

21 October 2020

Australian Securities Exchange
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Brickworks 2020 Annual Report and Review of Results

Please see attached the following release on the above subject.

Authorised by

BRICKWORKS LIMITED



Susan Leppinus

Company Secretary

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ANNUAL REPORT
2020

BRICKWORKS

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**Park Chelsea
Apartments**
Glen-Gery Golden
Dawn, Bermuda Blue
and Toledo Grey
Washington, D.C.

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Five Year Summary



All revenue and earnings measures exclude significant items and discontinued operations unless otherwise stated

¹ This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.

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	2016 \$000	2017 \$000	2018 \$000	2019 \$000	2020 \$000	Growth %
Total revenue	707,646	803,397	785,238	918,695	953,404	4%
Earnings before interest and tax¹						
Building Products Australia	78,339	69,943	78,554	57,138	32,596	(43%)
Building Products North America	–	–	–	6,180	10,061	63%
Property	73,451	90,588	93,979	157,806	129,437	(18%)
Investments	59,559	103,097	123,498	103,725	50,771	(51%)
Head office and other expenses	(12,479)	(12,432)	(13,664)	(15,026)	(16,850)	(12%)
Total EBIT	198,870	251,196	282,367	309,823	206,015	(34%)
Total EBITDA	224,964	277,814	310,535	346,472	280,911	(19%)
Finance costs	(14,080)	(12,436)	(14,456)	(23,883)	(26,243)	(10%)
Income tax	(36,525)	(38,949)	(42,269)	(51,712)	(33,484)	35%
Underlying net profit after tax¹	148,265	199,811	225,642	234,228	146,288	(38%)
Significant items net of tax	(61,299)	(8,175)	(46,886)	(37,333)	169,103	
Discontinued operations net of tax (including significant items)	(8,776)	(5,426)	(3,314)	(42,253)	(16,508)	
Net profit after tax (including significant items and discontinued operations)	78,190	186,210	175,442	154,642	298,883	93%
Per share earnings and dividends						
Basic earnings per share (cents)	52.6	124.9	117.5	103.3	199.4	93%
Underlying earnings per share (cents) ¹	99.7	134.1	151.1	156.5	97.6	(38%)
Final dividend per share (cents)	32.0	34.0	36.0	38.0	39.0	3%
Total dividends per share (cents)	48.0	51.0	54.0	57.0	59.0	4%
Ratios						
Net tangible assets per share (\$)	10.96	11.77	12.42	13.28	14.08	6%
Statutory return on shareholders' equity	4.3%	9.5%	8.5%	7.1%	12.4%	74%
Underlying return on shareholders' equity ¹	8.1%	10.2%	10.9%	10.8%	6.1%	(44%)
Interest cover ratio (underlying)	14.6	17.1	18.1	17.9	8.1	(54%)
Gearing (net debt to equity)	14.6%	14.9%	14.7%	11.7%	18.9%	62%

All revenue and earnings measures exclude significant items and discontinued operations unless otherwise stated

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199.4¢

Basic earnings
per share

↑93%

39¢

Final dividend
per share

↑3%

59¢

Total full year dividend
per share

↑4%

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Chairman's Letter

On behalf of your Board of Directors, it gives me great pleasure to present Brickworks' Annual Report for the 2020 financial year. In a year marked by the challenges of the COVID-19 pandemic, I am pleased to report that our diversified portfolio of attractive assets has yet again delivered a strong and resilient performance.

Review of Financial Year 2020

2020 will long be remembered as a year unlike any other. As with all businesses, Brickworks has faced the challenges and uncertainties presented by the global COVID-19 pandemic. However, we must not forget the local impacts of the devastating bushfires over summer and the crippling drought on the east coast of Australia.

In the face of these immense challenges, I am proud of the response from Brickworks management and staff. First and foremost, the immediate actions taken to ensure the health, safety and well-being of our staff, customers and the public. Then, the subsequent reaction, in the face of the dynamic and unpredictable conditions, to ensure business continuity and uphold high levels of customer service.

In spite of these circumstances, it gives me pleasure to report that the Company has delivered a strong financial result. Brickworks reported a Statutory Net Profit After Tax (NPAT) of \$299 million, up 93% on the prior year.

The Statutory result included a significant one-off profit in relation to our shareholding in WHSP, triggered by the merger of its associate TPG with Vodafone.

After excluding the impact of this, and a range of other significant items and discontinued operations, the underlying NPAT was \$146 million, down 38% from the record result achieved in the prior year.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was \$281 million, down 19% on the prior year, and after depreciation, EBIT was \$206 million, down 34%.

Although underlying earnings were lower than the prior year, performance across most businesses was pleasing. Another strong contribution from Property was a key feature of the result. In addition, the Building Products businesses in Australia and the United States delivered strong operational performance, considering the significant disruption caused by COVID-19, and the associated impact on building activity.

Significant progress was made during the year on a number of key strategic initiatives. Our expansion into the United States has gathered momentum, with the completion of two further bolt-on acquisitions.

In August 2019 we completed the acquisition of Iowa based Sioux City Brick. This was followed in February by the acquisition of four manufacturing plants from Redland Brick.

These acquisitions will support our growth strategy in North America with both businesses being well established, with recognised brands and a strong reputation in the industry. We welcome the new employees that have joined Brickworks as part of these acquisitions.

In just two years we have built a brick business with significant scale and a leading market position in the North East of the United States. Whilst the COVID-19 pandemic has had a short-term impact, our North American operations provide the Group with additional diversification and strong prospects for growth over the long term.

As I mentioned, the contribution from Property was a highlight in 2020, and this was again driven by a significant increase in the value of our industrial property portfolio. Well-located industrial facilities, close to consumers are increasing in value, as they are now a key component in the supply chain solution of our customers.

A prime example of this trend is the pre-commitment for a 20-year lease that the Property Trust secured with Amazon in June.

The COVID-19 pandemic has only accelerated the trends towards online shopping, and as a result we expect demand to increase for our prime industrial assets. We have a long pipeline of land available for development in Western Sydney and are poised to benefit from these industry trends over the years to come.

Dividends and Capital Management

The Directors have declared a fully franked final dividend of 39 cents per share, up 3% on the prior year. This brings total dividends for the year to 59 cents per share, up 2 cents or 4%.

We are proud to be one of few ASX200 companies who have increased dividends to our shareholders during the pandemic and have not needed to raise equity or receive government support payments.

This is testament to our strong financial position, prudent capital management and our diversified business model. We know that many of our shareholders rely on this income stream, particularly during these difficult times.

Including this year's dividend increase, we have now maintained or increased dividends for the last 44 years.

We have taken the decision to introduce a partially underwritten dividend reinvestment plan for the full year dividend. This will provide existing shareholders with the opportunity to invest the dividend back into the Company, without incurring brokerage fees, and will also help to preserve the Company's liquidity position as we move through a period of significant investment and uncertainty around the global economic outlook.

At year end, our borrowing level remained conservative, with gearing of 19%, down from 21% at the end of the first half.

Board and Governance

Brickworks has a strong and stable Board that is committed to acting in the best interests of shareholders and ensuring that Brickworks is well positioned for future growth.

The Board regularly reviews its capabilities and composition to ensure an optimal mix of skills, knowledge, and experience to safeguard the continued and long-term success of the Company.

During the year we appointed two new independent non-executive directors.

Malcolm Bunday joined the Board on 1 October 2019. Malcolm has valuable experience as a managing director, with expertise in complex manufacturing operations in Australia and the United States, strategy, mergers and acquisitions and business portfolio management. His broad business knowledge, manufacturing experience and strong financial background will complement the Board's existing mix of skills and experience. Malcolm is Chair of the Board's Remuneration Committee, and a member of the Audit and Risk Committee, Independent Board Committee and the Nomination Committee.

We were also pleased to welcome Ms Robyn Stubbs, who commenced as a Director on 1 January 2020. Robyn's executive career spans 25 years in senior sales and marketing roles, including at two of Australia's largest property groups: Stockland and Lend Lease. Robyn is a member of the Board's Audit and Risk Committee, Independent Board Committee, Nomination Committee and the Remuneration Committee.

I would also like to take this opportunity to thank Brendan Crotty, who will retire at the upcoming Annual General Meeting and will not be seeking re-election. Brendan has served on the Board for 12 years, and in that time has made an invaluable contribution to the Company.

Following these appointments, and the retirement of Brendan, the Board will comprise seven directors, including four independent non-executive directors.

In Conclusion

Having now concluded the 2020 financial year, it is worth reflecting on the evolution of our Company since the turn of the century 20 years ago.

Back in 2000, Brickworks had just five brick plants, operating across two states - New South Wales and Queensland - in addition to its stake in WHSP. Total revenue was \$160 million and asset backing was around \$500 million.

Since then, Brickworks has grown significantly through active portfolio management, with major transactions including the acquisition of Bristile Limited in 2003, significant acquisitions in masonry and precast, a major investment in cement, the establishment and development of the Property Trust, major property sales such as Brookvale, Eastwood and Scoresby, and the recent entry into North America.



Henley Clays
Bowral Bricks Bowral 76
in Simmental Silver
Sydney, NSW

Today our Company has an attractive portfolio of assets including:

- ▶ A 39.4% stake in WHSP, worth over \$1.8 billion²;
- ▶ A 50% share in an industrial property trust with net value to Brickworks of more than \$700 million;
- ▶ Australia's leading brickmaker;
- ▶ Leading positions in a range of other building products in Australia; and
- ▶ The largest brickmaker in the north-eastern region of the United States.

In total, the Company is backed by inferred net asset value of \$3.0 billion³, and in 2020 we generated close to \$1 billion in revenue.

This diversified portfolio of attractive assets and our robust balance sheet provides us with the resilience to overcome any short-term challenges such as the ongoing uncertainty in relation to COVID-19.

Looking ahead, we believe the Company is well positioned for further growth. In particular, we will invest to meet the growing demand for prime industrial property, and we will continue to support our North American business as it pursues growth opportunities. In addition, we have exciting new plant investments underway within our Australian building products operations.

So, as you can see, we have achieved a lot in the past 20 years, and we are excited by the opportunities available for continued growth well into the future.

The continued strong performance of the Company is a credit to our staff. On behalf of the Board, I would like to thank all our staff and our executive management team for their ongoing efforts and commitment.

I would also like to thank my fellow directors and our shareholders for your continued support.

Robert Millner
Chairman

² As at 31 July 2020.

³ Inferred net assets comprise: Investments based on market value of BKW shareholding in SOL at 31 Jul 2020, Property based on BKW 50% share of net property trust assets, Building Products based on net tangible assets, offset by net debt.

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Darling Square
Bowral Bricks Bowral 76 and Special
Shapes in Bowral Blue and Austral
Bricks Burlesque in Indulgent
White & Special Shapes
Sydney, NSW

\$299m

Statutory NPAT

↑93%

\$146m

Underlying NPAT

↓38%

LTIFR 0.4

Lost Time Injury
Frequency Rate

↓76%

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Managing Director's Overview

In a tumultuous year headlined by the widespread disruption caused by the COVID-19 pandemic, it gives me pleasure to report that 2020 has been another successful year for Brickworks. Not only has the Company delivered a strong increase in statutory earnings, but we have also made significant progress on the implementation of a range of strategic initiatives to position the Company for long-term growth.

COVID-19 Response

As COVID-19 emerged early in the new year, it soon became evident that the spread of the virus would cause a significant impact across all aspects of society and change the way in which we live and work.

In those early stages, Brickworks acted swiftly to put in place procedures to protect our staff and ensure the well-being of all employees. Action was taken well in advance of government mandated requirements, including daily temperature checking for all staff, separation of work teams and quarantine measures for travelling staff.

The Company was already well-prepared prior to the pandemic, with most work sites being fully equipped with biomedical kits and other supplies, enabling the Company to quickly put in place the necessary procedures to protect staff, at a time when such supplies were otherwise difficult to source.

Advanced video-conferencing infrastructure set up at virtually all sites across Australia and the United States, and on all laptop computers, allowed for effective communication amongst the executive team as we responded to the evolving circumstances on a daily basis.

All operations across Australia and the United States continued, until Pennsylvania Governor Tom Wolf ordered the closure of non-life sustaining businesses, on 19 March. This resulted in the shut-down of manufacturing at our five plants in Pennsylvania, and we used this opportunity to accelerate plant rationalisation activities that were already planned in this state.

During the peak period of uncertainty throughout March and April, a number of decisive actions were taken, in anticipation of difficult conditions ahead. To preserve cash and control inventory, a number of additional plants across the network were taken offline. In addition, all non-contracted capital spend and non-essential expenditure was delayed.

Whilst we have experienced some disruption to our operations, particularly in the United States, we have also been re-assured by the response of Governments in both countries. We are thankful that the critical role of the construction sector in maintaining economic activity throughout the crisis has been recognised.

As I reflect on the current situation, the most significant impact on our Company is the way in which our teams interact at work. Ongoing travel restrictions mean that management communication remains online, and this is likely to remain the case for some time.

These fundamental changes to the way we work has the potential to impact our culture, which is built on collaboration and teamwork. Although not immediately obvious, this is one of the many challenges that large organisations face, in the wake of the COVID-19 pandemic.

The mental health of our employees is of paramount concern. At Brickworks, we have maintained flexible workplace arrangements to ensure we are able to accommodate a range of individual employee circumstances. Whilst we believe in the importance of

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Bangalley House
Austral Bricks San Selmo Corso in
Brenta Raw and Potenza Textured
Sydney, NSW

face to face interactions, and have put in place strict guidelines to allow this at all of our sites, we are also cognisant of situations where this may not be suitable, such as when our employees are caring for elderly or vulnerable family members.

The travel restrictions also present challenges in managing ongoing capital projects, with the mobility of engineering crews significantly impacted. In some locations, such as where specialised engineering crews are required to service machinery, these restrictions are making it extremely difficult to keep our manufacturing plants operational.

It is now time for governments to be unified and put in place practical measures that allow the safe movement of personnel for critical work-related travel. This is essential in order to maintain industry, support the economy and ultimately preserve the employment and livelihood of many Australians.

Emerging stronger from the pandemic

During the past six months we have been proactive in accelerating several exciting initiatives across the Group to position the Company to emerge stronger following the pandemic.

Within the Property Trust, infrastructure and development work has continued at pace, in order to meet strong tenant demand.

In late October we will hold the biggest product launch event in our Company's history, with an exciting range of innovative new bricks, roof tiles and masonry products.

We are transforming the way we interact with our customers, with a new pilot "Supercentre" retail/trade concept being developed, and a new ERP system currently being rolled out. In addition, we have revamped our online and digital interfaces and launched a dedicated architectural news channel.

During the pandemic, we have taken the opportunity to complete an extensive training program across the Company, using online channels.

I am also pleased to say that after initially pausing a number of capital projects to preserve cash during the peak period of uncertainty, we have now re-initiated our capital program, where we have mobility and availability of engineering crews. This capital program is the largest in our Company's history and includes major plant upgrades in the United States, and new masonry and brick plants in Sydney.

BRICKWORKS

BUILDING PRODUCTS

Australia

\$33m

Segment EBIT

↓ **43%**

North America

\$10m

Segment EBIT

↑ **63%**

PROPERTY

\$129m

Segment EBIT

↓ **18%**

INVESTMENTS

\$51m

Segment EBIT

↓ **51%**

During the past six months, we have completed significant planned restructuring and efficiency improvement activities across our Building Products businesses. This resulted in 150 redundancies. In addition, around 50 redundancies (less than 3% of our workforce) can be attributed to cost reduction initiatives in response to the onset of the COVID-19 pandemic.

Safety

At Brickworks, we believe there is no task that is so important we can't take the time to find a safe way to do it.

We continue to make steady progress in reducing the number of workplace injuries. In 2020, the workplace injury rate in our Australian operations reduced again, with just one lost time injury recorded across our workforce. This represents a record low of 0.4 lost time injuries per million hours worked.

The injury rates in our acquired United States operations are considerably higher than Australia. As such, we have invested significant time and resources into behavioural safety leadership training and incorporated key health and safety programs across this business. Although this has helped to reduce injury rates in the United States, there remains more work to do in order to ensure our core value of creating a "Sustainably Safe" workplace is embedded and reflected across all our operations.

We will not be satisfied until we have achieved our ultimate goal of zero harm across the business.

Building Products Australia

Building Products Australia recorded an EBITDA from continuing operations of \$91 million in 2020. After including depreciation, EBIT was \$33 million, down by 43% on the prior year.

Despite the lower earnings, operational performance across most divisions was encouraging, given the challenges associated with the COVID-19 pandemic, and the headwinds due to declining market activity.

Austral Bricks earnings on the east coast proved particularly resilient, with improved earnings recorded in Queensland, South Australia and Tasmania.

In Western Australia production was reduced to one plant at Bellevue. With building activity now at 30-year lows in this state, the industry remains in a state of flux amidst excess capacity and widespread corporate restructuring activity.

Bristle Roofing earnings were down, impacted by the decrease in detached house construction activity and strong competition, particularly in Queensland.

Austral Precast and Austral Masonry earnings were also lower, with both having a high exposure to the steep declines in multi-residential markets in New South Wales and Queensland.

The Southern Cross Cement plant in Brisbane was commissioned during the year and we are very pleased with the current performance of this facility.

Building Products North America

In February, Brickworks completed the acquisition of assets from Redland Brick. This marked the Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

Our strategic focus on the architectural brick market in the north-eastern region of the US provides us with a differentiated position compared to other major players. We are now well established as the leading player in this region, incorporating major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore,

Pittsburgh, Columbus, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

Building Products North America delivered EBIT of \$10 million for financial year 2020, up 63% on the prior year. EBITDA was \$27 million, an increase of 122%.

The uplift reflects the benefit of a full year of operation (vs around 8 months in the prior year), and the benefits of the recent acquisitions.

However, operations in the United States were more significantly impacted by the COVID-19 pandemic compared to Australia, with sales activity across a number of states being restricted for various periods during the second half.

As I have mentioned, we used this opportunity to accelerate plant rationalisation activities that were already planned in Pennsylvania, with the closure of the Bigler plant and conversion of the York plant to premium handmade product only.

These rationalisation activities followed plant closures earlier in the year at Redfield and Cushwa, and have resulted in significant efficiency improvements, driving lower unit costs at our operating plants.

Major plant improvement projects were completed at Iberia during the year and remain ongoing at Hanley.

Another key priority for the United States business is our investment in marketing and branding. The team has made great progress in developing new premium products, integrating brands and developing promotional material during the year. We also look forward to soon opening new design studios in New York and Philadelphia.

Property

Property delivered another stellar result in 2020, generating EBIT of \$129 million.

Property Trust earnings were again strong. Unlike some other property sectors, industrial real estate has been particularly resilient throughout the COVID-19 pandemic. This is reflected in Property Trust rent collections which have experienced negligible rental arrears or deferments. For the year, net trust income increased by 15% to \$30 million.

All Property Trust assets were revalued during the year and this resulted in another strong revaluation profit of \$53 million. In addition, a development profit on the completion of facilities at Oakdale South contributed \$25 million in earnings.

A major highlight for the year was securing a lease pre-commitment for 20 years with Amazon at the Property Trust's Oakdale West Estate in Western Sydney. This is the second major pre-commitment secured at this site, following the announcement of Coles Group in January 2019.

Amazon is well known around the world as a symbol of the accelerating trend to online shopping. As such, securing this tenancy demonstrates how Brickworks is well positioned to benefit from the ongoing e-commerce revolution, with our

facilities playing a pivotal role in helping our customers meet the supply chain needs of this new economy.

We are also excited by the design of the facility, which responds to the increasing need for technology and innovation from our customers. This project will deliver profit during the development phase and further rental income for the Property Trust once complete.

Investments

Brickworks holds a 39.4% stake in WHSP, and this investment is a core asset of Brickworks that has brought diversity and reliable earnings to the Company for more than 40 years.

Our investment in WHSP provides a cash flow stream via dividends that allows long-term strategic decision making by sheltering the business during cyclical downturns. In total, cash dividends of \$56 million were received during the year.

EBIT from Investments was down 51% to \$51 million in 2020, with WHSP earnings adversely impacted by a lower contribution from New Hope Corporation.

In addition, WHSP related items contributed a non-regular profit of \$244 million (after tax) during the year. This primarily relates to the completion of the merger of TPG Telecom and Vodafone in June, resulting in a change in accounting treatment of WHSP's investment in TPG.

Group Outlook

The outlook varies across each of our divisions.

Within Building Products Australia, orders and sales have increased in September across most businesses, reflecting the various government stimulus measures in place. Feedback from builders suggests that the pipeline of orders is building across the country.

Indeed, with a combination of state and federal incentives directed at housing, and the opportunity to utilise funds from superannuation, there is currently a unique opportunity for first home buyers to invest. As such, there is a possibility that we may see stronger than expected building activity across much of the country over the next 6-12 months.

That said, as the largest detached housing markets in Australia, the performance of Melbourne and Sydney will be critical to the overall health of the sector.

Prior to the stage four restrictions in Melbourne, builders were reporting strong sales and customer traffic through display homes. However, the re-introduction of restrictions has impacted consumer sentiment and slowed the pace of construction activity. As such, an extension of housing incentives in Victoria is essential to increase the chances of a broad-based recovery.

In Sydney, we expect the stimulus to be less effective, with higher land prices making the grant payments less attractive. In regional New South Wales, where housing is less expensive, demand is expected to remain robust.



Easthampton High School
Redland Brick Red Matt and Tangerine Matt
Easthampton, Massachusetts

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In May we received development approval for a new \$125 million face brick plant at Horsley Park in NSW. Site preparations are underway, with construction of this plant to commence in financial year 2021. Upon completion, this facility will be the most advanced brick facility ever built, placing Austral Bricks New South Wales in a very strong competitive position.

In North America, the bolt-on acquisitions completed during financial year 2020 have strengthened our leadership position in the architecturally focussed Midwest and Northeast regions of the United States.

The COVID-19 pandemic has impacted short-term demand and may continue to cause rolling delays across the network for some time. However, the pandemic has also accelerated our plant rationalisation activities. The improved efficiency and cost reductions delivered by this rationalisation program, together with plant upgrades to enhance performance, is expected to deliver strong performance as building conditions normalise post the pandemic.

We also expect that construction and housing sectors will emerge as one of the stronger and more resilient sectors in both the United States and Australia and play an important role in the post COVID-19 recovery.

Turning to Property, activity within the Trust remains strong, with the completion of developments at Oakdale to drive growth in rent and asset value over the next few years.

The first stage of development at Oakdale East, including the construction of the \$75 million Austral Masonry plant, is expected to be completed during financial year 2021.

At Oakdale West, infrastructure works are well advanced, and construction of the Coles and Amazon facilities has commenced.

Post completion of these facilities, the gross assets held within the various JV Trust assets across Western Sydney and Brisbane is expected to exceed \$3 billion, with sufficient remaining land to provide at least a further five-year development pipeline.

Interest from potential new tenants is strong, with discussions well underway with a number of parties in relation to leasing opportunities within the Property Trust.

As always, Property earnings will depend on the timing of development activity and land sale transactions, and the extent of any revaluations.

We are confident that WHSP will continue to deliver a stable and growing stream of earnings and dividends over the long term.

Our People

The last six months has been an extremely challenging period, and we are fortunate to have a strong team of capable managers across Australia and North America to oversee our business during this time.

I would like to acknowledge all staff at Brickworks, who have remained positive and committed. We now have almost 2,000 employees, and it is their energy and dedication that will continue to drive our success. I am extremely proud to lead a team of such outstanding people.

I would also like to take this opportunity to thank the Board of Directors and the executive team who have provided steadfast support and guidance as we navigate these unprecedented times.

Lindsay Partridge AM
Managing Director

\$454m

Net debt

↑79%

19%

Gearing
(net debt/equity)

↑62%

\$281m

Total EBITDA¹

↓19%

\$206m

Total EBIT¹

↓34%

\$75m

Cashflow from
operating activities

↓39%

¹ This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.

