ANZ Nominees Ltd <Cash Income A/C>	134,729	8.17
3. Citicorp Nominees Pty Ltd <CFSIL CWLTH SPEC 5 A/C>	74,608	4.52
4. RBC Dexia Investor Services Australia Nominees Pty Ltd <JBENIP A/C>	74,350	4.51
5. Australian Foundation Investment Co. Ltd	70,000	4.24
6. Camelia Pty Ltd <The Gilham Family Trust>	40,000	2.42
7. M F Custodians Ltd	24,332	1.47
8. Australian Executor Trustees Ltd <No. 1 Account>	12,538	0.76
9. RBC Dexia Investor Services Australia Nominees Pty Ltd <MLCI A/C>	11,923	0.72
10. Milton Corporation Ltd	11,000	0.67
11. Sandhurst Trustees Ltd <AAMHYF A/C>	10,475	0.63
12. ANZ Trustees Ltd <franked income CF1 A/C>	10,351	0.63
13. Cogent Nominees Pty Ltd <SMP Accounts>	10,000	0.61
14. Sandhurst Trustees Ltd <MWHYF A/C>	8,825	0.53
15. Invia Custodian Pty Ltd <Wilson Invmt Fund Ltd A/C>	8,000	0.48
16. Baker Custodian Corporation	7,727	0.47
17. ANZ Trustees Ltd <Queensland Common Fund A/C>	6,768	0.41
18. ARGO Investments Ltd	6,000	0.36
19. D E C Investments Pty Ltd	5,275	0.32
20. Mr Edward Philip Telford Simpson	5,000	0.30
	869,381	52.67

TABLE OF IMPORTANT DATES

2007 Annual result released	27 September 2007
Record date for final ordinary dividend	16 November 2007
Record date for PAVERS dividend	16 November 2007
Annual General Meeting	27 November 2007
Payment date for final ordinary dividend	3 December 2007
Payment date for PAVERS dividend	3 December 2007
2008 half-year end	31 January 2008
2008 half-year result announced	27 March 2008
Record date for interim ordinary dividend	28 April 2008
Payment date for interim ordinary dividend	12 May 2008
Record date for PAVERS dividend	16 May 2008
Payment date for PAVERS dividend	2 June 2008
2008 financial year end	31 July 2008

The above dates are indicative only and are subject to change