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Financial

Overview

Highlights

- ▶ **Statutory NPAT** including significant items, up 93% to \$299 million
- ▶ **Underlying NPAT from continuing operations** before significant items, down 38% to \$146 million
- ▶ **Underlying EBIT from continuing operations** before significant items, down 34% to \$206 million (EBITDA \$281 million)
 - ▶ **Building Products Australia EBIT** down 43% to \$33 million (EBITDA \$91 million)
 - ▶ **Building Products North America EBIT** up 63% to \$10 million (EBITDA \$27 million)
 - ▶ **Property EBIT** down 18% to \$129 million, net Property Trust assets up \$94 million
 - ▶ **Investments EBIT** down 51% to \$51 million, BKW share of WHSP market value \$1.844 billion at 31 July 2020
- ▶ **Operating cashflow** down 39% to \$75 million
- ▶ **Gearing** (net debt/equity) of 19%, net debt \$454 million
- ▶ **Total shareholder's equity** up \$237 million since 31 July 2019, to \$2.404 billion
- ▶ **Final dividend** of 39 cents fully franked, up 1 cent or 3% (Record date 15 October 2020, payment date 25 November 2020)
- ▶ **Total full year dividend** of 59 cents fully franked, up 2 cents or 4%
- ▶ **Dividend Reinvestment Plan** introduced (to be partially underwritten)

Earnings⁴

Brickworks posted a statutory Net Profit After Tax (**NPAT**) from continuing operations of \$299 million for the year ended 31 July 2020, up 93% on the prior year.

After excluding discontinued operations and the impact of significant items, **Underlying NPAT** was down 38% to \$146 million.

Underlying earnings before interest, tax and depreciation (**EBITDA**) from continuing operations was \$281 million, down 19% on the prior year. After depreciation, **EBIT** was \$206 million, down 34%.

On revenue of \$687 million, **Building Products Australia** EBIT was \$33 million, down 43% on the prior year (EBITDA was \$91 million). Demand was resilient throughout the year, despite the impact of the COVID-19 pandemic. In response to

the uncertainty caused by the pandemic, several unplanned shutdowns across the plant network were implemented in March and April to prevent stock build. This followed planned shutdowns at major brick kilns in the first half in order to complete significant upgrades and maintenance work.

Building Products North America contributed an EBIT of \$10 million⁵ (EBITDA \$27 million). Revenue more than doubled to \$230 million, with the initial entry into the United States having been completed part way through the prior year. In addition, two bolt-on acquisitions were completed during financial year 2020. Integration of the new businesses has been successfully completed over the past six months and operational performance of the business has been encouraging.

4 Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 Group EBIT is \$201 million, and Group EBITDA is \$247 million. There is no significant impact on NPAT.

5 All revenue and earnings figures for US operations are reported in A\$.

Property EBIT was \$129 million, driven by another strong performance from the 50/50 joint venture property trust with the Goodman Group (“Property Trust”). Brickworks share of the net asset value within the Property Trust increased by \$94 million during the year, and now stands at \$727 million. The increasing value of the Property Trust assets reflects a wider structural change across the economy, as companies modernise their supply chains in response to consumer preferences, such as online shopping.

Investments EBIT was down 51% to \$51 million, primarily due to the impact of lower coal prices on earnings from New Hope Corporation.

Total **borrowing costs** were up 10% to \$26 million, including \$4 million in interest costs on leases being recognised due to AASB 16. Excluding this impact, borrowing costs were marginally lower. Underlying **interest cover** finished the year at a conservative 8.1 times.

Underlying **income tax** from continuing operations decreased 35% to \$33 million for the year, due to the lower earnings from the combined Building Products and Property Groups.

Significant items increased NPAT from continuing operations by \$169 million for the year, and included the following:

- ▶ A \$317 million profit in relation to WHSP significant items. This primarily relates to a one-off profit triggered by the merger of its associate TPG with Vodafone, resulting in a change in accounting treatment of this investment.
- ▶ A \$73 million cost arising from the net impact of the income tax expense in respect of the equity accounted WHSP profit, offset by the impact of fully franked WHSP dividend income, adjusted for the movements in the franking account and the circular dividend impact.
- ▶ A non-cash impairment of \$32 million (net of tax), primarily in relation to property, plant and equipment in the Australian Building Products business, in accordance with AASB 136. This also includes an impairment of plant and equipment within Building Products North America, following the post-acquisition rationalisation activities.
- ▶ Restructuring costs of \$29 million (net of tax), primarily in relation to stock write-downs and redundancy costs associated with plant closures and rationalisation activities in the Australian and North American Building Products



Dogwoodtrot House
Glen-Gery Vintage Black
Fayetteville, AR

divisions. In North America, the plant closures reflect the post-acquisition rationalisation of facilities to deliver improved efficiency. In Australia, the closures are primarily in response to decreased building activity and also includes payments in relation to a take-or-pay gas contract in Western Australia.

- ▶ COVID-19 related costs of \$10 million, reflecting primarily the unabsorbed fixed costs related to the temporary closure of plants in response to the COVID-19 pandemic.
- ▶ Transaction costs of \$13 million, primarily in relation to the acquisitions of Sioux City Brick and Redland Brick assets. This is offset by a \$4 million gain on a “bargain purchase”, recognised upon the Sioux City Brick acquisition, representing the excess fair value of net assets compared to the purchase price.
- ▶ A \$5 million income tax benefit related to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in the United States.

Significant Items	Gross \$m	Tax \$m	Net \$m
Significant items relating to WHSP	317	–	317
Income tax from the carrying value of WHSP		(73)	(73)
Asset impairment	(46)	14	(32)
Restructuring activities	(41)	12	(29)
COVID-19 costs	(10)	–	(10)
Acquisition costs, net of “bargain purchase”	(9)	–	(9)
Tax benefit in relation to the CARES Act in the USA		5	5
Total (Continuing Operations)	211	(42)	169



Cash Flow

Total **cash flow from operating activities** was \$75 million, down from \$123 million in the prior year. This decrease in cash generation is primarily due to the payment of \$54 million in tax on the December 2018 sale of 7.9 million WHSP shares and lower Building Products Australia earnings.

Capital expenditure was \$104 million during the year, significantly higher than previous years, with the company midway through several major projects. These projects include the deployment of a new enterprise resource planning (ERP) system across Australia and the United States, a new masonry plant at Oakdale East in New South Wales, and upgrades to brick plants at Golden Grove in South Australia, Iberia in Ohio and Hanley in Pennsylvania.

Balance Sheet

Total interest-bearing debt was \$641 million at 31 July 2020. After including cash on hand, **net debt** at the end of the year was \$454 million, an increase of \$201 million for the 12-month period, but a decrease of \$8 million compared to 31 January 2020. The increase in debt over the year is due largely to a number of significant cash payments including the completion payment for the Sioux City Brick acquisition (A\$47 million), the up-front payment in relation to the Redland Brick acquisition (A\$51 million) and the \$54 million tax payment in relation to the WHSP share sale.

Gearing (net debt to equity) was 19% at 31 July 2020, up from 12% at 31 July 2019, but less than the 21% gearing recorded at the end of the first half.

Net **working capital** was \$405 million at 31 July 2020, including finished goods inventory of \$218 million, up significantly due to the Sioux City Brick and Redland Brick acquisitions (\$50 million impact). Excluding the impact of these acquisitions, finished goods inventory in continuing operations was down \$21 million during the year, with a significant number of plants offline for various periods to preserve cash.

Net tangible assets per share was \$14.08 at 31 July 2020, up from \$13.28 at 31 July 2019 and total shareholders' equity was up \$237 million to \$2.404 billion.

Dividends

Directors declared a fully franked final **dividend** of 39 cents per share for the year ended 31 July 2020, up 3% from 38 cents. Together with the interim dividend of 20 cents per share, this brings the total dividends paid for the year to 59 cents per share, up 2 cents or 4% on the prior year.

A Dividend Reinvestment Plan ("DRP") will be offered to shareholders for the first time. WHSP will not participate in the DRP.

The final dividend will be partially underwritten for an amount of \$20 million (representing approximately 34% of the total dividend). Brickworks has taken the decision to partially underwrite this dividend to help preserve liquidity as the Company moves through a period of significant capital investment and uncertainty around the global economic outlook.

Wegmans Hall – University of Rochester
Glen-Gery Facebrick 53-DD
Rochester, New York

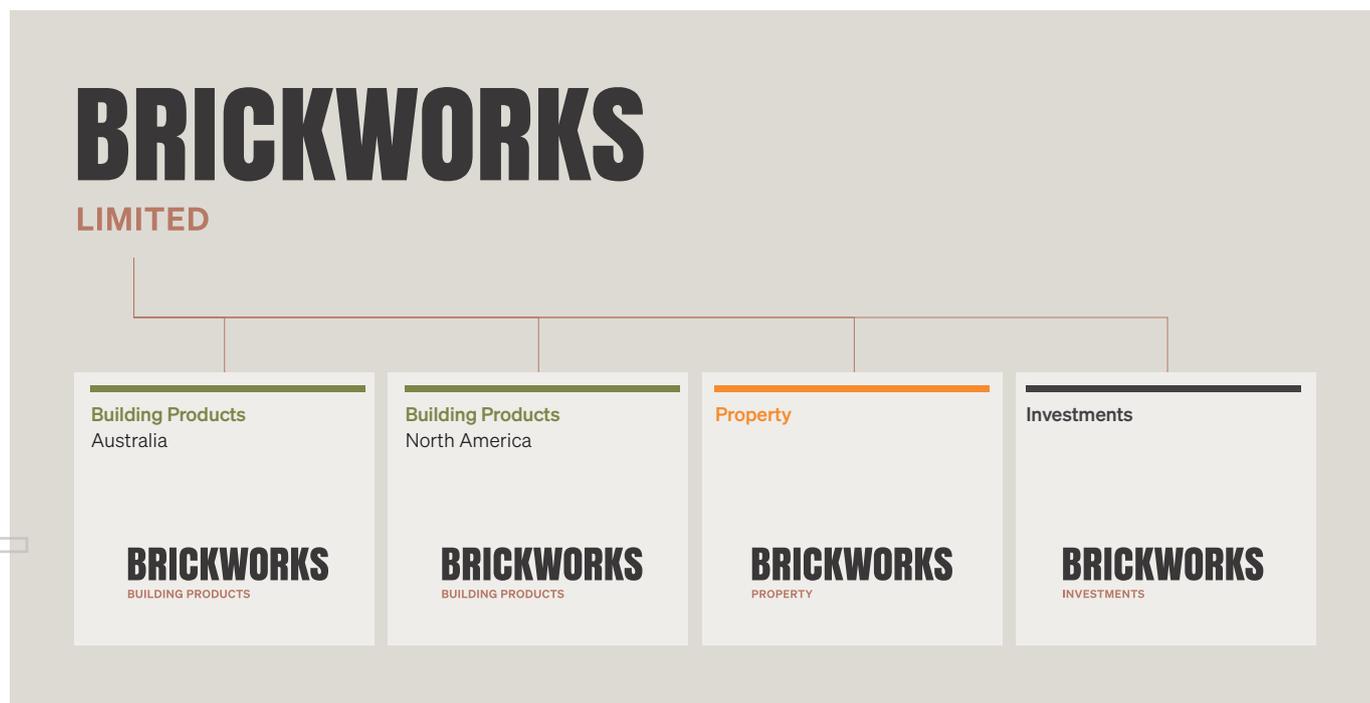
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Group

Structure

Brickworks has a diversified corporate structure that has delivered stability of earnings over the long term. There are four divisions within the Brickworks Group structure:



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Building Products Australia

Building Products Australia is a leading manufacturer and distributor of building products across all Australian states. Since 2002, the Building Products Group has grown from a two-state brick manufacturer, in New South Wales and Queensland, to a diversified national building products business.

In total Building Products Australia comprises 29 manufacturing sites and more than 40 design centres and design studios across the country. This is complemented by an extensive reseller network that includes over 100 additional displays.

The portfolio includes:

- ▶ **Austral Bricks:** Australia's largest clay brick manufacturer with significant market positions in every state
- ▶ **Austral Masonry:** Australia's second largest masonry manufacturer with operations in all major states
- ▶ **Bristile Roofing:** A "full service" roofing supplier with a strong presence in all major states, offering supply and install tiles (concrete or terracotta), metal roofing and fascia and guttering
- ▶ **Austral Precast:** A leading precast walling supplier, with a focus on high value, differentiated products

Building Products North America

Building Products North America was established upon the acquisition of Glen-Gery in November 2018. This was followed by further bolt-on acquisitions of Sioux City Brick in August 2019 and Redland Brick assets in February 2020.

Brickworks North America now has a leading position in the Midwest, Northeast and Mid-Atlantic states, and has a strong focus on architectural and premium products.

It has 10 brick plants and one manufactured stone plant, 11 company operated distribution outlets and a vast reseller network.

Property

The Property division was established to maximise the value of land that is surplus to the Building Products business. Operational land that becomes surplus to the business needs is transferred to the Property division where it is assessed for optimum land use. In some cases, land is rezoned to residential and sold. Alternatively, the land is rezoned industrial and transferred into the Property Trust for development.



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

The Property Trust was established in 2005, for the specific purpose of capturing the initial valuation uplift from re-zoning and then benefitting from the long-term value appreciation and the stable, growing annuity style income stream derived from the developed assets.

Given the prime location of Brickworks land assets, the value creation opportunity through rezoning, development, and ongoing capital gains was foreseen at the inception of the Trust and was a key strategic rationale for its creation.

Over the past decade it has grown significantly and now has a total asset value of over \$2 billion. After including debt, Brickworks 50% share of the Property Trust has an equity value of \$727 million.

In addition to the Property Trust, the Company holds around 3,600 hectares of operational land and 330 hectares of development land in Australia, and 3,200 hectares of operational land in the United States.

Investments

Investments consists primarily of a 39.4% interest in Washington H. Soul Pattinson, an ASX listed company (ASX: SOL) with market capitalisation of \$4.679 billion as at 31 July 2020 (market value of Brickworks share \$1.844 billion).

WHSP is a diversified investment house with a portfolio encompassing many industries including its traditional field of pharmaceuticals, as well as mining, building materials, property investment, telecommunications, financial services and other equity investments.

This strategic investment in WHSP dates back to 1969 and delivers a stable dividend stream that provides Brickworks with security to weather periods of weaker building products demand.

The investment has also delivered strong long-term returns to shareholders.

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Building Products

Australia

Market conditions

Total dwelling commencements for Australia were down 12% to 173,037 for the twelve months ended 30 June 2020.

In detached housing, where Brickworks' products have the greatest exposure, commencements were down 9%.

The downturn continues to be more severe in the multi-residential segment, with a decline of 15% for the 12 months to June 2020 following a 23% decrease in the prior year.

New South Wales (including ACT) experienced the largest fall in detached house commencements, down 22%, with the multi-residential segment also falling by a similar amount.

Queensland also experienced a sharp fall in activity. The decline in the multi-residential segment has been particularly severe in recent times, having now fallen around 63% from the peak level just 4 years ago.

The decrease in **Victoria** was relatively modest, with a 2% reduction in detached houses and a 5% decline in multi-residential activity.

Weakness in **Western Australia** persisted during the year, with both detached houses and other residential activity continuing to decline. Building activity in this state is now down by over 55% in the past five years, and at the lowest level since 1991.

In contrast to the residential construction downturn, the value of approvals in the non-residential sector in Australia increased by 10% to \$50.9 billion for the twelve months to 31 July 2020. Within the non-residential sector, commercial building approvals increased by 5% to \$17.2 billion for the period and industrial building approvals decreased 3% to \$7.4 billion. The educational sub-sector, an important driver for bricks and masonry demand, was up 6% to \$8.1 billion.

AUSTRALIA



EXCLUSIVE DISTRIBUTOR

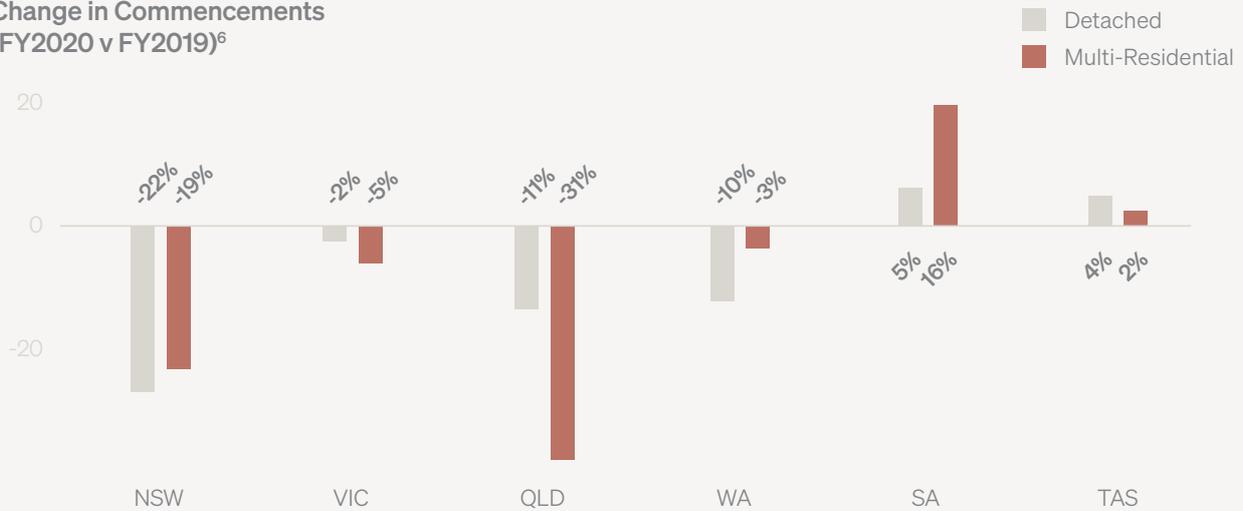


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Notre Dame College Science Centre
Terracade TN Glazed in Whitehaven
Shepparton, VIC

Change in Commencements
(FY2020 v FY2019)⁶



Revenue from continuing operations for the year ended 31 July 2020 was down 9% to \$687 million, compared to \$755 million for the prior year. An increase in revenue in Austral Masonry was offset by lower revenue in Austral Bricks, Bristle Roofing and Austral Precast.

EBIT from continuing operations was \$33 million, down 43% on the prior year, and **EBITDA** was \$91 million. When compared to the prior year, the new accounting treatment for leases (AASB 16) resulted in \$4 million uplift to EBIT and a \$30 million uplift to EBITDA.

EBIT of \$23 million was achieved in the second half, despite the impact of the COVID-19 pandemic, that adversely impacted market activity and prompted a number of unplanned plant shutdowns during March and April to prevent stock build.

Offsetting these impacts, the transition to wholesale gas supply on the east coast from 1 January 2020 resulted in significant cost savings vs the prior corresponding period. Strong operational performance across most plants, and increasing prices, also supported higher margins in the second half.



⁶ Source: HIA Housing Forecast, August 2020. Figures shown are for the 12 months ended in June.

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Building Products Australia

Revenue by State and location map

Export
\$4m



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Overview of FY2020 Results

Year Ended July	2019 \$m	2020 ⁷ \$m	Change %
Revenue	755	687	(9%)
EBITDA	88	91	3%
EBIT	57	33	(43%)
EBITDA margin	12%	13%	13%
EBIT margin	8%	5%	(37%)

Barton Street
GB Masonry Honed
and Breeze Blocks
in Porcelain
Melbourne, VIC



7 Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 EBIT is \$28 million, and EBITDA is \$61 million.

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Building Products Australia

Highlights

\$687m

Revenue

↓9%

1,181

Full Time Employees

↓20%

LTIFR 0.4

Safety

↓76%

Revenue by division

Austral Bricks

\$396m ↓8%

Austral Masonry

\$123m ↑4%

Bristle Roofing

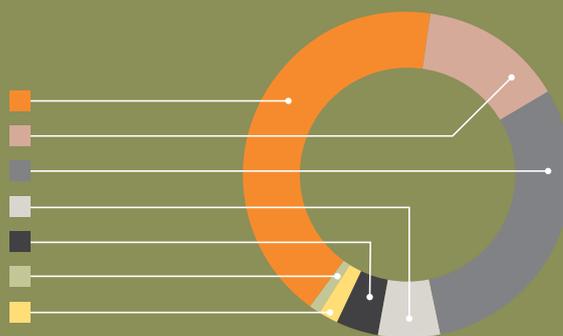
\$113m ↓14%

Austral Precast

\$52m ↓33%

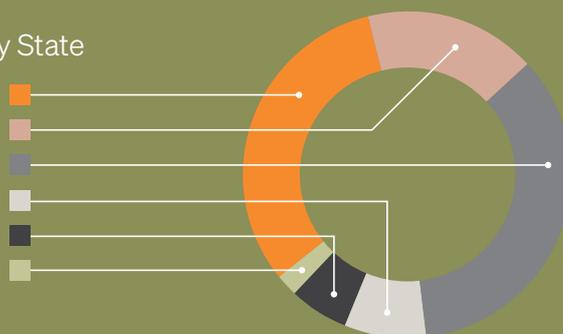
Revenue by State

NSW	42%
QLD	14%
VIC	30%
WA	6%
SA	4%
TAS	2%
Export	1%



Commencements by State

NSW	32%
QLD	17%
VIC	35%
WA	8%
SA	6%
TAS	2%





Austral Bricks

Austral Bricks earnings declined 19% for the 12 months ended 31 July 2020, with sales revenue down 8% to \$396 million.

The performance of Austral Bricks on the east coast was resilient, considering the impact of plant shutdowns and the reduction in detached house building activity, which flowed through to similar declines in sales volume.

The plant shutdowns included significant periods offline for various works at major kilns such as Wollert West in Victoria, Plant 3 at Horsley Park in New South Wales and Rochedale in Queensland.

The upgrade works in Queensland have been fully commissioned, with performance of the Rochedale plant exceeding expectations, particularly in regard to fuel efficiency and quality.

In New South Wales, one kiln at Horsley Park Plant 3 has been mothballed longer term as planned, to preserve cash and reduce inventory build as we move through the current downturn in activity.

Whilst these plant shutdowns had a significant negative impact on earnings in the first half, they will provide improved production reliability over the medium and longer term.

Performance in Queensland, South Australia and Tasmania was particularly strong, with each of these states delivering increased earnings in financial year 2020.

Conditions remained very challenging in Western Australia, with sales volume and margins declining further on the prior year. Production was reduced to one plant at Bellevue to control inventory levels, and manufacturing costs were adversely impacted as a result. With building activity now at 30-year lows in Western Australia, the industry remains in a state of flux amidst excess capacity and widespread corporate restructuring activity.

In May, Austral Bricks received development approval for a new \$125 million face brick plant at Horsley Park in NSW. This plant will be the most advanced brick making facility in the world, incorporating a high output JC Steele 120 extruder that will drive industry leading production efficiency. Construction of this facility was initially delayed due to the uncertainty in relation to the COVID-19 pandemic, however site preparation work is now underway.

Revenue

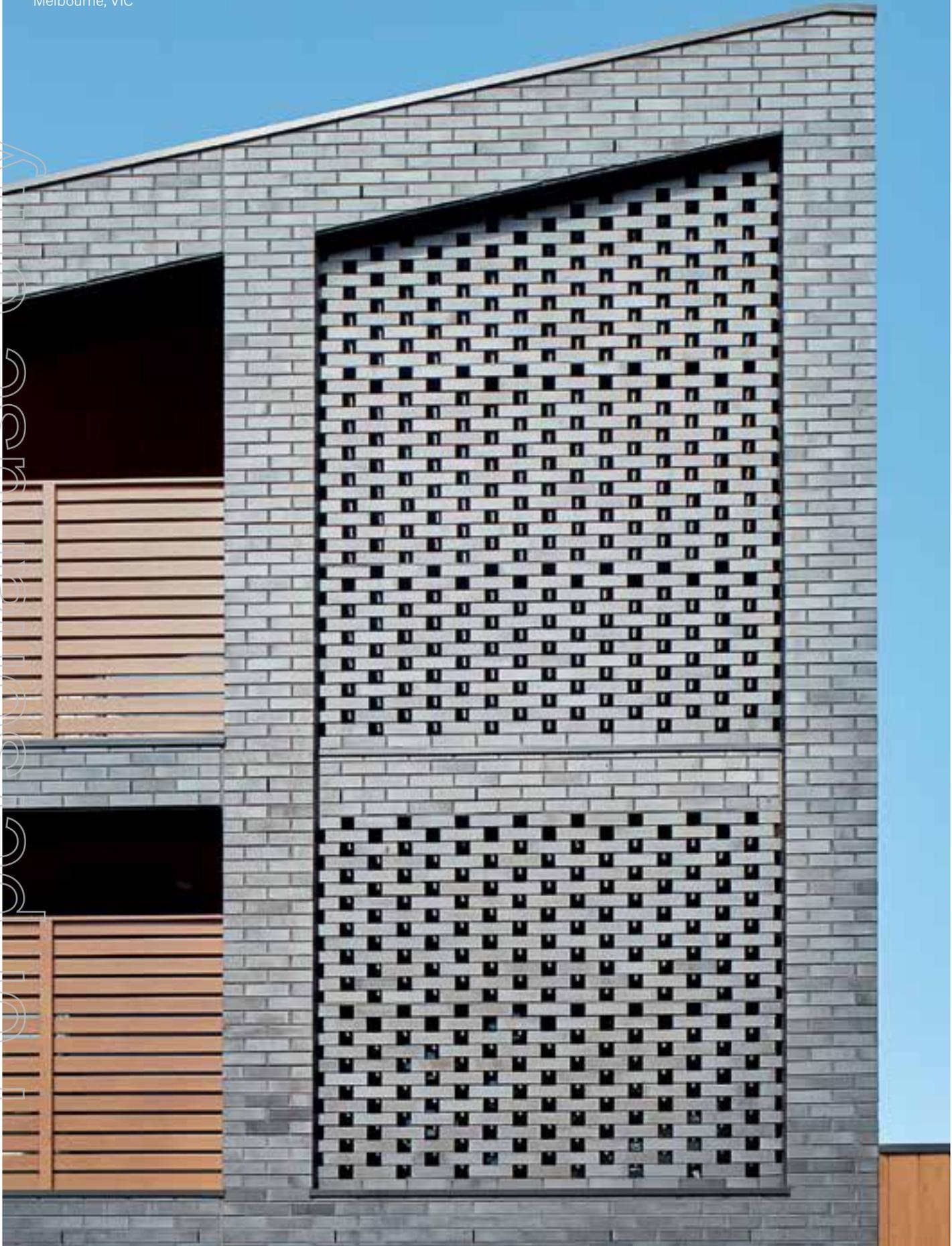
\$396m

↓8%

\$406m
\$414m
\$447m
\$428m
\$396m

2016
2017
2018
2019
2020

Hawthorn Townhouses
Austral Bricks La Paloma in Azul
Melbourne, VIC





Austral Masonry

Austral Masonry earnings were lower, despite a 4% increase in sales revenue to \$123 million for the year.

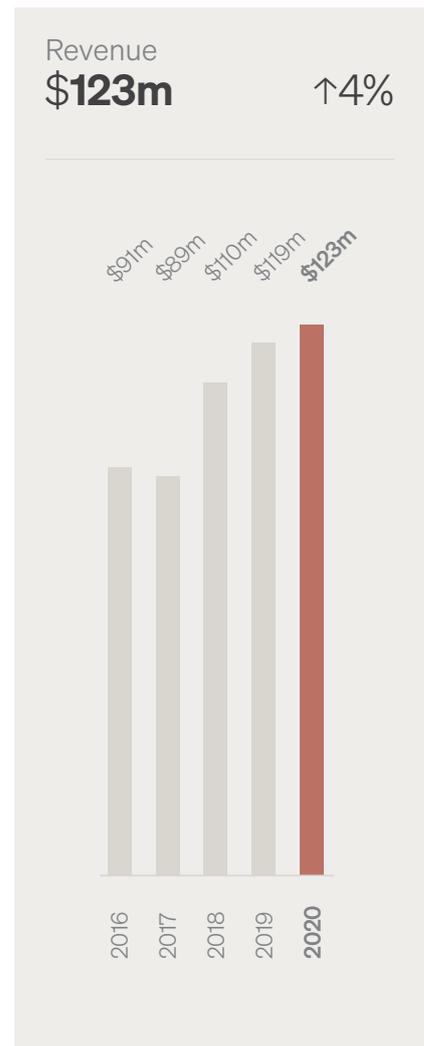
A strong result was delivered by the ACP business (acquired May 2019), a leading concrete sleeper retaining wall manufacturer, based in Brisbane. This acquisition has provided immediate market leadership in a fast-growing product category, and Austral Masonry's nationwide distribution network has provided opportunities to expand sales into new regions.

Excluding ACP sales, revenue was down 5%, on a like-for-like basis, due primarily to the slowdown in apartment construction along the east coast.

Earnings in New South Wales were relatively steady, with increased sales of higher margin block, retaining wall and paving products offsetting a decline in commodity grey block sales.

Queensland earnings were hard hit by the sharp decline in apartment construction in south east Queensland, which flowed through to a decline in grey block demand.

In New South Wales, work is well underway on the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East. This plant is expected to be commissioned late in financial year 2021 and will place Austral Masonry in a strong competitive position with an expanded product range and lower manufacturing cost than the current operation.



Palm Springs
GB Masonry Honed
and Breeze Blocks
in Porcelain
WA



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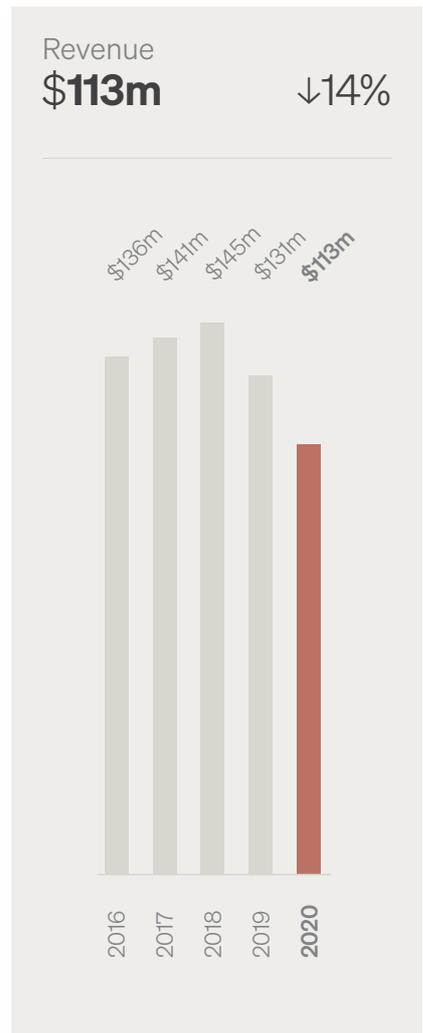
Bristile Roofing

Bristile Roofing earnings were down on the prior year, with a 14% decrease in revenue to \$113 million for the year.

This includes sales from the Fyshwick roof tile batten mill, operating as the newly branded “Capital Battens”, following the sale of Auswest Timbers hardwood assets.

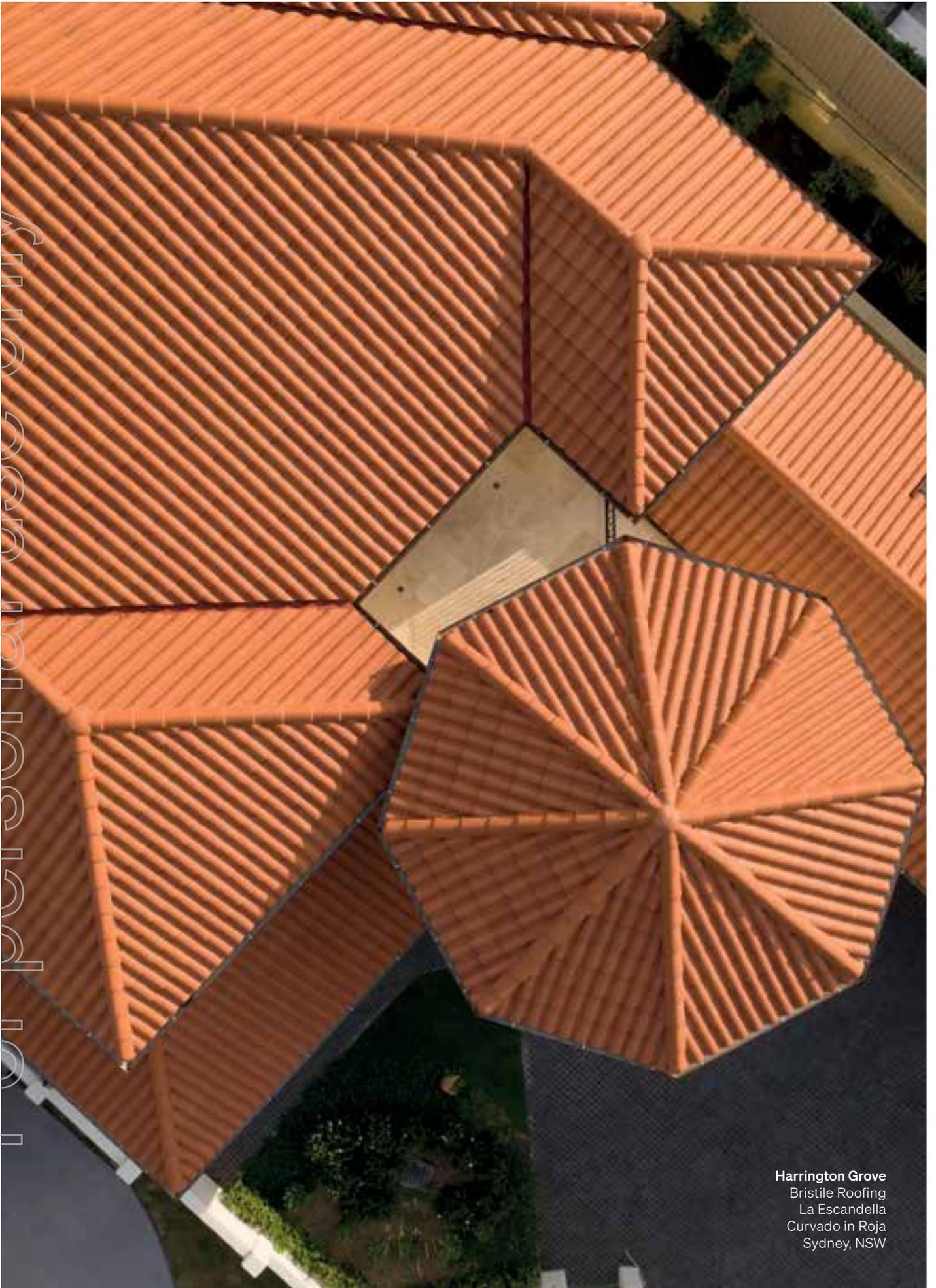
Sales across all major east coast markets were lower, on the back of the reduced detached house construction activity, and margins were impacted by strong competition, particularly in Queensland. In contrast to the overall trend, there was continued strong demand for imported terracotta tiles from La Escandella in Spain.

Despite the catastrophic impact of the summer bushfires and the subsequent disruption to supply of feedstock, Capital Battens revenue was relatively steady, with the mill operating at close to capacity for the year.



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Harrington Grove
Bristle Roofing
La Escandella
Curvado in Roja
Sydney, NSW



Austral Precast

Austral Precast earnings were down on the prior year, with revenue decreasing 33% to \$52 million.

The decrease in revenue was particularly severe in Queensland and Western Australia, where demand has rapidly deteriorated over the past 12 months. The impact of lower demand has been compounded by intense competition in these markets, as manufacturers compete for the limited work available.

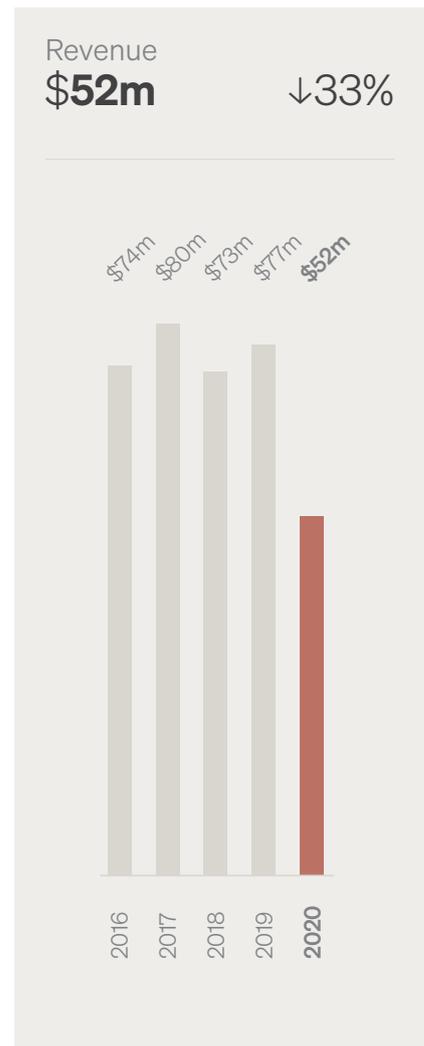
Following a strategic review, management determined that continued operation in Queensland and Western Australia was unlikely to deliver satisfactory returns over the long term. As such, an orderly exit from these operations was completed during the second half. Manufacturing operations in these states have ceased with the last remaining panels scheduled for supply to customers over the next few weeks.

By contrast, Austral Precast's prospects in New South Wales remain strong, benefitting from a more attractive market, and a highly automated manufacturing plant capable of efficiently producing differentiated products.

In this state demand was resilient throughout the year, despite the decrease in building activity. This is largely due to this market benefiting from the greater usage of precast panels in industrial projects (compared to markets such as Brisbane with a higher prevalence of tilt-up concrete) and demand from major government infrastructure projects.

"Double Wall" was also launched during the year, a cost effective permanent structural framework that offers significant advantages over alternative systems. The market response to this product has been extremely strong, with sales gathering momentum throughout the year as engineers, architects and builders became increasingly familiar with the applications and benefits of the product.

Austral Precast is the only supplier of this product in the market and is now taking orders for projects all along the eastern seaboard.





Flour Mill
Austral Precast Concrete Panels
Sydney, NSW



Southern Cross Cement

Southern Cross Cement is a Joint Venture company owned by Brickworks (33% interest), the Neilsen Group and the Neumann Group.

Southern Cross Cement is now providing quality, cost effective cement to Austral Masonry and Bristle Roofing operations in Brisbane, as well as to other Joint Venture shareholders. This follows the completion of construction and commissioning of the terminal during the second half.

Having now unloaded six ships, we are confident that Southern Cross Cement has the lowest cost position, and the lowest capital invested, of all south-east Queensland suppliers.



Building Products

North America

Market Leading Position Established

In February, Brickworks completed the acquisition of assets from Redland Brick. This marked the Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

These acquisitions followed a thorough strategic review that identified the US brick industry as an attractive long-term growth opportunity for Brickworks. Importantly, the market entry into the US has been disciplined and methodical, with each acquisition being of appropriate scale, at a sensible price and undertaken in a staged manner to manage risk and resourcing requirements.

A business of significant scale has quickly been established, with Brickworks North America now having a portfolio of well recognised, premium brands and a market leadership position in key states across the Northeast, Midwest and Mid-Atlantic regions.

This region incorporates major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

In many cases, building covenants are in place, mandating the use of brick, in order to maintain the heritage of the region. In other cases, Glen-Gery bricks are specified, in the construction of buildings such as schools, hospitals and retail outlets. As an example, a large order was received during the year to refurbish the Chrysler Building in New York City, using bricks from the Hanley Plant. Bricks for this building were first supplied from the same plant in the 1930s.

Brickworks product mix reflects the traditional building styles of the region, with higher margin architectural products into the non-residential and multi-residential segments making up around 65% of sales. This compares to the wider US brick industry, where sales into these sectors make up less than 30% of the total.

Glen-Gery has a network of ten operational brick plants capable of producing specialty moulded, handmade and glazed bricks, in addition to a full range of the more common extruded bricks.

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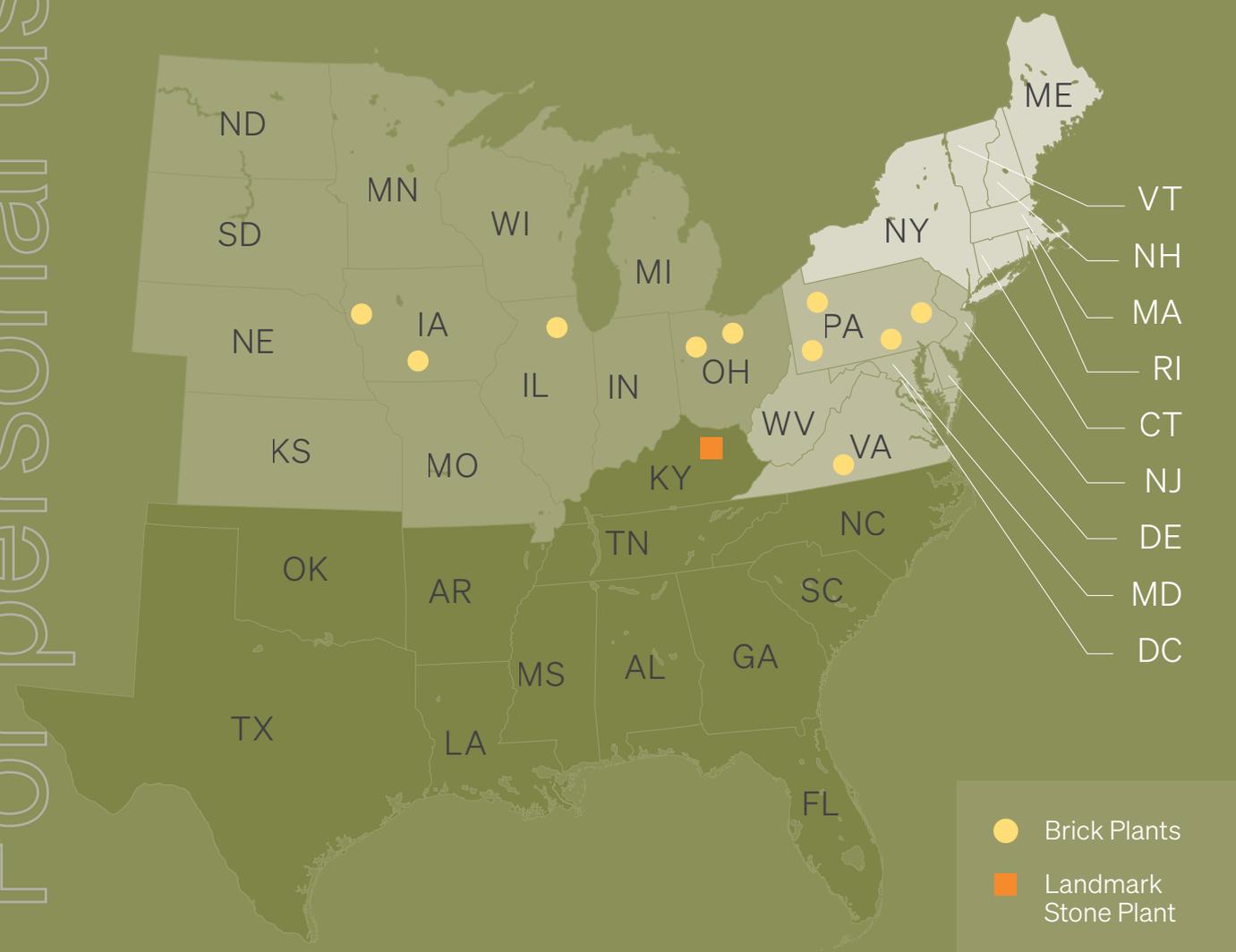
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Sioux City Brick
Since 1913

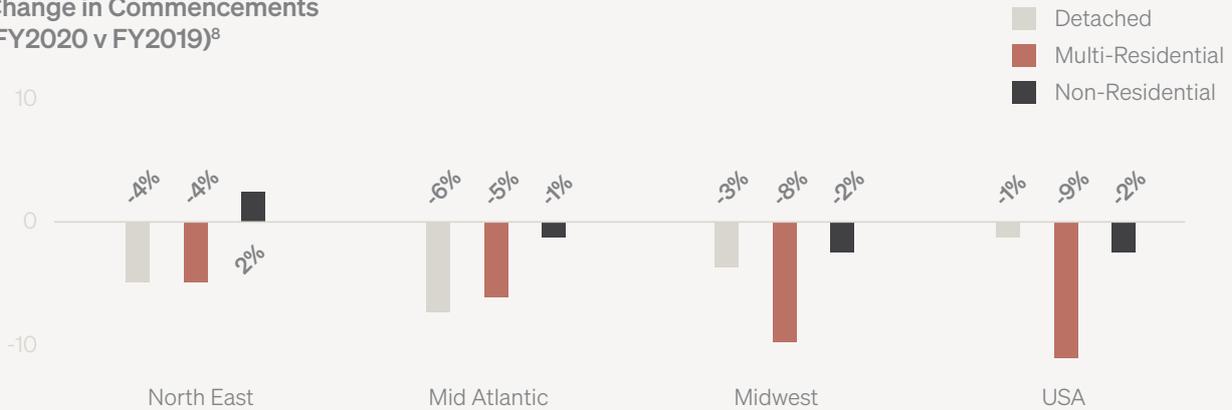
Lawrenceville
BRICK

Cushwa
BRICK

Location map



Change in Commencements
(FY2020 v FY2019)⁸



Market Conditions

After a relatively steady first half, construction activity in the United States was adversely impacted by the onset of the COVID-19 pandemic in the second half. For the full year, detached housing construction spend was down 1%, multi-residential spend down 9% and non-residential spend down 2%.

In the key Glen-Gery regions, non-residential and multi-residential spend fared better than the average across the United States, however detached housing spend was lower.

In the North-East region, non-residential spend was up slightly, however this was offset by residential spend, down 4%.

Across the Mid-Atlantic region, non-residential spend was relatively steady, and residential spend was down around 5%.

Multi-residential activity was down 8% in the Midwest, with the other building segments experiencing relatively mild declines.

Building Products North America delivered a strong result, considering the significant disruption caused by COVID-19 in the second half.

Sales revenue for the year was \$230 million. This includes around 6 months operation of the acquired Redland Brick plants and 11 months operation of the Sioux City Brick plants.

Prior to the onset of the COVID-19 pandemic, demand was particularly strong in the North-East region, underpinned by commercial and residential projects in New York City and surrounding areas such as Philadelphia, Cleveland, Baltimore and Washington.



⁸ Source: Dodge Analytics USA Building Starts Forecast – May 2020. Figures shown are for the 12 months ended in June.

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Building Products North America

Highlights

\$230m

Revenue

↑91%

777

Full Time Employees

↑26%

LTIFR 4.2

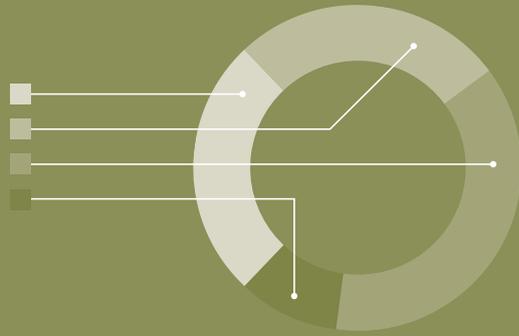
Safety

↓45%

Revenue by Region

- North East
- Mid Atlantic
- Mid West
- Other

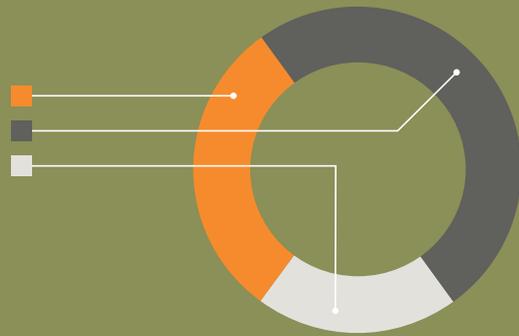
- 26%
- 27%
- 37%
- 10%



Revenue by End Market

- Detached House
- Non Residential
- Multi Residential

- 30%
- 50%
- 20%



Overview of FY2020 Results

Year Ended July	2019 (~8 months) \$m	2020 ¹⁰ \$m	Change %
Revenue (US\$)	80	155	94%
EBITDA (US\$)	8	18	125%
EBIT (US\$)	4	7	75%
Revenue (A\$) ⁹	121	230	91%
EBITDA (A\$) ⁹	12	27	122%
EBIT (A\$)⁹	6	10	63%
EBITDA margin	10%	12%	17%
EBIT margin	5%	4%	(15%)



Brickworks Design Studio
Philadelphia, PA

From March onwards, demand was patchy across the various regions, as the severity of the pandemic hit regions at different times and various local and state government restrictions were intermittently imposed.

EBITDA for the year was \$27 million and EBIT was \$10 million. Second half EBITDA of \$14 million was achieved in spite of the significant disruption to sales and operations during this period.

The imposition of COVID-19 restrictions in Pennsylvania prompted the acceleration of already planned plant closures in this state. In March, the Bigler plant was permanently closed, and the York plant was reduced to one kiln, producing premium handmade bricks.

These closures were part of a methodical plant rationalisation program that has been implemented over the past 18 months, resulting in a current operating footprint of 10 brick plants, and an increase in plant utilisation to almost 80% (from around 50%). This smaller network of more efficient, modern plants also offers production flexibility, with three facilities having mothballed kilns with additional capacity. This production flexibility has long been an important competitive advantage in our Australian operations and is critical to meet market cycles and fluctuations in demand.

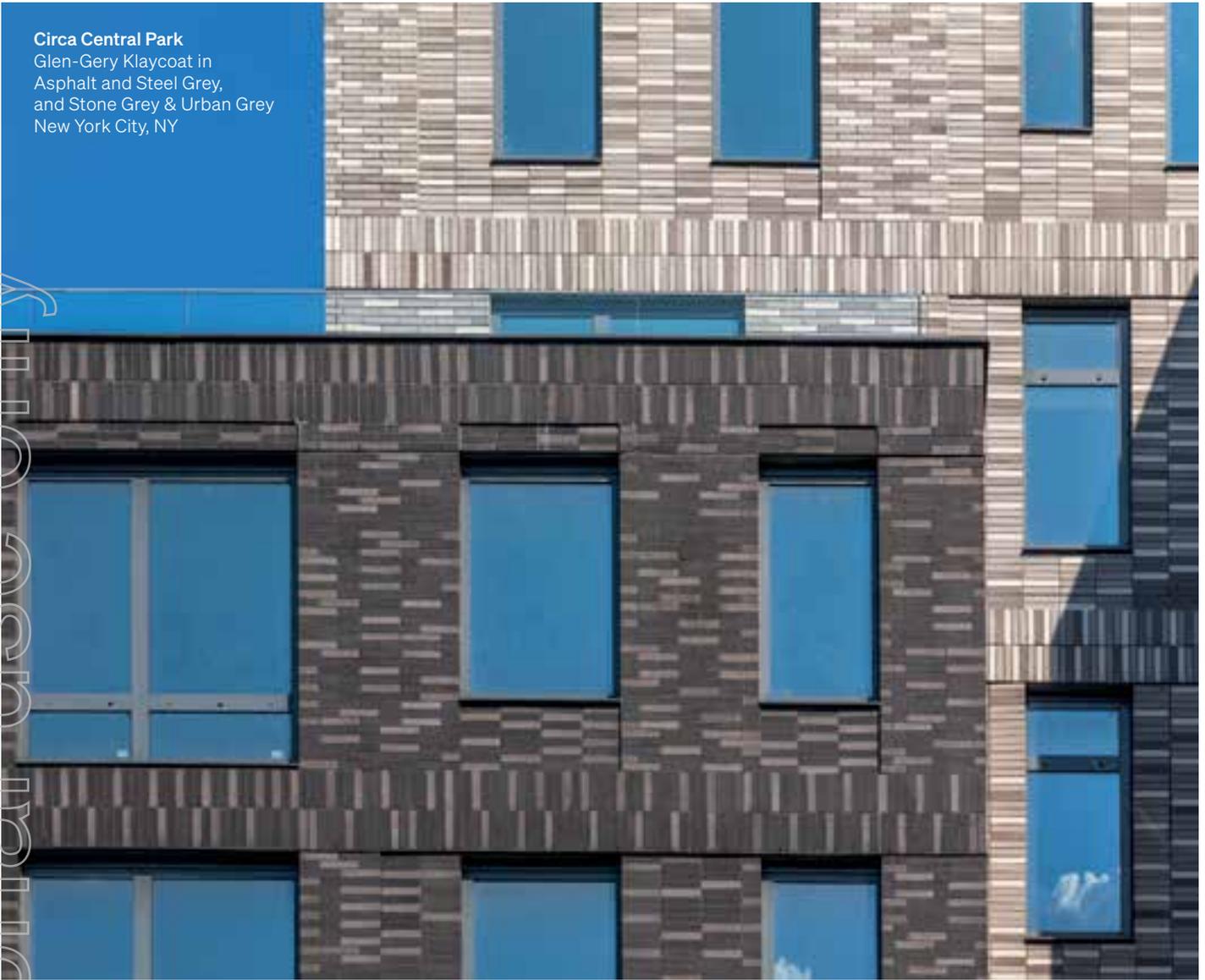
In addition to the benefits of increased utilisation, these plant rationalisation activities have allowed for a more focussed capital spend program.

9 An average exchange rate for each half year period is used to convert from US\$ to A\$. The conversion rates used are: 1H20 US\$0.68; 2H20 US\$0.66; 1H19 US\$0.72; 2H19 US\$0.70.

10 Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 EBIT is A\$10 million (no significant change), and EBITDA is A\$23 million.

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Circa Central Park
Glen-Gery Klaycoat in
Asphalt and Steel Grey,
and Stone Grey & Urban Grey
New York City, NY



The installation of a new extruder at Iberia (Ohio) was completed during the period and will support increased efficiency and an expanded product range going forward. In addition, significant upgrade works are ongoing at the Hanley plant (Pennsylvania).

These initiatives contributed to significant unit cost reductions compared to the prior year. A particularly strong operational performance was achieved at Marseilles (Illinois) and Hanley, with these plants benefitting from an engineering team 'blitz', including a comprehensive review of operations and subsequent completion of a range of minor upgrades to plant and equipment. Unfortunately, with the mobility of the engineering team restricted in the second half due to COVID-19, similar initiatives at other plants have been delayed.

With finished goods stock at elevated levels upon the acquisitions, a strong focus on inventory reduction saw a destock of 33 million bricks during the year. Along with a reduction in debtor days, this drove strong cash generation from operating activities.

In addition to the pleasing operational performance, significant progress has been made on post-acquisition integration activities and other key strategic initiatives.

Acquired businesses have been fully integrated onto upgraded IT infrastructure, with systems enhanced to deliver improved management reporting. In addition, some changes to the organisational structure have been implemented as a result of the increasing size and scale of the business.

These changes include a dedicated pricing team to drive new revenue opportunities and roll-out new pricing policies and procedures. In addition, a new business development team and wall systems division has been established, both targeting the high value architectural segment.

Supporting this strategy, design studios in central Philadelphia and New York City are under construction and will open in financial year 2021.

Property

Property delivered an EBIT before significant items of \$129 million for the year ended 31 July 2020, down 18% from the record result in the prior year. The decrease in earnings is primarily due to lower contributions from land sales and revaluations within the Property Trust.

Overview of FY2020 Result

Year Ended July	2019 \$m	2020 \$m	Change %
Net Trust Income	26	30	15%
Revaluation of properties	70	53	(24%)
Development Profit	19	25	29%
Sale of assets	12	0	(100%)
Property Trust	127	108	(15%)
Land Sales	35	26	(26%)
Property Admin and Other	(4)	(4)	-
Total	158	129	(18%)

Property delivered an EBIT before significant items of \$129 million for the year ended 31 July 2020, down 18% from the record result in the prior year. The decrease in earnings is primarily due to lower contributions from land sales and revaluations within the Property Trust.

The Property Trust delivered another strong result, generating an EBIT of \$108 million.

Net Property Income was up by 15% to \$30 million for the year. This reflects the rental contribution from three new facilities at Oakdale South and rent increases across the balance of the portfolio. Whilst a small number of rental concessions were

provided to tenants due to the COVID-19 pandemic, the portfolio proved resilient through this difficult period.

A revaluation profit of \$53 million was generated, reflecting a 25 to 50 basis point compression across the portfolio, as a result of the annual independent valuation process completed in the first half. This continued capitalisation rate compression over many years has crystallised the value that the Property Trust was specifically set-up to capture.

The current Property Trust value is well supported by comparable recent sales in the area, and reflects the strong demand for well-located prime industrial property.

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Progress on Oakdale West, NSW

A development profit on the completion of the Linfox facility at Oakdale South contributed an additional \$25 million in earnings.

In addition, a \$26 million profit was generated from land sales, with the major transaction during the period being the sale of Oakdale East into the Property Trust.

Property administration expenses totalled \$4 million, in line with the prior year. These expenses include holding costs such as rates and taxes on properties awaiting development.

Property Trust Asset Value

As at 31 July 2020, the total value of leased assets held within the Property Trust was \$1.663 billion. The entire Property Trust portfolio consists of “A-grade” facilities, each less than 10 years old, with long lease terms and stable tenants. The annualised gross rent generated from the Property Trust is \$85 million, and the average capitalisation rate is 5.0%. There are currently two vacancies within the portfolio, the largest being 15,700m² at Oakdale South which is the balance of the facility constructed for Linfox.

Including a further \$397 million in land to be developed, the total value of assets held within the Property Trust was \$2.060 billion at the end of the year. The land to be developed increased as a result of the acquisition of Oakdale East Stage 1.

Borrowings of \$605 million are held within the Property Trust, giving a total net asset value of \$1.455 billion. Brickworks’ 50% share of net asset value was \$727 million, up \$94 million during the year.

The continued growth in value allowed the Property Trust to release \$70 million in capital during the year (Brickworks share \$35 million), whilst maintaining gearing at a conservative 36%.

The total return on leased assets was 16% for the year, including a rental return of 6% and revaluation return of 10%.

Property Trust – Leased Properties

Estate	Asset Value \$m	Gross Lettable Area '000m ²	Gross Rental \$m/year	WALE ¹¹ years	Capitalisation Rate %
M7 Hub	162	64	8	1.4	5.1%
Interlink	441	192	24	2.4	5.0%
Oakdale Central	597	245	30	4.8	4.9%
Oakdale South	265	111	13	8.0	4.9%
Rochedale	198	96	10	11.3	5.3%
Total	1,663	708	85	5.0	5.0%

Property Trust Asset Value

Year Ended July	2019 \$m	2020 \$m	Change %
Leased properties	1,411	1,663	18%
Land to be developed	345	397	15%
Total Property Trust assets	1,756	2,060	17%
Borrowings on leased assets	(490)	(606)	24%
Net Property Trust assets	1,266	1,455	15%
Brickworks 50% share	633	727	15%
Rental return on leased assets ¹²	6%	6%	–
Reval. return on leased assets ¹³	15%	10%	(33%)
Total return on leased assets	21%	16%	(24%)
Gearing on leased assets ¹⁴	35%	36%	3%

Property Trust – Development Pipeline

The continuing strong demand for industrial land reflects structural changes across the industry, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

The COVID-19 pandemic has accelerated behavioural changes amongst the community, with an even greater uptake of on-line shopping, and this is likely to further accelerate current trends and the demand for industrial warehouse space.

This is driving an evolution towards more sophisticated and specialised facilities, incorporating features such as robotics, automation, cold-storage and multi-storey warehousing.

The development of these advanced facilities will become a critical competitive advantage for many businesses in the new economy and will continue to support the increasing value of prime industrial land.

The Property Trust is ideally placed to take advantage of these trends, with well-located prime industrial land on large lot sizes.

As a prime example, in July 2020 the Property Trust announced the pre-commitment of Amazon to a 53,500m² base floor area high bay facility at the **Oakdale West** Estate (total floor area of 190,000m²). This, together with the 66,000m² Coles facility, results in the Oakdale West Estate being 38% pre-committed.

¹¹ Weighted average lease expiry by income.

¹² Based on Net Trust Income, divided by Brickworks share of leased properties less associated borrowings.

¹³ As above, but using revaluation profit.

¹⁴ Borrowings on leased assets/total leased assets.

Briggs & Stratton Development, Oakdale South, NSW



With infrastructure works expected to be completed in early 2021, the Estate will be ready to accommodate numerous new tenants with lease opportunities from 2,000m² to 60,000m².

At **Oakdale South**, following a busy period of development during financial year 2020, including the completion of DHL and Linfox facilities, focus has turned to securing a tenant for an approved 30,000m² facility ("Site 1C"). Strong interest has been received for this facility. Following this, up to a further 80,000m² of gross lettable area will be available for development.

The purchase of 10 hectares at **Oakdale East** during the second half of financial year 2020, paved the way for the first stage of development at the site, which is currently underway. This includes the 11,470m² plant to be leased to Austral Masonry and a further 4,630m² display, distribution space and office, to be leased to Brickworks Building Products.

The balance of the Oakdale Estate will consist of 3 to 4 industrial units varying in size from 4,000m² to 8,000m². Practical completion on the Estate is expected in the final quarter of financial year 2021.

Operational and Development Land

Operational land is utilised in the day to day activities of Building Products Australia and North America. The total area of operational land is around 3,600 hectares in Australia and 3,200 hectares in North America.

The largest site held for development is at Craigieburn in Victoria. Brickworks is currently reviewing the option of a combined residential and industrial development on this land, given recent strong land growth in the Melbourne industrial market.

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Investments

The EBIT from total investments was down 51% to \$51 million in the year ended 31 July 2020.

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

Brickworks holds 94.3 million WHSP shares, equivalent to a 39.4% interest in the company. This shareholding in WHSP is an important source of earnings and cash flow diversification for the Company and has been a key contributor to Brickworks' success for more than four decades.

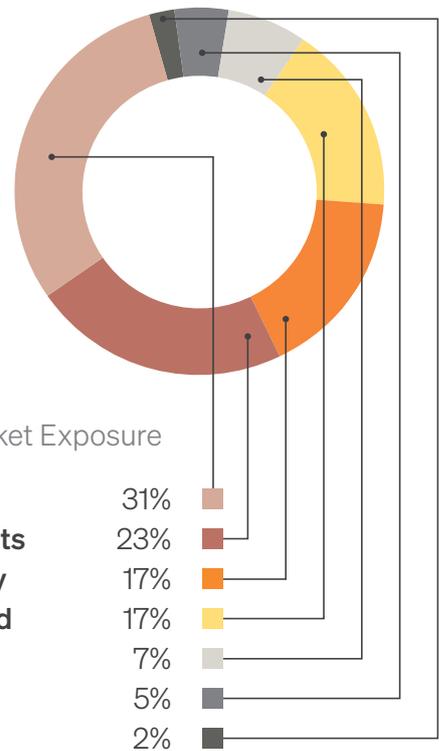
WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation and Australian Pharmaceutical Industries.

This provides WHSP with a diversified end market exposure, as shown in the chart on the right. Over more than four decades, WHSP has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from Brickworks' Building Products and Property divisions.

The market value of Brickworks shareholding in WHSP was \$1.844 billion at 31 July 2020, down \$298 million from \$2.142 billion at 31 July 2019. As at 22 September the market value had recovered by \$306 million and stood at \$2.149 billion.

WHSP has delivered outstanding returns over the long term, with twenty year returns of 12.7% per annum to 31 July 2020 being 5.2% ahead of the All Ordinaries Accumulation Index.

Brickworks' investment in WHSP returned an underlying contribution of \$50 million for the year ended 31 July 2020, down 51% from \$103 million in the prior year. This was due primarily due to the impact of lower coal prices on earnings from New Hope Corporation.



Investment Market Exposure

Telecom & IT	31%
Building Products	23%
Mining & Energy	17%
Other Diversified	17%
Financials	7%
Healthcare	5%
Property	2%

In addition, a \$244 million profit (post tax) was recorded by Brickworks in relation to WHSP significant items. This primarily relates to a one-off profit triggered by the merger of its associate TPG with Vodafone, resulting in a change in accounting treatment of this investment.

During the year cash dividends of \$56 million were received, in line with the prior year. An increased dividend per share was offset by the impact of Brickworks selling 7.9 million WHSP shares during the prior financial year.

Barrack Place
Bowral Bricks Bowral 76 in Bowral Brown
Sydney, NSW

Telecom/IT



Financial Services



Mining & Energy



Health/Pharmaceutical

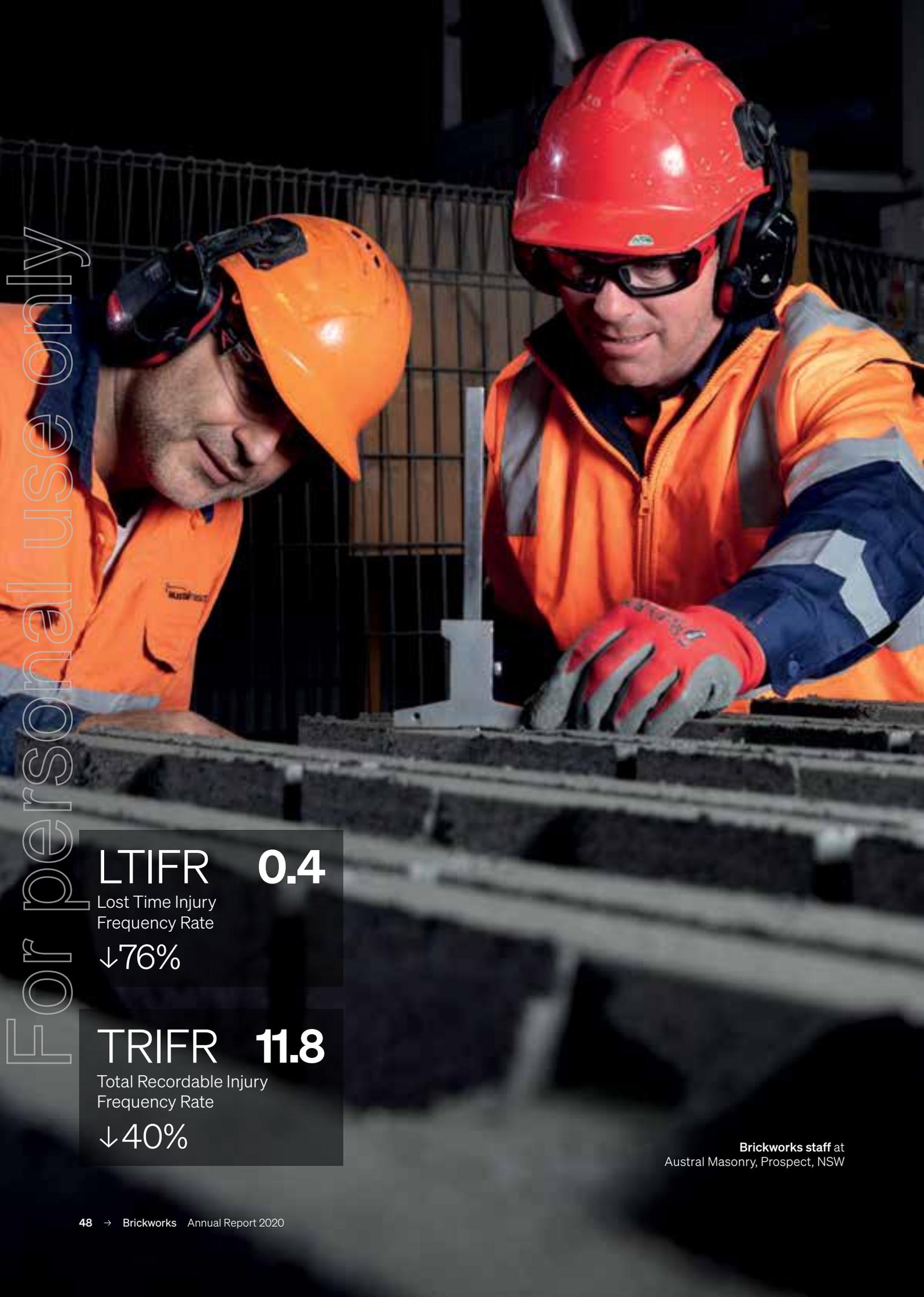


\$50m

EBIT from
Total Investments

↓51%

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LTIFR 0.4

Lost Time Injury
Frequency Rate

↓76%

TRIFR 11.8

Total Recordable Injury
Frequency Rate

↓40%

Brickworks staff at
Austral Masonry, Prospect, NSW

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Health and Safety

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

Strategy

Brickworks is committed to minimising the risks to health and safety of its employees, contractors and the general public. Continual improvement in health and safety is a key requirement for a sustainable workplace. Brickworks' strategy is to have high compliance to legislation, focussed safety leadership and a proactive generative culture that integrates safety into all business processes.

Performance (Australia)

The boundary of this report, and the associated assurance against the International Standard on Assurance Engagements (ISAE) 3000, extends to Brickworks' Australian and U.S. operations for the year ended 31 July 2020.

Safety performance is measured utilising lead and lag performance indicators to benchmark performance, both internally and externally, to drive progressive safety outcomes. Performance targets are set within the Brickworks Workplace Health and Safety Management System, with a 2025 target of reducing injury rates year on year.

SAFETY

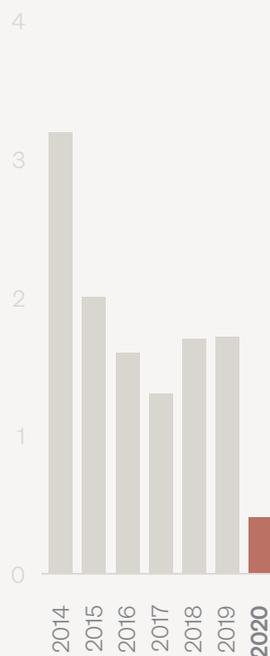
Continued reductions in injury rates



Building Products Australia

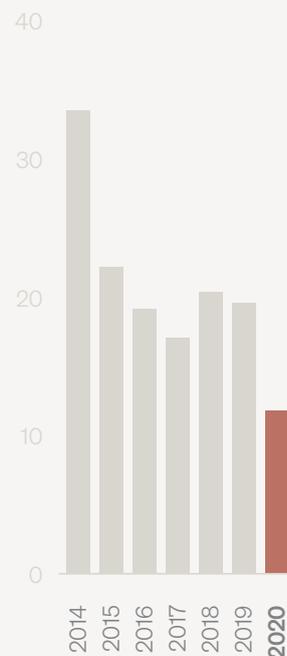
Lost Time Injury Frequency Rate (LTIFR)

3.2 2.0 1.6 1.3 1.1 1.1 0.4

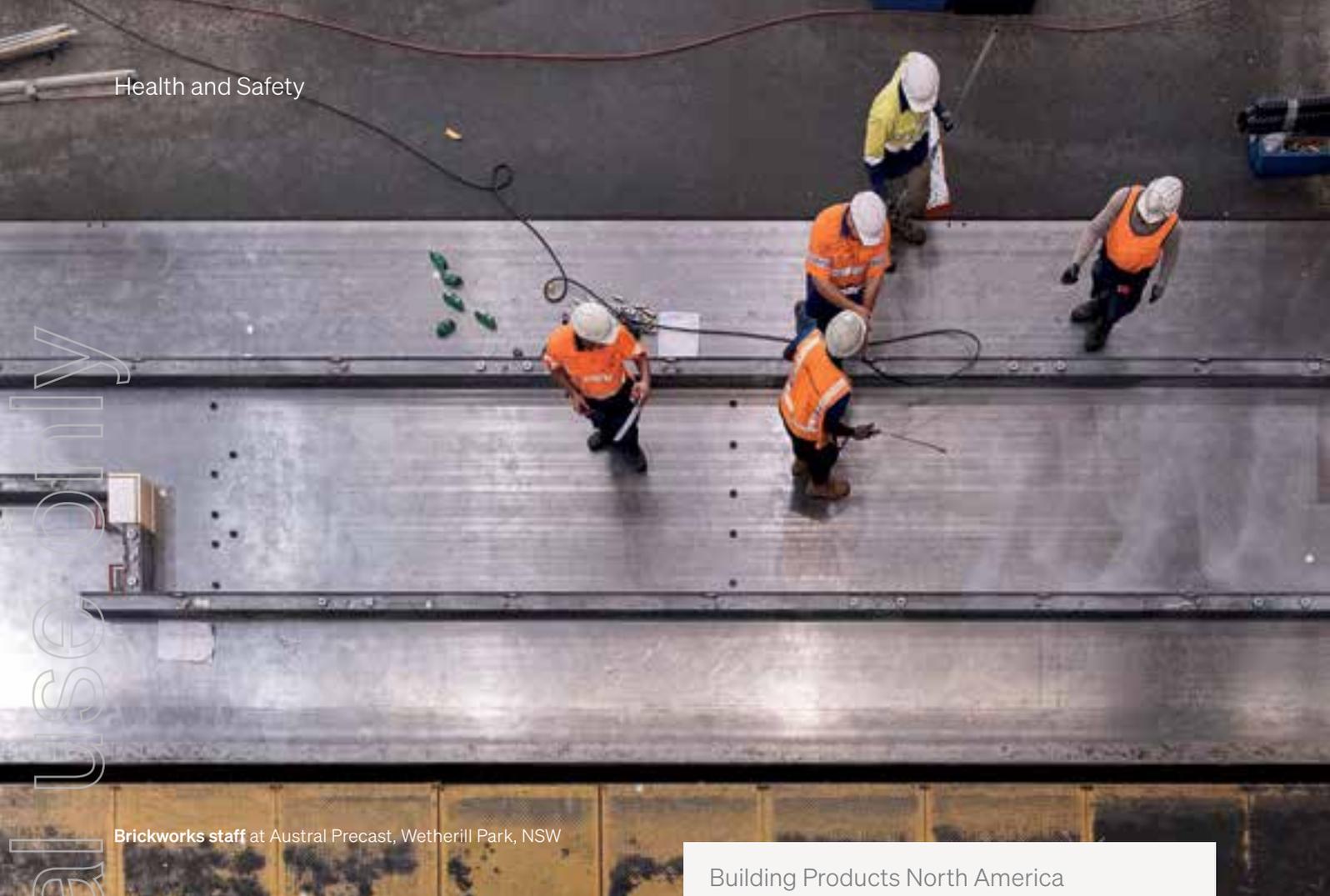


Total Recordable Injury Frequency Rate (TRIFR)

33.6 22.2 19.2 17.1 20.4 19.6 11.8



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Brickworks staff at Austral Precast, Wetherill Park, NSW

In the current year, safety performance improved, recording one lost time injury (LTI), compared to five in the prior year. The lost time injury frequency rate (LTIFR) was 0.4. There were 29 medical treatment injuries, compared to 52 in the prior year. The total recordable injury frequency rate (TRIFR) was 11.8, compared to 19.6 in the prior year.

The FY20 TRIFR in Australia reduced by 39.8% compared to FY19, exceeding the target of 10% reduction in injury rates.

Performance (North America)

During year ended 31 July 2020, there were six lost time injuries (LTI's) recorded. The lost time injury frequency rate (LTIFR) was 4.16 and there were 29 medical treatment injuries (MTI's) with a total recordable frequency rate (TRIFR) of 24.3.

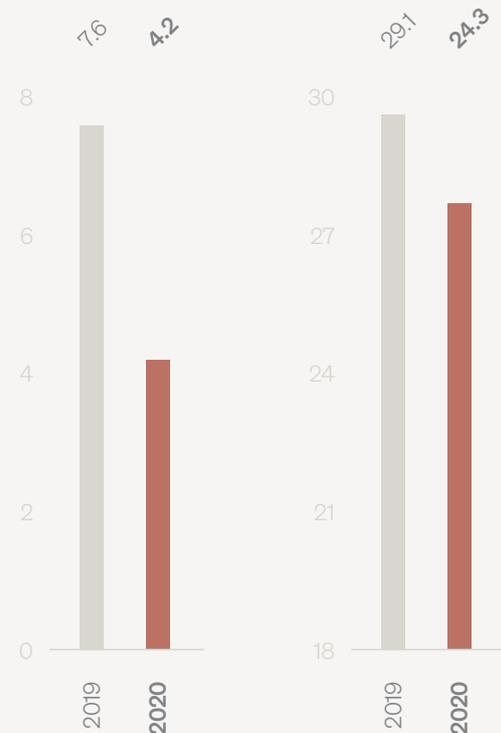
In the current year, TRIFR in the U.S. reduced by 16.6% compared to the prior year, exceeding the target of 10% reduction in injury rates.

New initiatives to improve work health and safety at Brickworks Building Products North America are being introduced. The focus is on providing behavioural safety leadership training and incorporating Health and Safety programs into the business.

Building Products North America

Lost Time Injury Frequency Rate (LTIFR)

Total Recordable Injury Frequency Rate (TRIFR)



Key Initiatives

Brickworks' work health and safety initiatives are underpinned by a whole of Company work health and safety management system.

Employee education is a key safety initiative and a measured lead indicator at Brickworks. Online training is available 24/7 to all Brickworks employees, with courses specific to an employee's role. In year ended 31 July 2020, 34,423 courses were completed by employees and a behavioural safety leadership program for managers and supervisors was launched to improve the safety culture within Brickworks.

Employee Wellness

Employees are provided advice, education and professional assistance from the employee assistance program (EAP) to improve their personal health. The use of the EAP has increased across the Group with a broader scope of services being offered; including transition assistance, nutrition, financial, wellness and manager support. These services are provided to all staff and immediate family members to ensure teams are supported in the broader aspects of their lives.

A mental health first-aid training program is underway, providing timely support. The current year target of 10% of Brickworks employees to undertake training and qualify in mental health first aid was achieved.

Brickworks is committed to a drug and alcohol-free workplace. With the support of employees and unions, mandatory random testing continues across all divisions and includes contractors. Drug and alcohol testing is undertaken for all new recruitment health assessments. During year ended 31 July 2020, 59% of staff were randomly tested, exceeding target of 25%. Functional health assessments for new starters also ensure that new employees are fit for the physical requirements of their positions.

All visitors to Brickworks sites must follow the Company's induction and sign in rules prior to entering operational zones. Vehicle loading is undertaken in accordance with the National Heavy Vehicle Law, State legislation and Industry based Codes of Conduct, such as the "Think Brick Code of Conduct – Load Restraint". Austral Bricks has held WA Heavy Vehicle Accreditation for more than 10 years.

During the prior year, a review of National Transport systems was undertaken and an audit completed of the Company's Australian fleet of heavy vehicles in response to a serious vehicle accident that occurred in December 2018. Recommendations for improvements were made to ensure that all sites are complying with the National Heavy Vehicle Laws and regulations, including:

- ▶ Chain of Responsibility (COR)
- ▶ Fatigue Management
- ▶ Speed Management
- ▶ Mass and Dimension
- ▶ Load Restraint.

Chain of Responsibility (COR) implementation is progressing well, with a range of COR documents being developed for integration with the Health and Safety System.

Following on from the prior year initiative to conduct medical tests for all heavy vehicle drivers, to ensure they are certified fit to operate a heavy vehicle on a public road, over 90% of heavy vehicle drivers were medically assessed in the current year.

Brickworks actively encourages employees and contractors to identify physical hazards and effective controls to reduce workplace risk. Any new plant installed has an independent risk assessment undertaken to validate its risk-free operation. Open hazards are continually monitored, with minimum monthly closure targets in place.



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Overview of Sustainability

The built environment is the fabric of our cities and our lives and Brickworks' products form part of this ever-changing fabric. Brickworks products are integrated into thousands of homes, apartments, commercial buildings, landscapes and infrastructure projects built each year.

Build for Living: Towards 2025, Brickworks Sustainability Strategy

Brickworks' sustainability strategy, "Build for Living: Towards 2025", recognises the substantial environmental and social impacts of the built environment, and the role its products play in creating sustainable developments. Brickworks understands its responsibilities, and the impact and influence it has on the environment, customers, employees, communities, and shareholders.

The sustainability strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable. Design that incorporates sustainability brings greater energy and resource efficiency over the operational lifetime of a building.

The sustainability strategy sets a clear pathway from the prior year, with measurable commitments, to ensure Brickworks continues to have a positive environmental and social impact, with strong governance and a culture of care for the community.

At the heart of the strategy is Brickworks' sustainability framework, with three pillars: Responsible Business, Environment and Our People and Community. Within these pillars, Brickworks focuses on three core objectives to deliver positive outcomes for stakeholders:

- ▶ Responsible Business: Leading Building Design - Safe, Resilient, Sustainable
- ▶ Environment: Sustainable Manufacturing
- ▶ Our People and Community: Diversity and Strong Culture of Care for Community.

Under these objectives, Brickworks is committed to delivering on 15 targets by 2025 with the baseline year of FY19, except where otherwise noted. Build for Living: Towards 2025 can be downloaded from Brickworks website www.brickworks.com.au

Sustainability Reporting

Brickworks understands its long-term responsibilities, and the impact and influence the business has on the environment, customers, employees, communities and shareholders.

Brickworks takes great pride in manufacturing building products in a sustainable way, creating sustainable developments and beautiful products that last forever. Sustainability and innovation is integrated into product design to create greater energy and resource efficiency over the operational lifetime of a building.

Brickworks 2020 Sustainability Report provides a chance to cover these issues in depth, informed by international standards such as the Global Reporting Initiative.

The Sustainability Report for the year ended 31 July 2020 shares Brickworks sustainability journey with an overview of the 2025 sustainability strategy, progress against targets and case studies. The Sustainability Report can be found at www.brickworks.com.au

TOWARDS 2025

Brickworks Sustainability Strategy

Brickworks is one of the world's leading manufacturers of quality building products. Our purpose has sustainability at our core – to create beautiful products that last forever.

The built environment is the fabric of our cities and our lives and Brickworks' products form part of this ever-changing fabric. Our sustainability strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable. It demonstrates our approach to sustainable manufacturing, incorporating sustainability into buildings to create greater efficiency during their operation. We do this with strong governance and a culture of care for our community.



THERMAL DESIGN

We will provide leading research on passive solar thermal design, enabling reduced lifetime energy use.

LIFE CYCLE EDUCATION

We will support design tools, guidance and information to incorporate life cycle thinking into building design.

SUSTAINABLE PRODUCTS

By 2025, we will double our volume of products sold in Australia that hold leading sustainable qualities.

SUPPLY CHAIN

Reduce supply chain risk



GOVERNANCE

Business Ethics and Whistleblower Programs



SAFETY

Continued reductions in injury rates



ENGAGEMENT

100 Community activities each year



COMMUNITY SUPPORT

Supporting charities like Children's Cancer Institute



DIVERSITY AND INCLUSION

Stretch target: 35% female senior executives. Develop and implement a Diversity and Inclusion Strategy



CARBON

Invest in the transition to the hydrogen fuel economy



WATER

Reduced potable water use in water stressed areas



REHABILITATION

Drive progressive rehabilitation



CIRCULAR ECONOMY

Year on year increase in recycled material use



EMISSION CONTROL

Over \$2 million investment in emission abatement



ENERGY EFFICIENCY

Stretch target: 10% increase in gas efficiency at Austral Bricks plant by 2030
Baseline FY18

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Sustainability Governance

Sustainability is embedded into the Brickworks business strategy. The Brickworks Audit and Risk Committee (ARC) is responsible for the oversight of sustainability governance, with day-to-day management of the Group governance arrangements delegated to the Managing Director and Chief Financial Officer. Annually, management make presentations to the Board on safety, human resources, risk, environment and sustainability issues and targets. In the current year, sustainability was formally incorporated into the charter of the ARC.

Sustainability risk management is integrated through key performance indicators (KPIs) which are set at business level. This year several sustainability KPIs were linked to the divisional bonus structure, for items including: health and safety performance; environmental management training and systems development; completion of monthly inspections and outstanding hazards, and the implementation of community engagement plans and natural gas efficiency plans.

Anti-Bribery and Corruption and Whistleblower Policies

The Anti-Bribery and Corruption, and Whistleblower Policies were introduced in May 2019. All staff are required to undertake annual on-line training to demonstrate their understanding of the policies. The Whistleblower Policy provides a mechanism which encourages concerns to be raised about misconduct or any improper state of affairs or behaviour that is inconsistent with the Group's culture, values or policies.

GOVERNANCE

Business Ethics and Whistleblower Programs



Risk Management

To ensure robust and effective risk management systems are in place and operating effectively, the Board, through the Audit and Risk Committee, determines the risk profile for the Company, ensures that business initiatives are consistent with its risk appetite, reviews the controls and systems in place to continually mitigate risk and oversees reporting and compliance requirements. A Risk Management Framework has been implemented, consistent with each element of the Australian Risk Management Standard AS/NZS3100:2018. The framework covers sustainability related risks including human resources, environmental, climate and health and safety.

Risk management is a priority for senior management. Details of risk management and the significant risks that may impact the achievement of the Group's business strategies and financial prospects are included in the Annual Report and the Corporate Governance Statement which can be downloaded from www.brickworks.com.au/investors/group-overview#corporate-governance

Modern Slavery and Supply Chain

Brickworks is committed to working collaboratively with its partners and suppliers to ensure business is conducted in an honest and ethical manner. This includes identifying and addressing modern slavery and human rights risks throughout the business and supply chain.

SUPPLY CHAIN

Reduce supply chain risk



During the current year, Brickworks formed a sustainable supply chain group, launched a Modern Slavery Policy and the Board approved a Supplier Code of Conduct. The Group's first Modern Slavery Statement will be released during year ended 31 July 2021.

Cyber Security

Cyber threats are becoming more prevalent against the construction and manufacturing industry, such as ransomware and denial of service attacks against Information Technology and Operational Technology environments.

In response, Brickworks has developed a cyber delivery plan aligned to the National Institute of Standards and Technology Cyber Security Framework. Security Awareness Training and Phishing Simulation technology has been introduced and Brickworks has seen an 80% reduction in click rates and a 50% increase in reporting of potential threats to the Security Team.

Brickworks continues to invest in solutions to protect its critical assets and maintain a high level of security. Brickworks is proud to rank amongst the top 6% of Global 2000 organisations to achieve the highest level of email security.

Public Policy

Brickworks Political Donations Policy prohibits the making of Political Donations at any time on behalf of the Brickworks Group or otherwise using funds of the Brickworks Group. No political donations were made during the year ended 31 July 2020.

Sustainable Partnerships

As one of the world's leading and most diverse building products manufacturers, Brickworks Building Products takes its position of industry leadership seriously. The Brickworks Group and its member companies have a responsibility not only to shareholders and employees, but also to the industry, the environment, and the wider community. It is for this reason Brickworks considers partnerships carefully and endeavours to align with other organisations who share the Company's vision and values for a more sustainable future.

Oracle Platinum Homes
Bristle Roofing Planum in Slate and
Integrated Solar Roof Tiles
Brisbane, QLD



Product Safety and Compliance

Brickworks places the upmost importance on consumer health and safety. Brickworks products are tested to meet quality standards, which are key in the prevention of involvement with defective building materials. Bricks have been proven over centuries as a superior material choice which is why Brickworks provide a 100-year warranty.

Product Sustainability

Brickworks bricks and concrete products are manufactured to provide resilience. They are durable, fire-proof, contain thermal mass for energy efficient design, excellent acoustic properties and no indoor air emissions (VOCs); and Brickworks clay bricks hold a 100-year guarantee.

These attributes help cities contribute to goals such as the United Nations' Sustainable Development Goal 11: "Make cities and human settlements inclusive, safe, resilient and sustainable".

Brickworks most significant range of sustainable products consists of carbon neutral bricks manufactured in Tasmania. During the next financial year, Brickworks will have an additional focus of providing an expanded range of carbon neutral, locally-made products to projects which demonstrate sustainability attributes. Brickworks will be working on project-specific requirements with selected architects and commercial builders, to deliver low carbon buildings.

Brickworks will continue to drive innovation in sustainable buildings with three key 2025 sustainability targets:



THERMAL DESIGN

We will provide leading research on passive solar thermal design, enabling reduced lifetime energy use.



LIFE CYCLE EDUCATION

We will support design tools, guidance and information to incorporate life cycle thinking into building design.



SUSTAINABLE PRODUCTS

By 2025, we will double our volume of products sold in Australia that hold leading sustainable qualities.

Environment

Brickworks is committed to managing its operations in an environmentally sustainable manner, whilst considering economic and social influences.

Brickworks' aim is to reduce the environmental impact of its operations. This section contains a snapshot of key results for the current year and 2021 targets. For further detail, analysis and achievements please refer to the 2020 Brickworks Sustainability Report.

Resource Efficiency and Waste

Brickworks is progressing towards a 'circular economy' by 'closing the loop', thus minimising production waste and re-using and recovering resources in the value chain.

During the year ended 31 July 2020 over 94,718t of recycled clay material (Virgin Excavated Natural Materials) was recycled into bricks. Fly ash, bottom ash and glass was recycled into some masonry products. 100% of damaged or rejected clay products are returned into the raw material mix for reprocessing across Australian and North American operations. A representative waste management study undertaken in the current year indicates 89% of waste by weight is diverted from landfill and 54% by volume.

CIRCULAR ECONOMY

Year on year increase in recycled material use



The next year's target is to identify further opportunities to reduce, reuse and recycle waste.

Water (Australia)

Water is a limited resource across Australia and critical to Brickworks production process and operations. Water restrictions have been in place to varying degrees across Australian states. Brickworks understands the importance of water efficiency.

During the year ended 31 July 2020, 128.8 ML usage of potable mains water was recorded at Brickworks Australian operations. During the next year, ongoing water efficiency initiatives to reduce potable water use will be measured against this baseline.

WATER

Reduced potable water use in water stressed areas

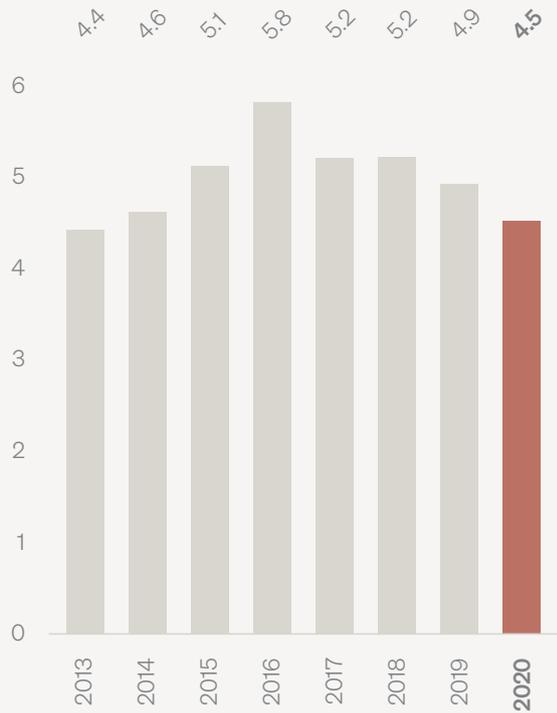


Brickworks is committed to minimising its potable water usage at all manufacturing sites. During the current year, water management plans identified further opportunities to reduce mains water.

Energy

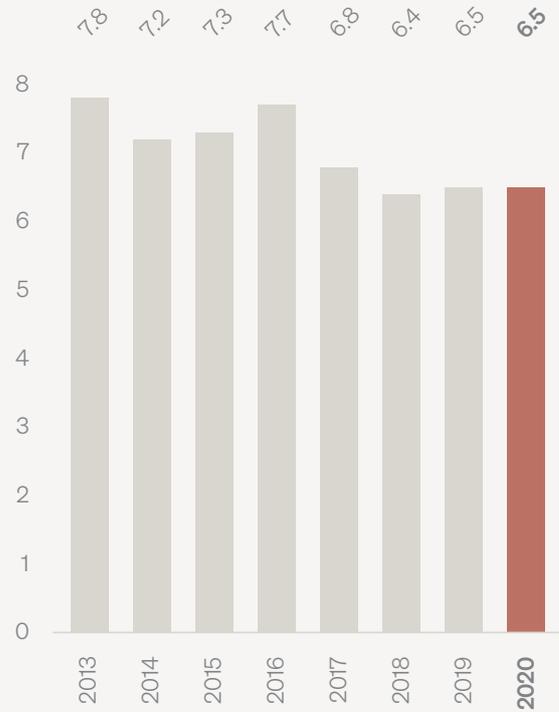
In the current year, Brickworks Building Products Australia's (BBP) total energy usage was 4.5 PJ, an 8.85% reduction from 4.9 PJ the previous year.

**Building Products Australia
Total Energy Consumption¹⁴**
(PJ)



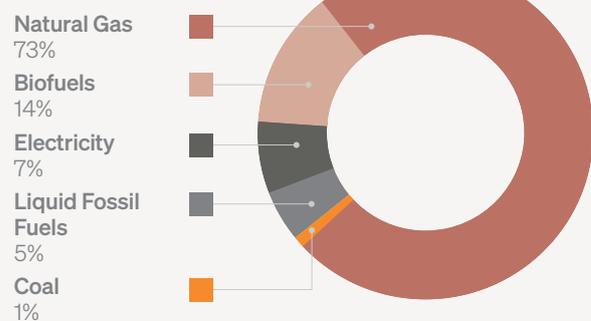
Energy intensity (energy consumption vs revenue) was 6.5 TJ per million dollars of revenue across BBP Australia, a 0.23% increase, reflecting fluctuations in revenue between the prior and current year.

**Building Products Australia
Energy Intensity**
(TJ/\$ million revenue)



The majority (73%, 3.3 PJ) of the Company's Australian energy requirements comes from natural gas, largely used at Austral Bricks' manufacturing facilities. Gas efficiency is measured at a factory level and results are reported to the Managing Director weekly.

**Building Products Australia
2020 Energy Mix**



¹⁴ Total energy use is for Australian operations only. Energy consumption associated with recently acquired US operations will continue to be monitored and reported if material to the Group.

Alternative biofuels made up 14% of Brickworks Australian energy requirements, up from 11% in the prior year. Biofuel sources include Plant landfill gas and sawdust. Austral Bricks Horsley Park Plant 1 and Plant 3 both continue to substitute natural gas with landfill gas, sourced from neighbouring landfills. The increased percentage of biofuels is attributable to resolving previous interruptions in landfill gas supply at the Austral Bricks Horsley Park Plant 3 during the prior year. Sawdust is the primary fuel used to fire the kiln at Austral Bricks plant in Longford, Tasmania and is acquired from various Tasmanian sawmills.

Investing in Energy Efficiency Towards 2030

FY18 marked the start of a strategic 10-year reinvestment vision to drive energy efficiency across Australia. By 2030, major plant upgrades will improve total gas efficiency across Austral Bricks Australia by 10%, based on 2018 levels.

ENERGY EFFICIENCY

Stretch target: 10% increase in gas efficiency at Austral Bricks plant by 2030
Baseline FY18



During FY19, the Austral Bricks Horsley Park Plant 2 kiln was prepared to be shut down, in preparation for an upgrade to a state-of-the-art brick manufacturing facility. Plant 2 received Development Approval for the upgrade in FY20, and work will commence during FY21. The graph below depicts Austral Bricks Gas efficiency trend. Total Gas (including landfill gas at Horsley Park and sawdust at Longford) efficiency has improved by 2.7% since 2018. Natural gas efficiency has improved by 5.5% since 2018.

Austral Bricks Gas Efficiency
(GJ/'000 Standard Brick Equivalent)

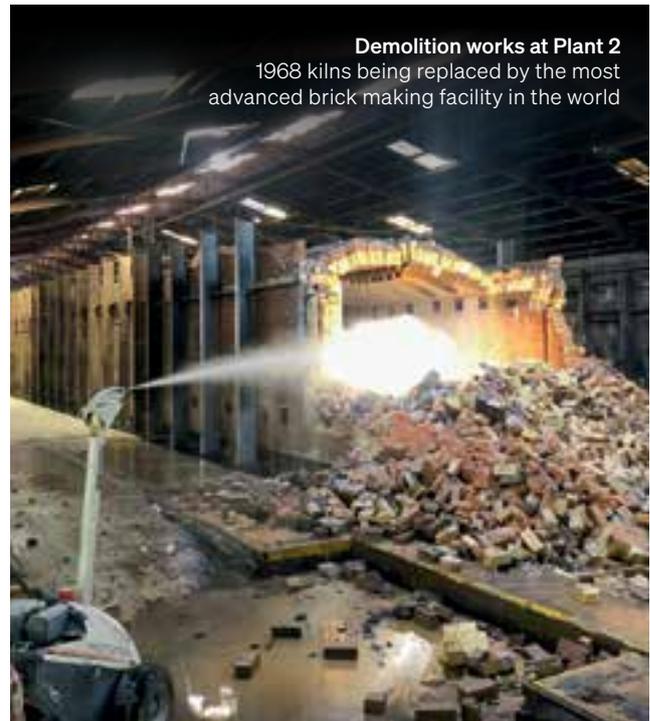


Brickworks is planning for investments into the latest manufacturing technologies in the U.S. business. Upgrades will provide improvements in productivity, product quality and energy efficiency. Improvements in kiln gas efficiency across the U.S. will be tracked and reported annually.

Efficiencies through Leading Manufacturing – Horsley Park Plant 2 Upgrade

Austral Bricks Horsley Park Plant 2 received DA approval to upgrade the site into a state-of-the-art brick manufacturing facility.

At the heart of the new Plant 2 operation will be a JC Steele, 120 extruder, a world first, exclusively built for Brickworks. The new kiln will push the limits of brick production efficiency. It will include automatic gas burners and a convective heat exchange system, linked to a computer supervision system. With best in its class fuel efficiency, product quality, the new Plant 2 operation will be a technical revolution that will set a new standard for brick manufacturing.



Demolition works at Plant 2
1968 kilns being replaced by the most advanced brick making facility in the world

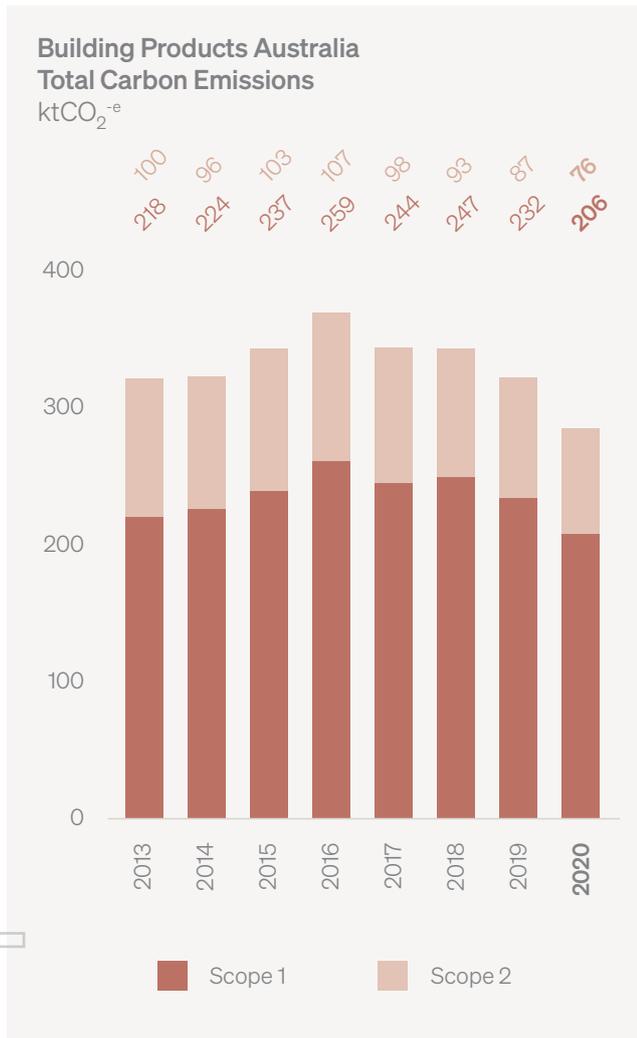
Brickworks Building Products – North American Natural Gas Usage

During the year ended 31 July 2020, 12 clay brick factories owned by Brickworks were in operation in the U.S., all fuelled by natural gas. Six of these factories operated for part of the year, and six operated for the full year. Natural gas consumption of Building Products North America, across 12 sites was 1.5 PJ in current year. During the next year, the U.S. business will collect and report electricity consumption data.

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Carbon (Australia)

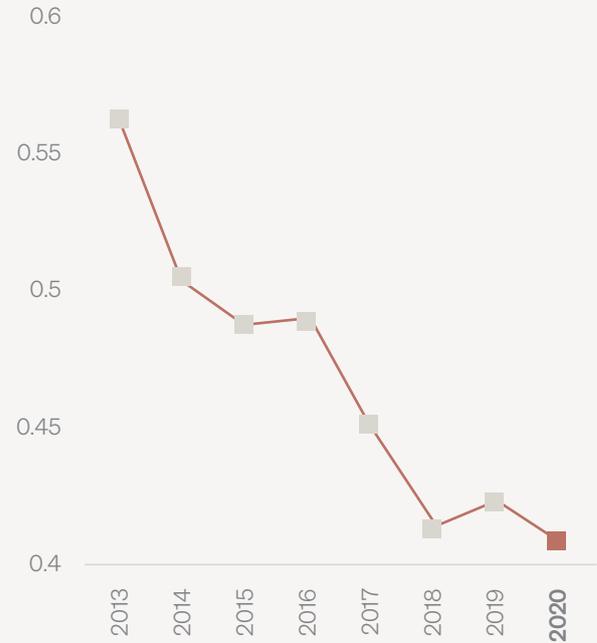
Australian greenhouse gas emissions are reported and audited for the Australian National Greenhouse and Energy Reporting Scheme (NGERS). Scope 1 and Scope 2 carbon emissions are determined using the methodology and factors outlined within NGERS. Reported carbon emissions include those associated with Building Products Australia operations only. In FY20, emissions were 205,527 tCO₂-e (Scope 1) and 75,500 tCO₂-e (Scope 2), Carbon emissions continue a downward trend with a 12.07% decrease on the previous year.



Carbon intensity is 3.31% lower than the previous year, attributable to a full year of landfill gas supply to Plant 3, and the closure of Horsley Park Plant 2 in preparation for the Plant 2 upgrade to a state-of-the-art brickmaking facility.

Building Products Australia Carbon Intensity

(ktCO₂-e / \$ million revenue)



Carbon emissions have followed a general downward trend, with a 35.8% decrease compared to the base year 2005/06 (Scope 1 & 2). The decrease can be attributed to efficiencies gained from alternate fuels, manufacturing consolidation, equipment upgrades and operational improvements. Brickworks will explore further carbon management strategies, greenhouse gas metrics and setting targets during the next year as part of the Taskforce on Climate-related Financial Disclosures (TCFD) review.

**Building Products Australia
Carbon Emissions since 2005**
(ktCO₂-e)



Brickworks is investing in the transition to the hydrogen fuel economy, through desktop and lab-scale trials, in partnership with Murdoch University. The purpose of this investment is to understand the use of hydrogen in the manufacturing of clay bricks.

CARBON

Invest in the transition to the hydrogen fuel economy



Carbon (North America)

Alongside Brickworks goal to report carbon informed by the GRI Standards, carbon emissions inventory will be built by 2022 to enable a full estimate of emissions. Although Brickworks' North American operations are not required to report carbon emissions to the U.S. regulator, this information will supplement ongoing carbon reporting for Australian operations.

Natural gas is the predominant energy and carbon emissions source for the U.S. operations. Carbon emissions from natural gas combustion were 80 ktCO₂-e during the year ended 31 July 2020.

Environmental Compliance¹⁵

Brickworks treats all non-compliance instances with the upmost importance. Details of incidents, notices and complaints are raised at the weekly General Manager's meeting, which the Managing Director attends. Each non-compliance incident is investigated and tracked to ensure corrective actions are undertaken within deadlines.

Reporting incidents raises awareness and identifies corrective and preventative actions. Incident reporting procedures and training are a central part of the Environmental Management System (EMS). 26 reportable incidents were recorded during the year ended 31 July 2020, compared to 19 in the prior year. Brickworks is committed to minimising its impact on the environment, such as through Air and Water Environmental Programs. During the current year, seven reportable incidents related to stack emission exceedances at Austral Bricks Horsley Park plants. Significant investments are allocated to implement the Horsley Park Scrubber Installation Program to install emissions abatement equipment.

The total number of incidents recorded in current year was 47, compared to 51 in the prior year. During current year, zero penalty notices and prosecutions were received. The next year's target remains at zero environmental fines and continued risk reduction.

Air Environmental Program

Brickworks is committed to minimising its impact on the environment and complies with environmental law and community standards as they evolve.

All brick factories hold licences issued by the state environmental regulator, and are required to meet emissions limits that have been assessed by the regulator as acceptable to the environment and human health. To monitor compliance with emissions limits, qualified air monitoring consultants are engaged to undertake air emissions testing for parameters specified in licences. Should an exceedance of the emissions limits occur, the matter is reported in line with licence or regulatory requirements. An investigation and corrective actions are undertaken in accordance with Brickworks' EMS.

Investments are made into upgrading kilns, plant, control systems and emission control technologies. Limestone scrubbers are committed for installation at the Austral Bricks Horsley Park brick manufacturing facilities, through a staged rollout program, commencing in FY20 with a scrubber installed at Plant 3.

EMISSION CONTROL

Over \$2 million investment in emission abatement



¹⁵ Reported environmental fines and penalties include those received and paid during the reporting year (ending 31 July). Penalties received regarding property and penalty notices are excluded. All figures reported in Australian dollars.

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The Air Environmental Program will continue identifying investments in leading environmental initiatives. During the last two years, over \$2 million was invested in emissions abatement scrubber equipment installations at Austral Bricks Horsey Park Plant 3. Having achieved significant specific environmental investments in recent years, further contribution to the Air Environmental Program requires complex connections between capital expenditure, technical projects and stakeholder collaboration. By 2025, over \$2 million additional investment in emissions abatement is scheduled.

Community Engagement

Maintaining positive relationships with stakeholders is paramount to business success. Brickworks is embedded in local communities where the business operates, with many employees living in the local area. With a reliance on local goods, services, markets and natural resources, developing mutually beneficial relationships helps business and communities.

Brickworks has strong attendance at community forums, such as consultation for development applications and community group meetings. Company representatives maintain strong relationships with legislative and regulatory authorities and are involved with industry groups to promote issues, such as sustainable building products.

In the prior year, community engagement plans were developed for relevant sites. The plans have improved the Company's socio-political knowledge of the area, ability to identify community concerns and expectations, knowing when to engage and methods of engagement. During the current year, the plans were implemented across these sites, with engagement activities including stakeholder meetings, site visits, investigating and resolving complaints, as well as donations and other forms of support for community members and projects. Community engagement plans are now expanding for use across sites around Australia. Next year's target is to undertake 100 events that relate to maintaining community relationships.

ENGAGEMENT

100 Community activities each year



Rehabilitation

As a large-scale landholder, Brickworks' approach to rehabilitation is to establish, operate and rehabilitate Brickworks sites in a manner that promotes optimum environmental and social outcomes.

At the end of their productive lives, Brickworks rehabilitates its quarries for use by future generations. Final land-use varies from pasture, landfill and bush, to built-up areas. For sites that are filled, the sites can be capped with topsoil and planted with flora native to the area. Frequently today, these quarries are clean filled in highly compacted layers (to eliminate settlement) and can be reused as residential and industrial estates and beautiful public spaces.

Rehabilitation and land-use planning is an essential aspect of managing Brickworks quarries, with a focus on meeting legislative requirements and community expectations. Within the Environmental Management System, progress of rehabilitation projects is monitored across the Group, to ensure the protection and enhancement of biodiversity.

Progressive rehabilitation is a key strategy for minimising environmental risk, end-of-life closure costs and achieving increased efficiency through reduction of double handling of rehabilitation materials.

REHABILITATION

Drive progressive rehabilitation



Progressive rehabilitation of 40,840m² was completed at sites across Australia, and an additional 41,500m² was completed during the current year for the closure of quarries. Progressive rehabilitation will be driven across the business by adding available land review to annual rehabilitation planning.

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Zero Childhood Cancer is revolutionising the way children with aggressive cancers are treated.

Jack's Story

Jack was an all action kid. Bubbly and energetic, he was always doing something and willing to try anything. But when Jack turned nine, something changed. Jack lost his energy and began to get absent and dazed. An MRI showed a large brain tumour.

Jack was enrolled in the Zero Childhood Cancer program. Using the latest technology, CCI identified a drug that would target the tumour.

Within a matter of days, Jack's condition improved. Six weeks later, he was not only out of the wheelchair, he was playing tennis. Today, Jack is back at school, as active as ever.



London House
Austral Bricks San Selmo Reclaimed
in Reclaimed Original
Brisbane, QLD

Community

Brickworks is committed to social responsibility in our communities and we aim to make a valued contribution to our communities.

Australian Bushfire Support Campaign

The catastrophic bushfires destroyed millions of hectares of land and thousands of homes across New South Wales, Queensland and South Australia. Lives were lost and hundreds of Australians were displaced as they have watched their homes and communities burn to the ground. Brickworks has launched an initiative to help bushfire victims rebuild their homes. For any home built with Austral Bricks, Brickworks will replace all bricks free of charge including delivery. For homes constructed from other building materials, Brickworks will assist in the re-build, with 50% off all materials in the Brickworks Building Products portfolio. This initiative is available to bushfire victims for two years. For Terms and Conditions see Brickworks website:

www.brickworks.com.au/bushfire-relief

Children's Cancer Institute

Brickworks is a long-standing partner with the Children's Cancer Institute (CCI), the only independent medical research institute in Australia dedicated to research into the causes, cure and prevention of childhood cancer.

Brickworks became partner of CCI in 2002 with the first pledge made towards the CCI Capital Appeal of \$70,000. To date, Brickworks' total partner value exceeds \$4 million dollars, comprising of direct and indirect sources of revenue, including corporate and staff donations, state fundraising, sponsorships and supporting CCI events.

The reporting period for the CCI partnership is the 2019 calendar year and the team at Brickworks raised \$491,179, helping CCI move closer to achieving the vision of curing all children with cancer.

COMMUNITY SUPPORT

Supporting charities like Children's Cancer Institute



The contributions from both Brickworks and its staff has provided the opportunity for several pieces of vital equipment to be purchased by CCI Australia. The contributions will help CCI continue their life saving work that impacts thousands of families around Australia.

As a result of COVID-19, many of CCI's fundraising activities for the next reporting period have been cancelled or postponed, placing many of the life-saving research programs at risk.

Brickworks is committed to continuing their support of the CCI in the next year.



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Horsley Park Design Centre, Sydney NSW



Austral Brick Wollert Plant, Victoria

Our People

COVID-19 Response

Brickworks has monitored the Coronavirus disease (COVID-19) since January 2020, acting with caution and following stringent health advice. Brickworks implemented a COVID-19 business continuity plan to minimise the chance of COVID-19 spreading throughout the business, and published a set of regularly updated COVID-19 Guidelines on the Brickworks website, for both customers and employees.

On 21 January 2020, the Australian Government took precautions to limit the spread from the source City of Wuhan, China. On the same day, Brickworks prohibited Company travel to any part of Asia and implemented a 14-day isolation period for any staff member who had been in contact with a person that had been to Asia. On 5 March, Brickworks prohibited all domestic and international travel.

The health and well-being of employees and customers is of the utmost importance to the Company. The following initiatives are in place throughout the duration of the pandemic:

- ▶ National doctor network with Occupational Physician adviser to Brickworks
- ▶ Deep cleaning between shifts
- ▶ Activity register of pandemic related absences and single point of triage
- ▶ Temperature testing all people (including customers) at all sites
- ▶ Unwell workers, contractors and customers with fevers are not permitted on-site
- ▶ Brickworks hygiene program
- ▶ Sanitation caddies and PPE provided at all work stations
- ▶ Limitation of Company travel
- ▶ Providing alternatives to ensure that employees are not travelling to and from work using public transport

- ▶ Regular communications to all staff through emails, providing the latest health advice with a focus on mental health and personal wellbeing
- ▶ Leaders are empowered to have regular check in and connections with their teams, checking on wellbeing, connectiveness etc.
- ▶ IT infrastructure and an upgrade to video communications enabled a quick transition for staff to work from home
- ▶ Compliance with Government Guidelines
- ▶ Regular General Manager COVID-19 meetings
- ▶ Daily World Health Organisation (WHO) situation reports
- ▶ Information training for all Brickworks personnel through the E-Learning platform
- ▶ Training reports to ensure assigned training is completed
- ▶ Physical separation of work teams
- ▶ Individual flexibility to help staff who have caring responsibilities (especially during home schooling)

Remote working in response to COVID-19 has been effective across the business. A survey was sent out to employees following the remote working experience, with positive feedback. Business planning and scenario modelling tools have been developed to support decision making.

COVID-19 has changed the way that Brickworks does business; accelerating digital sales and marketing, offering contact-free sample deliveries, virtual colour consultations and the business does not currently accept cash payments.

Culture

Brickworks recognises that sustaining a strong culture driven by the diversity of employees is critical to long-term business success. During the current year, the integration continued of the 'WE ARE BRICKWORKS' Values and Behaviours to drive unity, focus and success across the organisation. Recruitment and selection criteria includes values screening to ensure people joining the business demonstrate the culture and behaviours.

Values Awards

Brickworks holds a variety of initiatives to celebrate staff that demonstrate the Company values, with many divisions holding Quarterly and Annual Value Awards. Employees success in undertaking their day-to-day roles, according to the Company values, is measured through annual performance reviews.

Employee Engagement

Positive employee engagement is driven through a strong employee value proposition, with multiple benefits offered to permanent employees; including paid parental leave, support for further education and employee share schemes. Brickworks hosts frequent social, networking and celebratory events for all employees (impacted by COVID-19 restrictions), including Company update evenings.

In the current year, a pilot Values Survey was deployed to identify areas of focus and alignment to values, and levers to help improve engagement. On an ongoing basis exit interviews are conducted and reviewed to also understand areas requiring attention.

Employees and other workers

Brickworks Australia reports details of its workplace profile annually to the Workplace Gender Equality Agency (WGEA), and the U.S. operations tracks its workplace profile. Data taken from the WGEA report and U.S. records for the year ended 31 July 2020 includes:

Key Employment Data	Australia	North America
Total Workforce	1181	777
Total female breakdown	20.9% (up from 19.9% in FY19)	17%
Female Senior Executives	27.3% (up from 26.7% last year)	15%
Average age of employees	43.1	46.5
Employees aged 50 and over	32.3%	46.1%
Average length of service	9.1 years	13.5 years

Workplace Profile	Australia		North America	
	Total	Female*	Total	Female*
Management	8%	15%	19%	21%
Professionals	9%	36%	3%	38%
Tech/Trades	18%	2%	2%	5%
Administration	10%	73%	3%	65%
Sales	18%	48%	11%	4%
Operators/Labourers	37%	1%	62%	7%

* Female % is a fraction of each profile type.

Brickworks' commitment to developing internal talent, saw 71 internal promotions in the year ended 31 July 2020 and numerous international promotions or mobility opportunities between Australia and the U.S.

- ▶ 31% of employees awarded promotions in Australia were female.
- ▶ 26.8% of all manager promotions and 36.7% of non-manager promotions were awarded to women.
- ▶ 19.3% of employees who resigned were women, down from 21.8% in the prior year.

Employee voluntary turnover (resignations and retirements) sits at 13.5% for the previous rolling 12 months.

Learning and Development

Brickworks aims to provide an employee experience that aids in staff growth and development. Brickworks offers formalised graduate, apprentice, mentoring and succession planning programs.

All employees and managers are encouraged to undertake two hours of learning every week, and to further their professional development by accessing a learning allowance and development programs. The online e-learning platform and open learning sessions provide accessible learning opportunities. During the COVID-19 working from home period, online learning sessions increased substantially, particularly in Sales, Leadership and Mental Health.



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Austral Bricks Colour Lab Horsley Park Plant 3, NSW

Graduate Program

Brickworks' 24-month structured graduate program is available across all business divisions. Following induction, all graduates participate in business rotations, gaining technical and professional skills. In their second year, they choose a specialist rotation into a nominated area, where they are assigned business projects to work on.

They participate in 'Smart Seeds', an external project-based development program run by GHD (postponed due to

COVID-19). Individuals participate from a cross section of industry to co-create solutions to complex local problems. Graduates work collaboratively in teams and pitch their proposals to industry leaders.

During the graduate program, participants have access to a support network, a career coach and structured mentoring. Brickworks facilitates networking opportunities for the graduates to aid interactions with their cohort, share experiences and elevate their profile with senior leaders.

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Mentoring Program

Launched in April 2018, 60 employees have now completed Brickworks' Mentoring program. For the year ended 31 July 2020, the focus was on developing internal mentoring capability and an inhouse program. There were no new participants to the mentoring program in the current year, therefore the 2020 target for 30 staff to join the mentoring program was not achieved. During the next year, a self-directed informal program will be launched to help grow a mentoring culture.

Diversity and Inclusion

Brickworks recognises that everyone is unique and different, by way of gender, ethnicity, age, sexual orientation, physical abilities, family status, and religious beliefs. Brickworks is committed to a diverse and inclusive culture where all employees are treated with dignity and respect, valued for their contributions and diverse backgrounds, experiences and perspectives. By valuing diversity, the business will:

- ▶ Deliver improved customer service, business performance and strengthen corporate reputation.
- ▶ Gain competitive advantage by understanding and reflecting customers and local communities.
- ▶ Engage employees by providing an open, fair and diverse work environment.

Brickworks is committed to eliminating all forms of unlawful discrimination, harassment, bullying and victimisation in the workplace. This commitment is supported by the Company's Diversity and Equal Employment Opportunity Policies, that also guide the recruitment process. A Diversity Council was established in the prior year, and is led by the Managing Director.

In the next year, a Diversity and Inclusion Strategy with long-term targets and an implementation plan will be developed and presented to the Board. The Strategy, driven by the Diversity Council, will facilitate a collaborative, supportive and respectful working environment, providing psychological safety by valuing people's differences.

DIVERSITY AND INCLUSION

Stretch target: 35% female senior executives
Develop and implement a Diversity and Inclusion Strategy



Gender Diversity

During the current year, focus was on a range of initiatives to increase the gender diversity across the leadership of the Company, predominately focusing on attracting and retaining female leaders.

Female leadership of Australian operations (managers level and above) has increased from 11% in 2015 to 15.4% in 2020, and female representation in the Senior Executive team has increased from 7% in 2015 to 27.3% in 2020. The U.S. business consists of 21% females in Management and 15% in the Senior Executive team.

During the current year, the objective was to develop targets for gender diversity. This was achieved and the 2025 Sustainability Strategy, includes a stretch target to increase female representation in the Executive team to 35%. The Diversity and Inclusion Strategy and implementation plan will ensure achievement of this ambitious target and provide additional diversity targets for other areas of the workforce. Brickworks' Executive leaders are tasked with driving diversity and inclusion and have KPI's directly linked to their annual bonus payments.

Collective Bargaining Agreements

Brickworks Australian operations include 14 non-union enterprise agreements (excluding Auswest Timbers) and six union enterprise agreements. In addition, some sites have individual agreements and a number of sites are covered by the respective modern awards.

During the current year, two non-union site-based enterprise agreements were negotiated and executed, reflecting the strong working relationship between wages staff and local management teams. Brickworks North America has four non-union plants and seven union plants. During the current year, two union plants collective bargaining agreements were successfully negotiated and executed at Marseilles and Pittsburg.

Percentage of Employees Covered by Collective Bargaining Agreements

Key Employment Data	Australia	North America
Collective Bargaining Agreement	61%	44%
Union Based	38%	100%
Non-Union Based	62%	0%
No Agreement	39%	56%

A number of Fairwork conciliations have resulted in settlements, with no fines or non-monetary sanctions received in the current year.

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Midland Campus,
Curtin University
Austral Bricks
Traditional in
Leonora
Perth, WA

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Board of Directors

Robert D. Millner

FAICD

Chairman

Director since 1997 (23 years)

Mr R Millner is the non-executive Chairman of the Board. He first joined the Board in 1997 and was appointed Chairman in 1999.

Mr Millner brings to the Board broad corporate, investment, portfolio and asset management experience gained across diverse sectors including telecommunications, mining, manufacturing, health, finance, energy, industrial and property investment in Australia and overseas.

He is an accomplished company director with an extensive understanding of governance and compliance, reporting, media and investor relations.

He is a member of the Remuneration Committee and the Nomination Committee.

Mr Millner holds directorships in the following listed companies:

- ▶ Washington H. Soul Pattinson and Co. Ltd
- ▶ New Hope Corporation Ltd
- ▶ TPG Telecom Ltd
- ▶ BKI Investment Company Ltd
- ▶ Milton Corporation Limited
- ▶ Tuas Limited.

During the last three years, he also held a listed company directorship with Australian Pharmaceutical Industries Ltd (resigning 9 July 2020).

Lindsay R. Partridge AM

BSc. Hons. Ceramic Eng, FAICD, Dip CD

Managing Director

Since 2000 (20 years), joined the Company in 1985

Mr Partridge was appointed Managing Director in 2000.

He is a qualified ceramic engineer and has extensive commercial, manufacturing, marketing, technical and operational experience including numerous senior management positions he has held in the building products manufacturing sector in Australia and the USA.

Since his appointment as Managing Director Brickworks has grown significantly in terms of size and profitability and successfully expanded into industrial property development.

He is an experienced company director with substantial expertise in governance, human resources, compliance reporting, media, investor relations and mergers and acquisitions.

He was awarded the Member of the Order of Australia in 2012 for services to the Building and Construction Industry, particularly in the areas of industry training and career development. and in 2018 was awarded the esteemed "Sir Phillip Lynch Award", by the Housing Industry Association in recognition of his immense contribution to the Housing Industry.



Michael J. Millner

MAICD

Deputy Chairman

Director since 1998 (22 years)

Mr M. Millner is a non-executive Director who was appointed to the Board in 1998.

As an experienced company director, Mr Millner has considerable investment, portfolio and asset management experience across the building products, manufacturing, agricultural and property sectors in Australia and overseas.

He is President of the Royal Agricultural Society of NSW and Chairman of the Royal Agricultural Society of NSW (RAS) Foundation.

Mr Millner is the Deputy Chairman of the Board, and a member of the Remuneration Committee and the Nomination Committee.

Mr Millner has no current listed company directorships. During the last 3 years, he also held a listed company directorship with Ruralco Holdings Ltd (resigning in 2019).

The Hon. Robert J. Webster

MAICD

Non-executive Director

Director since 2001 (19 years)

Mr Webster was appointed to the Board in 2001 and is a non-executive Director.

As a senior client partner and head of Asia Pacific Board Services at Korn Ferry Mr Webster has particular skills in human resources, recruitment and executive remuneration.

He also brings valuable experience to the Board in government planning, energy and housing having served as Minister for Planning, Minister for Energy, and Minister for Housing in New South Wales.

As an experienced company director and public-sector leader his skills include Board leadership, governance, risk management and compliance.

He is Chair of the Nomination Committee, a member of the Remuneration Committee, the Audit and Risk Committee and the Independent Board Committee.

Mr Webster has no other listed company directorships and has held no other listed company directorships in the last three years.

Brendan P. Crotty

LS, DQIT, Dip.Bus Admin

Non-executive Director

Director since 2008 (12 years)

Mr Crotty was appointed to the Board in June 2008.

He has extensive strategic, commercial and operational experience in the building, construction and property industries, having spent 17 years as Managing Director of Australand. He is currently Chair of the Federal Government's National Housing Finance and Investment Corporation.

He brings considerable financial acumen and business expertise to the Board in construction delivery, contract management, business development, health, safety and environment, corporate finance and mergers & acquisitions.

He is a member of the Remuneration Committee, the Nomination Committee, the Audit and Risk Committee and the Independent Board Committee.

Mr Crotty has no current listed company directorships. During the last three years, he also held a listed company directorship with GPT Group (resigning in 2018).

Deborah R. Page AM

B.Ec, FCA, FAICD

Non-executive Director

Director since 1 July 2014 (6 years)

Mrs Page was appointed to the Board in July 2014.

She has extensive financial expertise, having been a partner at Touche Ross/KPMG Peat Marwick, and a senior executive with the Lend Lease Group, Allen Allen and Hemsley and the Commonwealth Bank.

She has specific experience in corporate finance, accounting, audit, mergers and acquisitions, capital markets, insurance and joint venture arrangements.

Mrs Page also has extensive experience as a company director gained across ASX Listed, private, public sector and regulated entities including in the telecommunications, utilities, insurance, technology, renewables, funds management and infrastructure sectors.

As an experienced director and Audit and Risk Committee Chair her skills also include Board leadership, governance, risk management and compliance.

Mrs Page is the Lead Independent Director and Chair of the Independent Board Committee, Chair of the Audit and Risk Committee, and a member of the Remuneration Committee and the Nomination Committee.

Mrs Page is a member of Chief Executive Women.

Mrs Page holds directorships in the following listed companies:

- ▶ Pental Group Limited
- ▶ Service Stream Limited.

During the last three years, she also held a listed company directorship with GBST Holdings Ltd (resigning in 2019).

Malcolm P. Bunday

B.Bus (Accounting), GAICD

Non-executive Director

Director from 1 October 2019

Mr Bunday was appointed to the Board in October 2019.

Mr Bunday has valuable experience as a CEO and Managing Director with particular expertise in managing complex global manufacturing operations including as CEO of Pact Group, CEO of Evergreen Packaging, CEO of Graham Packaging and CEO of Closure Systems International.

These companies each operated multi-location and geographical plants across a wide range of regulatory jurisdictions including Australia and the USA.

Mr Bunday also has extensive financial experience having been a CFO at Goodman Fielder and a partner at Deloitte.

He has in-depth knowledge of the health, safety and environment risks associated with manufacturing operations and expertise in mergers and acquisitions and asset management.

He is Chair of the Remuneration Committee, a member of the Nomination Committee, the Audit and Risk Committee and the Independent Board Committee.

Mr Bunday has no current listed company directorships. During the last three years, he was an executive director of Pact Group Holdings Ltd (resigning from the board in September 2018).

Robyn N. Stubbs

B.Bus, M.Sc., GAICD

Non-executive Director

Director from 1 January 2020

Ms Stubbs was appointed to the Board on 1 January 2020.

She has valuable operational experience in property leasing, sales and marketing, strategy and new product development having spent more than 25 years in senior sales and marketing roles in the media and property sectors.

Most recently Ms Stubbs was General Manager of Retail Leasing at Stockland and prior to this she held property management, sales and marketing roles at Lend Lease, Fairfax, Network Ten and Unilever.

Ms Stubbs' skills also include mergers and acquisitions, capital markets, governance, risk management and compliance.

She is a member of the Remuneration Committee, the Nomination Committee, the Audit & Risk Committee and the Independent Board Committee.

Ms Stubbs holds directorships in the following listed companies:

- ▶ Aventus Group
- ▶ InvoCare Limited.

Blackwattle Apartments
Bowral Bricks Bowral 76 in Bowral Blue
and Chillingham White
Sydney, NSW.

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Executive

Management

Lindsay R. Partridge AM

BSc. Hons. Ceramic Eng, FAICD, Dip CD

Managing Director

Refer to Board of Directors, page 71.

Robert Bakewell

B.Comm, CA

Chief Financial Officer

Mr Bakewell was appointed Chief Financial Officer in June 2016. He is a chartered accountant with more than 35 years finance and commercial experience in listed Australian and international companies including significant experience in mergers and acquisitions, restructuring, balance sheet and capital management. He is responsible for all financial operations of the business including group accounting and taxation, treasury, banking and finance and investor relations.

Megan Kublins

Bs (Arch), B Arch

Executive General Manager – Property & Development

Ms Kublins was appointed General Manager Property in November 2001 and became Executive General Manager Property in 2006. She has over 23 years experience in the property industry gained in public and private organisations in the capacity of both landowner and developer. She manages all of Brickworks property assets, including over 3,500 hectares of land. Her primary focus is to identify value creation opportunities within this portfolio. She is responsible for the growth and management of the Goodman/Brickworks JV, which was established and grown under her direction. Megan has completed the Stanford Executive Program.

Susan Leppinus

B.Ec, LLb, Grad Dip App Fin

Company Secretary and General Counsel

Ms Leppinus was appointed Company Secretary and General Counsel in April 2015. She is admitted to practice in NSW and has over 15 years' experience as a company secretary and general counsel. She has worked closely with boards and senior management in ASX 200 companies, and has significant experience in mergers and acquisitions, contract negotiation, corporate governance, corporate and commercial law. She is responsible for the legal governance and company secretarial functions of the Group, including liaising with the ASX, ASIC and other regulatory bodies.

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371 Broadway
Sioux City Brick
Ebonite Smooth
in Sergeant Bluff
New York City,
New York



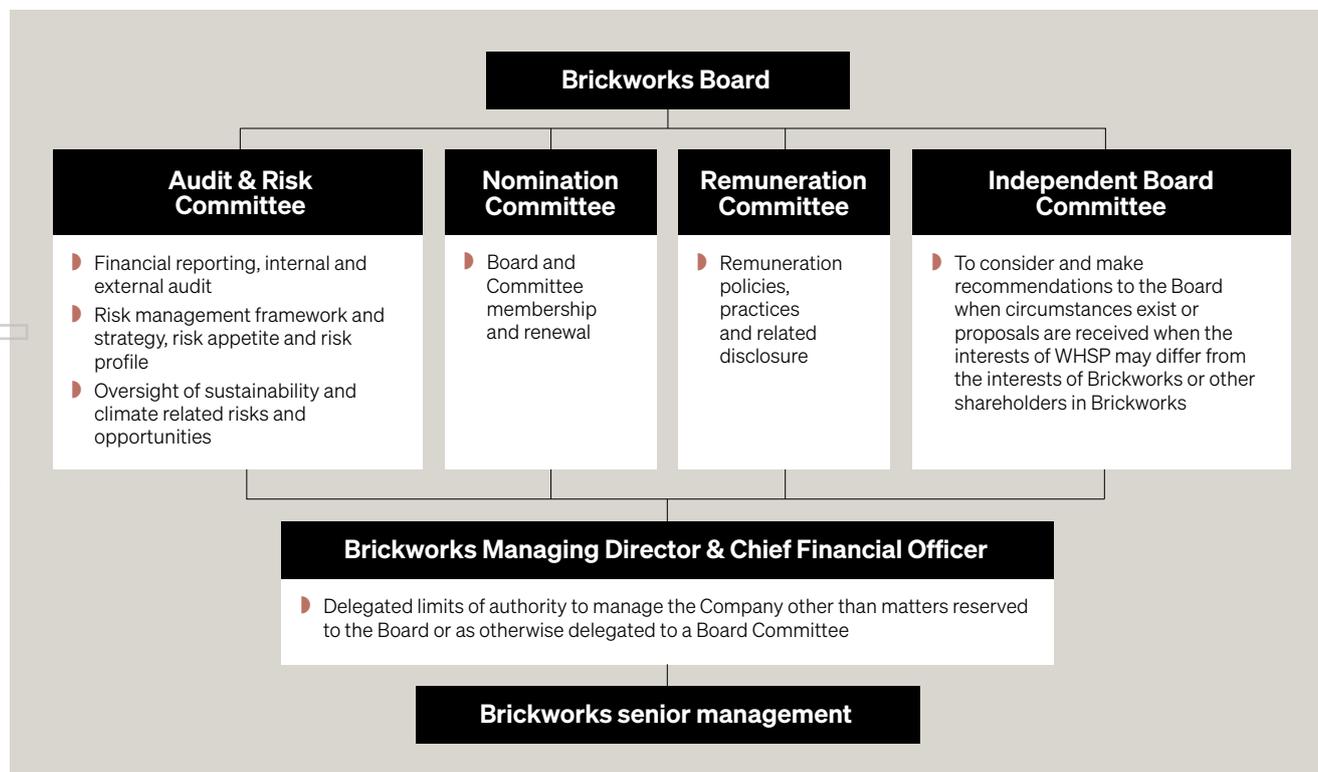
Corporate Governance

The Brickworks Limited (**Company**) Board is committed to developing and maintaining good corporate governance and recognises that this is best achieved through its people and their actions.

The Company's 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. It is also critical to the success of the Company that an appropriate culture is nurtured and developed, starting from the Board itself.

Brickworks full Corporate Governance Statement which provides detailed information about governance at Brickworks' is available on Brickworks' website at www.brickworks.com.au

Brickworks Governance Framework



Management and oversight

The Board

The Brickworks Board is responsible for the leadership, oversight, development strategy and long-term success of the Group. The Board works with management to consider specific issues relevant to the overall conduct of our businesses – including strategy, safety, sustainability, annual budget and major acquisitions and disposals.

There is one executive and seven non-executive Directors on the Brickworks Board, 25% of which are women. The independence of non-executive Directors is considered annually and the Board has determined that five non-executive Directors are independent. We ensure the Board has the appropriate blend of skills, knowledge and experience, from a wide range of industries, backgrounds, necessary to lead the Group. In 2020, there were 12 full meetings of the Board.

Board Committees

The Board has established four permanent Committees to assist in the execution of its responsibilities. The current permanent Committees are the Audit & Risk Committee, the Nomination Committee, the Remuneration Committee and the Independent Board Committee. The role of these Committees is to provide strategic direction, oversight and assurance on the specific objectives set for each Committee. The Chairman of each Committee reports to the Board on its deliberations and minutes of Committee meetings are circulated to all Directors.

Committee Chairs also attend the Annual General Meeting to answer questions from shareholders. Current membership and terms of reference of each Committee are available on our website.

Board renewal, development and evaluation

Our Directors are committed to ensuring the Board is diverse and appropriately balanced in terms of business experience, knowledge, skills and gender.

All newly appointed Directors receive extensive briefing materials and the Chairman agrees an individually-tailored and comprehensive induction programme.

A review of Board effectiveness is carried out on an annual basis. This review takes into account the operation and performance of the Board and its Committees, and the effectiveness of Board communications.

In 2019 the Board focussed on Board renewal.

- ▶ On 1 October 2019 Malcolm Bunday joined the Board as a non-executive Director. He has valuable experience as a Chief Executive Officer (CEO) and Managing Director with expertise in complex manufacturing operations in Australia, the USA and many international jurisdictions, and a strong financial background.

- ▶ On 1 January 2020 Robyn Stubbs joined the Board as a non-executive director. She has valuable operational experience in property, leasing, sales and marketing, strategy and new product development.

Compliance

We have procedures in place to ensure compliance with our obligations under the applicable rules and regulations, including those issued by the Australian Securities Exchange.

Ethical and responsible decision making

- ▶ The Board aims to ensure the Company continually builds an honest and ethical culture.
- ▶ Brickworks has an established code of conduct which centres on the Company and all Directors, senior management and employees conducting themselves with integrity in all business dealings. It also has Board policies and conducts training of employees in relation to these policies.
- ▶ Consistent with our commitment to act fairly, with honesty and integrity Brickworks has a Whistleblower Policy and has implemented Behonest@Brickworks an anonymous whistleblower service delivered by Deloitte.
- ▶ The Company also has an Anti-Bribery and Corruption Policy, Political Donations Policy, Securities Trading Policy and Modern Slavery Policy.

Timely and balanced disclosure

- ▶ Brickworks is committed to keeping its shareholders informed about the Company's activities.
- ▶ The Company aims to provide relevant information to shareholders in a timely manner which is supported by its Continuous Disclosure Policy.

Safeguard integrity in financial reporting

- ▶ Brickworks process for verifying the integrity of periodic corporate reports not subject to audit or review by an external auditor is as follows:
 - ▶ reports are prepared by, or under the supervision of, subject-matter experts;
 - ▶ reports are reviewed for material accuracy; and
 - ▶ information in a report that relates to financial projections, statements as to future financial performance or changes to the policy or strategy of the Company (taken as a whole) must be approved by the Board.
- ▶ The Board through the Audit and Risk Committee:
 - ▶ monitors Company performance; and
 - ▶ ensures the proper external reporting of financial information.



Recognise and manage risk

- ▶ To ensure robust and effective risk management systems are in place and operating effectively, the Board through the Audit and Risk Committee:
 - ▶ determines the risk profile for the Company;
 - ▶ ensures that business initiatives are consistent with its risk appetite;
 - ▶ reviews the controls and systems in place to continually mitigate risk;
 - ▶ monitors the results of a risk based internal audit program, and timely remediation of issues identified; and
 - ▶ oversees reporting and compliance requirements.
- ▶ Risk management is a priority for the Board and senior management.

Remunerate fairly and responsibly

- ▶ The Board through the Remuneration Committee ensures that remuneration policies and practices are consistent with strategic goals.
- ▶ The Company's remuneration policy is to:
 - ▶ equitably reward executives with a mix of fixed remuneration, short term and long-term incentives aimed at attracting and retaining executives who will create value for shareholders; and
 - ▶ ensure appropriate succession planning is in place.
- ▶ Non-executive directors receive no incentive payments and there are no retirement benefits in place. Contributions to the retirement allowance plan for non-executive Directors were discontinued on 30 June 2003. Under legacy arrangements, non-executive Directors appointed prior to 30 June 2003 were entitled to receive benefits upon their retirement from office. These benefits were frozen with effect from 30 June 2003, and are not indexed. Since 30 June 2003 no new Directors have been entitled to join this plan.

Lea
Austral Bricks La Paloma in Azul
Sydney, NSW

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Directors' Report

The Directors of Brickworks Limited present their report and the financial report of Brickworks Limited and its controlled entities (referred to as the Brickworks Group or the Group) for the financial year ended 31 July 2020.

Directors

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

- ▶ **Robert D. Millner** FAICD (Chairman)
- ▶ **Michael J. Millner** MAICD (Deputy Chairman)
- ▶ **Lindsay R. Partridge** AM BSc. Hons. Ceramic Eng, FAICD, Dip. CD (Managing Director)
- ▶ **Brendan P. Crotty** LS, DQIT, Dip.Bus AdminS
- ▶ **Deborah R. Page** AM B.Ec, FCA, FAICD
- ▶ **The Hon. Robert J. Webster** MAICD
- ▶ **Malcolm P. Bunday** B.Bus (Accounting), GAICD (from 1 October 2019)
- ▶ **Robyn N. Stubbs** B.Bus, M.Sc., GAICD (from 1 January 2020)

Except for Malcolm P Bunday and Robyn N. Stubbs, all Directors have been in office since the start of the financial year to the date of this report. Each Director's experience and special responsibilities are set out on pages 71 to 73 of this Annual Report.

Details for each Director's directorships of other listed companies held at any time in the three years before the end of the financial year and the period of which such directorships are held are:

Robert D. Millner

- ▶ Washington H. Soul Pattinson and Co. Ltd since 1984
- ▶ New Hope Corporation Ltd since 1995
- ▶ TPG Telecom Ltd since 2000
- ▶ Australian Pharmaceutical Industries Ltd since 2000
- ▶ BKI Investment Company Ltd since 2003
- ▶ Milton Corporation Limited since 1998
- ▶ Tuas Limited since 2020

Michael J. Millner

- ▶ Ruralco Holdings Ltd Appointed 2007, Resigned 2019

Brendan P. Crotty

- ▶ GPT Group Appointed 2009, Resigned 2018

Deborah R. Page AM

- ▶ GBST Holdings Ltd Appointed 2016, Resigned 2019
- ▶ Pental Group Ltd since 2014
- ▶ Service Stream Ltd since 2010

Malcolm P. Bunday

- ▶ Pact Group Holdings Ltd Appointed 2015, Resigned 2018

Robyn N. Stubbs

- ▶ Aventus Group since 2015
- ▶ Invocare Limited since 2017

Company Secretary

- ▶ **Susan L. Leppinus** B.Ec; LLb; Grad Dip App Fin

Principal Activities

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

Consolidated Result of Operations

The consolidated net profit for the year ended 31 July 2020 of the Brickworks Group after income tax expense, amounted to \$298,883,000 compared with \$154,642,000 for the previous year.

Dividends

The Directors recommend that the following final dividend be declared:

Ordinary shareholders – 39 cents per share (fully franked)

The record date for the final ordinary dividend will be 15 October 2020, with payment being made on 25 November 2020.

Dividends paid during the financial year ended 31 July 2020 were:

- Final ordinary dividend of 38 cents per share (fully franked) paid on 27 November 2019 (2018: 36 cents).
- Interim ordinary dividend of 20 cents per share (fully franked) paid on 5 May 2020 (2019: 19 cents).

Review and Results of Operations

A review of Brickworks Group operations and the results for the year is set out on pages 5 to 47 and forms part of the Directors' Report.

State of Affairs

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

After Balance Date Events

No matter or circumstance has arisen since the end of the financial year that has 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.

COVID-19

Brickworks has been monitoring Coronavirus disease (COVID-19) since January 2020 and has treated the situation with the upmost caution, following the most stringent health advice. We implemented a COVID-19 business continuity plan to minimise the chance of COVID-19 spreading throughout the business and published a set of regularly updated COVID-19 Guidelines on the Brickworks website – for customers and employees.

Further information regarding the Company's response to COVID-19 and the health and safety of its employees is outlined on pages 9 to 10 and 65 of this Annual Report.

Sustainability

We continue to improve our sustainability performance, delivering a positive impact for our stakeholders. This year the Brickworks Board approved the Sustainability Strategy "Build for Living: Towards 2025". The strategy sets a clear pathway, with measurable commitments, to promote positive environmental and social impacts, with strong governance and a culture of care for our community. The strategy is available on our website www.brickworks.com.au.

The 2020 Sustainability Report available at www.brickworks.com.au provides detailed information about environmental, social and governance performance over the last financial year. This year reporting boundary are expanded to include our US operations. The report is informed by the Global Reporting Initiative (GRI) core standards.

Environmental performance

The Group is subject to various state and federal environmental regulations in Australia and the United States. Many sites also operate under additional requirements issued by local government.

There is significant environmental regulation requiring compliance of Brickworks' building products manufacturing and associated mining and quarry activities with legislation that often differs across and within each state. Due to the scale and diversity of the operation there is a risk of non-compliance occurring. To manage these risks, Brickworks continually improves management systems, compliance registers and procedures, in addition to the continuation of training, audit and assurance programs. Annual returns, performance statements and reports were completed where required for each license stating the level of compliance with site operating conditions.

The Board places a high priority on environmental issues and is satisfied that adequate systems are in place for the management of Brickworks' compliance with applicable environmental regulations under the laws of the Commonwealth, States and Territories of Australia, and that plans are in place for the development and implementation of equivalent systems to manage compliance with the corresponding regulations under the laws of the United States.

Brickworks is not aware of any pending prosecutions relating to environmental issues.

The Directors are not aware of any material non-compliance with environmental regulations pertaining to the operations or activities during the period covered by this Report which would materially affect the business as a whole.

During the financial year ended 31 July 2020, Brickworks finalised a plan to meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with an ambition to publish a TCFD response document by 2022.

Further information regarding Brickworks approach to environmental performance, compliance and approach to environmental management and sustainability is set out on pages 52 to 61.

Risk Management

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

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

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

Building Products

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

Risk	Mitigation
Energy Supply – reliability and cost of gas and electricity	<p>The Group continually improves its manufacturing energy efficiency through a sustained research and development program of process and product improvement. Since January 2020, gas has been sourced on a wholesale basis for the majority of the east coast business operations.</p> <p>Energy efficiency is a focal point, using audits, regular maintenance and upgrades to ensure that energy efficiency is continuously managed. Heat recovery systems are utilised in all brick manufacturing facilities.</p>
Serious Safety Incidents	<p>The Group has a strong safety culture and notwithstanding a well-developed WHS system (refer further "Health and Safety") the Group continues to focus on safety improvements especially in response to COVID-19 and more generally in the expanding US business where health and safety programs are being implemented to align with the Australian operations.</p>
Environmental incident	<p>The Group has a strong commitment to environmental protection and a comprehensive environmental compliance system. The Group continues to focus on implementing equivalent systems in the expanding US business (refer further "Environmental").</p>
Products – alternative products and product failure	<p>The Group has a strong focus on research, development and quality control. The Group monitors market trends and has strategies to diversify its range of building products and its marketing approach.</p>
Shift in housing trend	<p>The movement away from detached housing in Australia threatens the Group's traditional product suite that is expressed primarily to detached house construction activity. The Group has diversified its range of building products and its marketing approach over the past decade and now has increased exposure to the multi-residential and commercial sectors. In the past three years there has been a shift back towards detached housing construction in Australia.</p>

Shift in housing trend <i>continued</i>	<p>Exposure in the United States is significantly more diversified, with approximately 50% of sales to the commercial and multi-residential market.</p>
New competitor	<p>Whilst barriers to entry are significant the Group monitors its Australian and US markets for both domestic manufacturing and import competitors and has adopted a customer relationship and quality model, supported by investment in research and development.</p>
Production capacity	<p>The Group manages production capacity by adroit management of its national manufacturing base to correlate production to cyclical market conditions as they occur across the country. In this way the Group is able to meet customer demand nationally at the top of the cycle and pare back capacity to demand levels as the market cycles. Similar plant management occurs in the US business.</p>
Business Interruption – plant failure or underutilisation and raw material supply	<p>There are multiple facilities throughout Australia that can transport products between locations as and when required and also multiple plants in the US with no single plant so large as to represent an existential threat to the whole operation. The major facilities have rolling risk reviews and reporting by outside parties. The business also maintains significant insurance policies to manage the physical loss of assets and any loss of income from an insurable interruption. Raw materials are generally secured through ownership of raw material reserves and maintaining prudent raw material stockpiles.</p>
Asbestos and other respirable dust risk	<p>An asbestos management plan is in place. Building cladding is regularly removed and replaced with non-asbestos based materials. Where any friable asbestos is found, either within a plant or during rehabilitation, it is immediately quarantined and removed by qualified reputable contractors, using the most diligent safety standards. Respirable crystalline Silica is deemed carcinogenic and a crystalline silica management plan is in place. Inhalable and respirable dust exposure measurements are occurring at all operational sites with a health monitoring program. Brickworks has employed two Hygienists (Masters qualified) to build an in-house core competence in asbestos and respirable silica management.</p>
Market Risk – deteriorating market conditions	<p>The Group is investing in geographic expansion into new markets in the US and product diversification, cost control and continuous improvement of business.</p>
Failure to execute US bricks strategy effectively	<p>Extensive due diligence was undertaken and a comprehensive restructure and integration program is being led by relocated senior executives working with the US leadership team and members of the Australian executive. A plant rationalisation plan is well developed and being executed.</p>

Property

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

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

Group

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

Risk	Mitigation
Financing Risk	The Group maintains conservative gearing levels below 20% in recognition of the industry's cyclical nature. Senior debt facilities are maintained with financial lenders with whom an open and transparent relationship is maintained. Multi-currency facilities (AUD and USD) are maintained over various tenors ranging from 2 to 8 years.
Cyber Security Risk	The Group has assessed its main cyber security threat as phishing to obtain sensitive company or private information or a virus attack which compromises the system. Investment in technology has increased and risk controls include the use of a VPN and antivirus software to safeguard against incoming viruses from personal computers. Preventative measures include regular system penetration tests and employee training with new leading-edge end-point protection software and firewall protection in place. A disaster recovery plan is in place across the organisation.

COVID-19

The Group has established a pandemic steering committee managing the response to COVID-19. Stringent guidelines and procedures for both staff and customer safety have been implemented and internal training provided on the new measures. The construction industry in both the US and Australia has been designated a critical industry by Government and so has not to date been materially impacted by Government close-down measures nor the flow-on economic impacts. The Group continues to monitor COVID-19 economic impacts.

Climate related risk

The Group has established a Task Force on Climate-related Financial Disclosures (TCFD) implementation plan which extends to the financial year 2022. Potential risks have been preliminarily identified as consumer trends towards low embodied carbon building products; physical impacts on manufacturing operations; impacts on energy cost and availability and a price on carbon. The Group has established a gas efficiency target and an alternative fuels program that considers emerging energy sources such as hydrogen and the Sustainable Products program includes the development of products that hold leading sustainable qualities including expanded carbon neutral offerings.

Investments

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

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

Meetings of Directors

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

	Directors' Meeting	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Independent Board Committee
Number of Meetings held:	12	3	2	3	1
Number attended:					
R D Millner	12	N/A	2	2	N/A
M J Millner	11	N/A	2	3	N/A
L R Partridge	12	N/A	N/A	N/A	1
B P Crotty	12	3	2	3	1
D R Page	12	3	2	3	1
R J Webster	12	3	2	2	1
M P Bunday (October 2019 to July 2020 only)	10	2	1	2	1
R N Stubbs (January to July 2020 only)	8	2	1	2	-

Directors' Interests

As at 22 September 2020, Directors had the following relevant interests in Brickworks shares:

Director	Ordinary Shares
R D Millner	4,813,098
M J Millner	4,787,141
L R Partridge	162,179
B P Crotty	18,209
D R Page	14,210
R J Webster	15,922
M P Bunday	1,000
R N Stubbs	1,000

As at 22 September 2020, 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 in accordance with s300A of the *Corporations Act 2001*.

1 Overview

1.1 Executive Summary

The Brickworks Board of Directors is committed to ensuring that its remuneration framework is focussed on driving a performance culture that is closely aligned to the achievement of the Company's strategy and business objectives as well as the retention of key members of the senior management team.

Following changes to the remuneration structure for the Managing Director (**MD**) and Chief Financial Officer (**CFO**) during the prior financial year the Remuneration Report received overwhelming support from shareholders at the 2019 AGM with 94.09% of votes in favour of the Remuneration Report.

During the financial year ended 31 July 2020 Brickworks reviewed the reports of proxy advisors and engaged with major shareholders and proxy advisors in relation to remuneration matters. Positive improvements noted by Proxy Advisers in 2019 with Brickworks remuneration structure for the financial year 2019 and as flagged for the financial year 2020, include:

- ▶ improved disclosure of financial and non-financial short-term incentives (**STI**) outcomes and weightings;
- ▶ three-year performance period for the long-term incentive (**LTI**) for the MD and CFO;
- ▶ adjustments to LTI targets for vesting of LTI performance awards;
- ▶ removal of voting rights and dividends on unvested equity awards; and
- ▶ MD equity grants put to shareholders for approval.

In addition, for the MD and CFO's STI payments relating to the financial year ended 31 July 2020 performance, 50% will be deferred into equity for one year.

The Board will continue to review executive remuneration to ensure that it continues to align with Brickworks strategy, motivate management, reflect market best practice and support the delivery of sustainable long-term returns to shareholders. As part of the review process we will continue to engage with major shareholders and proxy advisors.

1.2 Details of Key Management Personnel (KMP)

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

Directors

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

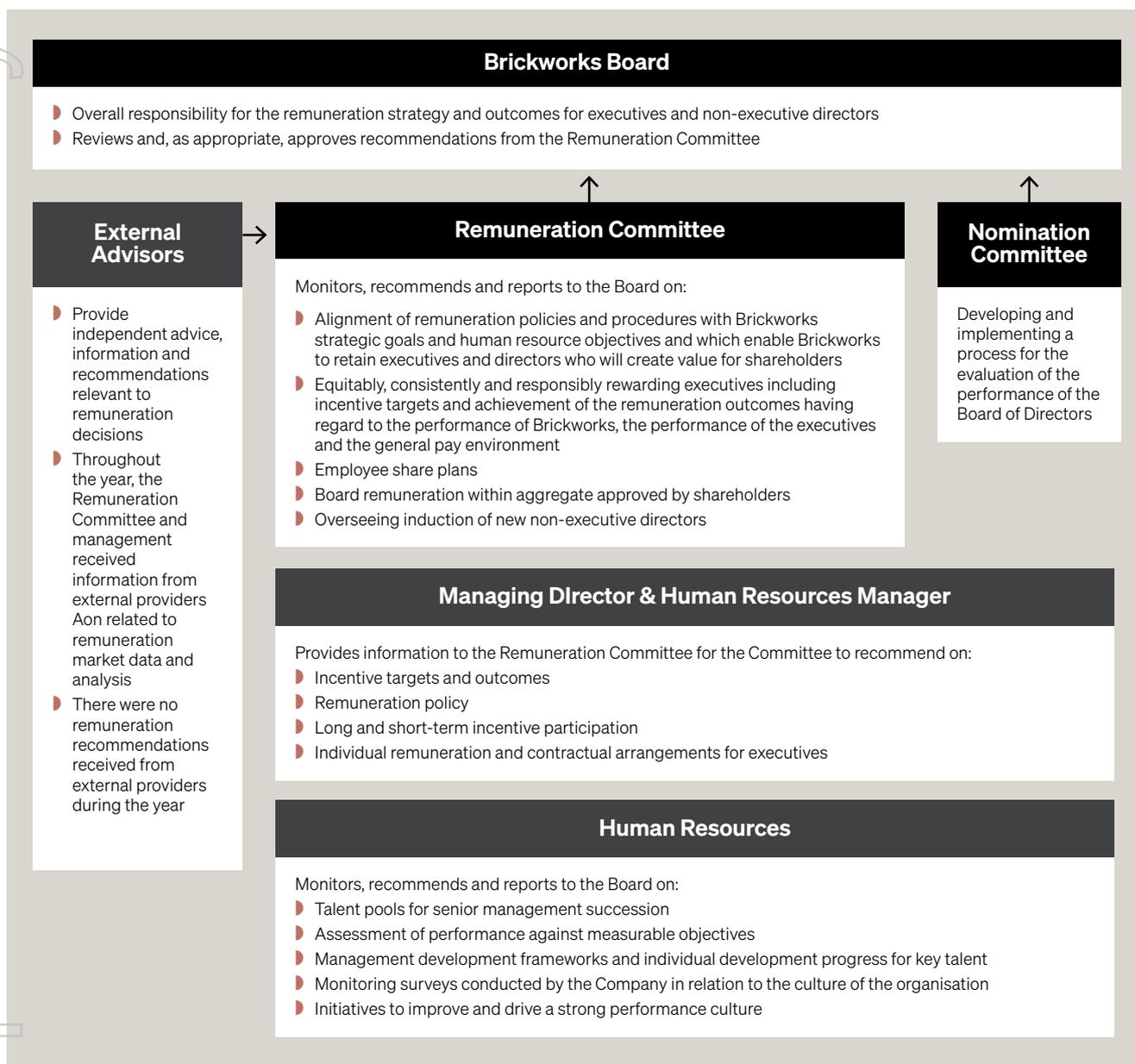
Mr R Millner	Non-executive Chair
Mr M Millner	Non-executive Deputy Chair
Mr L Partridge	Executive Director (Managing Director)
Mr B Crotty	Non-executive Director
Mrs D Page	Non-executive Director
The Hon. R Webster	Non-executive Director
Mr M Bunday	Non-executive Director (from 1 October 2019)
Mrs R Stubbs	Non-executive Director (from 1 January 2020)

Executives

Mr R Bakewell	Chief Financial Officer
Ms M Kublins	Executive General Manager – Property & Development

1.3. Remuneration Policy

Brickworks remuneration governance framework is set out below. While the Board retains ultimate responsibility, Brickworks' remuneration policy is implemented through the Remuneration Committee.



1.4 Remuneration Committee

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

Mr B Crotty	Non-executive Committee Chair (until 1 June 2020)
Mr M Bunday	Non-executive Committee Chair (from 1 June 2020)
Mr M Millner	Non-executive Director

Mr R Millner	Non-executive Director
Mrs D Page	Non-executive Director
The Hon. R Webster	Non-executive Director
Mrs R Stubbs	Non-executive Director (from 1 January 2020)

The Committee is chaired by Malcolm Bunday an independent non-executive director. The Committee is authorised by the Board to obtain external professional advice, and to secure the attendance of advisers with relevant experience and expertise if it considers this necessary.

1.5 Use of remuneration consultants

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

- ▶ During the financial year, the Remuneration Committee appointed Aon as the remuneration adviser to provide information regarding remuneration benchmarking for the MD.
- ▶ The consideration paid for the remuneration benchmarking for executives provided by Aon was \$5,000.
- ▶ Remuneration information was provided to the Remuneration Committee as an input into decision making only. The Remuneration Committee considered the information in conjunction with other factors in making its remuneration determinations.
- ▶ The Committee is satisfied the advice received from Aon is free from undue influence from the executives to whom the remuneration information applies, as Aon were engaged by, and reported to, the Chairman of the Remuneration Committee.
- ▶ During the year no remuneration recommendations, as defined by the Corporations Act, were provided.

1.6 Board Policies for determining remuneration

Remuneration strategy and guiding principles

The guiding remuneration principles in Brickworks remuneration structure include:

- ▶ alignment between executive remuneration outcomes and shareholder outcomes;
- ▶ driving performance by linking remuneration outcomes to clearly specified targets; and
- ▶ reflecting market practice by benchmarking remuneration outcomes against relevant peer companies.

There are three main parts to the Brickworks business model:

1. the Building Products Group (Australia and North America) - Austral Bricks, Austral Masonry, Bristle Roofing, Austral Precast and Glen-Gery;
2. the Property and Development Group - exists to maximise the value of surplus land created by the Building Products business, and
3. Investments - represent 39.4% interest in Washington H. Soul Pattinson and has provided a stabilizer to the cyclical nature of the Building Products earnings stream.

Brickworks uses key performance indicators across the Building Products and Property businesses to ensure that its executives:

- ▶ ensure that the health and safety of employees has the highest priority;
- ▶ improve profit, cash flows, production and operational efficiencies;
- ▶ rationalise non-performing assets; and
- ▶ retain key employees who have developed specialist skills and expertise in the industries in which the Group operates.

Brickworks' short-term performance incentive (**STI**) and its long-term incentive (**LTI**) scheme are designed to prioritise these corporate objectives.

The STI program contains key performance measures for each executive outlined further in section 2.5.

The LTI program is outlined further in section 2.6.

Retention

Retention of executives and highly skilled staff continues to be a high priority for the Remuneration Committee's for the following reasons:

- ▶ It requires at least 5 to 10 years for executives and production staff to become totally familiar with the complexities associated with the manufacture of clay and concrete building products.
- ▶ If there is a breakdown Brickworks needs to be able to restart production within hours and days rather than weeks and months. The necessary skills that have been developed internally to deal with these challenges cannot be procured easily outside the Brickworks group.
- ▶ The sale and marketing of building products is a function of good client relationships as well as product excellence. Brickworks cannot afford to lose executives who in some circumstances may have been dealing with clients for 10–20 years.
- ▶ The property trust was established 14 years ago to develop land surplus to operations which also requires in depth property and development skills and experience.

COVID-19

Brickworks has undertaken significant actions in response to the Coronavirus pandemic including:

- ▶ reducing production to control stock levels;
- ▶ using this opportunity to complete significant planned restructuring and efficiency improvement activities across our Building Products businesses;
- ▶ a range of cost reduction initiatives resulting in approximately 50 redundancies (circa 2.5% of our workforce);
- ▶ placing a temporary pause on non-contracted capital spend during March to May 2020;
- ▶ accelerating various initiatives across the Group, including digital sales and marketing efforts, new product development and online training and development programs.
- ▶ Brickworks has not accessed the JobKeeper program in any part of its organisation. We are re-assured by the response of Governments in Australia and the United States – both have indicated that construction is integral to the post COVID-19 recovery.
- ▶ We anticipate that the construction and housing sectors will emerge as one of the stronger and more resilient sectors within the economy. We also expect an acceleration of industry trends to online shopping, to increase demand for our industrial Property Trust assets.
- ▶ Brickworks' diversified portfolio and our robust balance sheet puts us in a strong position to effectively confront the challenges ahead.
- ▶ In relation to remuneration there were no salary reviews this year for the financial year 2021. STI payments reflect the performance of the Group for the financial year ended 31 July 2020.

2 Remuneration Components

2.1 Remuneration structure

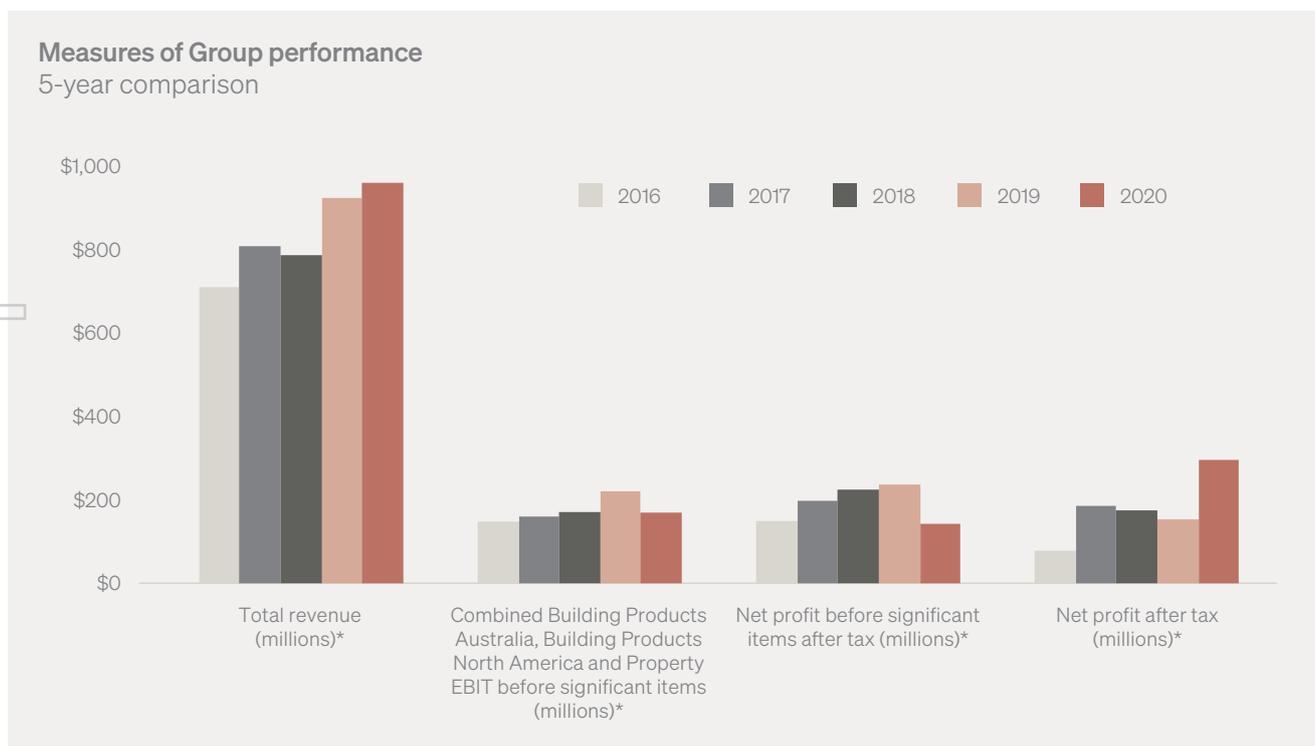
The core elements of Brickworks remuneration structure for the executive KMP are outlined below:

Total Executive Remuneration		
FIXED	AT RISK	
Fixed remuneration	Short-term incentive	Long-term incentive
Fixed remuneration having regard to the market for jobs of comparable size and responsibility	Brickworks' executives participate in an STI plan The STI is weighted 75% to relevant business unit financial metrics and 25% to individual performance metrics Refer to 2.5 for further details	For the MD and CFO, the LTI is linked to: <ul style="list-style-type: none"> Relative total shareholder return Absolute total shareholder return both over a 3-year period. For the other executive KMP 20% of an LTI allocation vests each year on 31 July following the allocation date for five years Refer to 2.6 for further details
<ul style="list-style-type: none"> Base salary Superannuation Other benefits such as maintained motor vehicles Other eligible salary sacrifice benefits 	<ul style="list-style-type: none"> 100% cash For the MD and CFO 50% deferred into equity for one year 	<ul style="list-style-type: none"> Equity with performance assessed over three years

2.2 Historical performance, shareholder wealth and remuneration

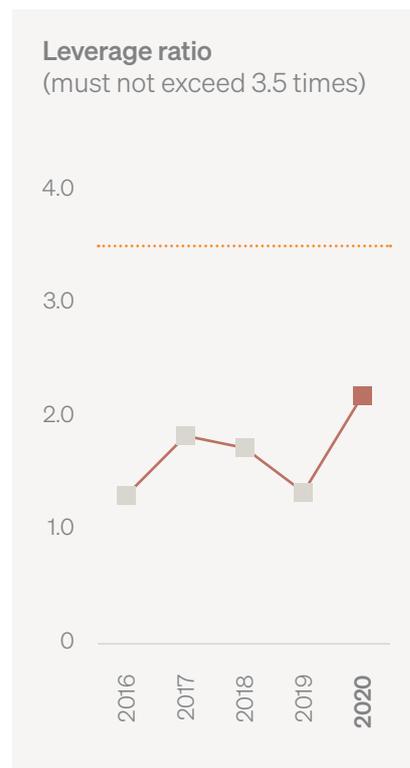
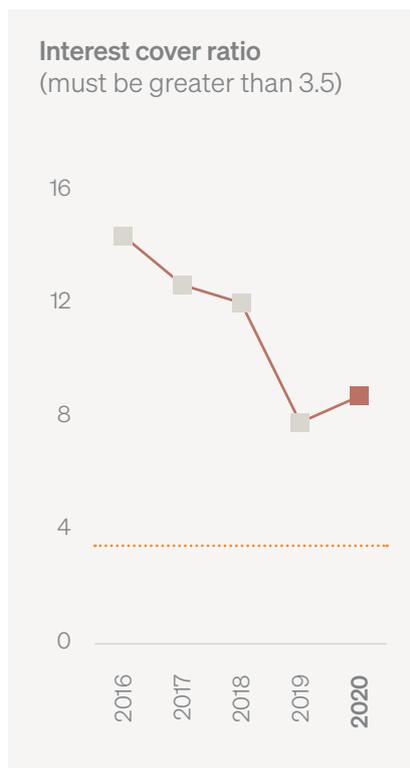
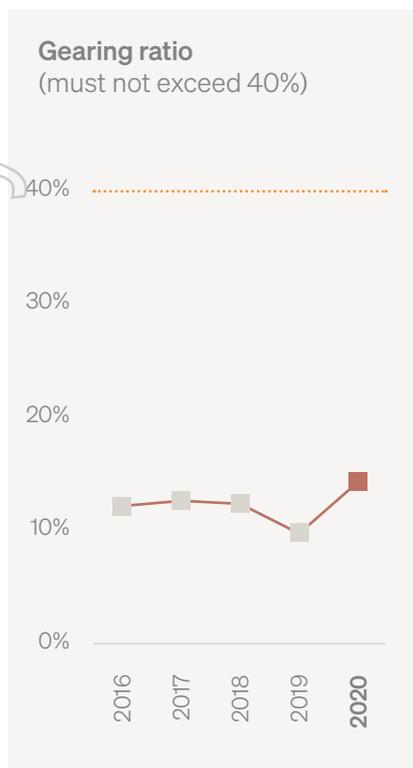
Financial Performance

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



* All revenue and earnings measures exclude discontinued operations.

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The above graph shows the alignment of LTI outcome with medium to long-term financial performance supported by the following:

- ▶ The annual EBIT from continuing operations (before significant items) generated by the Building Products Australia and Property divisions has increased from \$151.8 million in the 2016 financial year to \$162.0 million in the year to 31 July 2020.
- ▶ In the 2020 financial year Brickworks completed the acquisitions of the Sioux City Brick and Redland Brick businesses, following the Glen-Gery acquisition in the prior financial year. The annual EBIT (before significant items) generated by Building Products North America was \$10.2 million in the year ended 31 July 2020.
- ▶ The Return on NTA for the Building Products Australia, Building Products North America and Property divisions demonstrates a decrease from 15.9% in 2016 to 12.1% in 2020 due to a slowdown in construction activity and an impact of the COVID-19 pandemic on the performance in North America and Australia in the second half of the year ended 31 July 2020.
- ▶ The Operating Cash Flows generated by the Building Products and Property divisions have decreased from \$121.8 million for the year ended 31 July 2016 to \$114.8 million for the year ended 31 July 2020 primarily due to a slowdown in construction activity and the impact of the COVID-19 pandemic in the second half of the 2020 financial year.
- ▶ Brickworks has preserved its strong balance sheet position and conservative debt metrics as it has grown the Property Division and expanded into Building Products North America

whilst at the same time continuing to grow the dividends paid to shareholders. Over the 2nd half of the year ended 31 July 2020, in the face of the COVID-19 pandemic, Brickworks improved its 3 key balance sheet and debt covenant metrics from their 31 January 2020 levels: Gearing Ratio from 16.8% to 14.7%, Leverage Ratio from 3.07x to 2.20x and Interest Cover Ratio from 5.84x to 8.89x. Over that same period Brickworks completed the acquisition of Redland Brick including a completion payment of A\$38.8 million and paid an increased interim dividend of \$30.0 million.

- ▶ Most of the senior executives who have retired in recent years have been replaced by internal candidates with appropriate skills which highlights the important role that retention plays in Brickworks' succession planning.
- ▶ A range of strategic initiatives have been implemented, including geographical diversification into the North American market, and completion of the cement terminal in Port of Brisbane as part of the Southern Cross Cement joint venture.

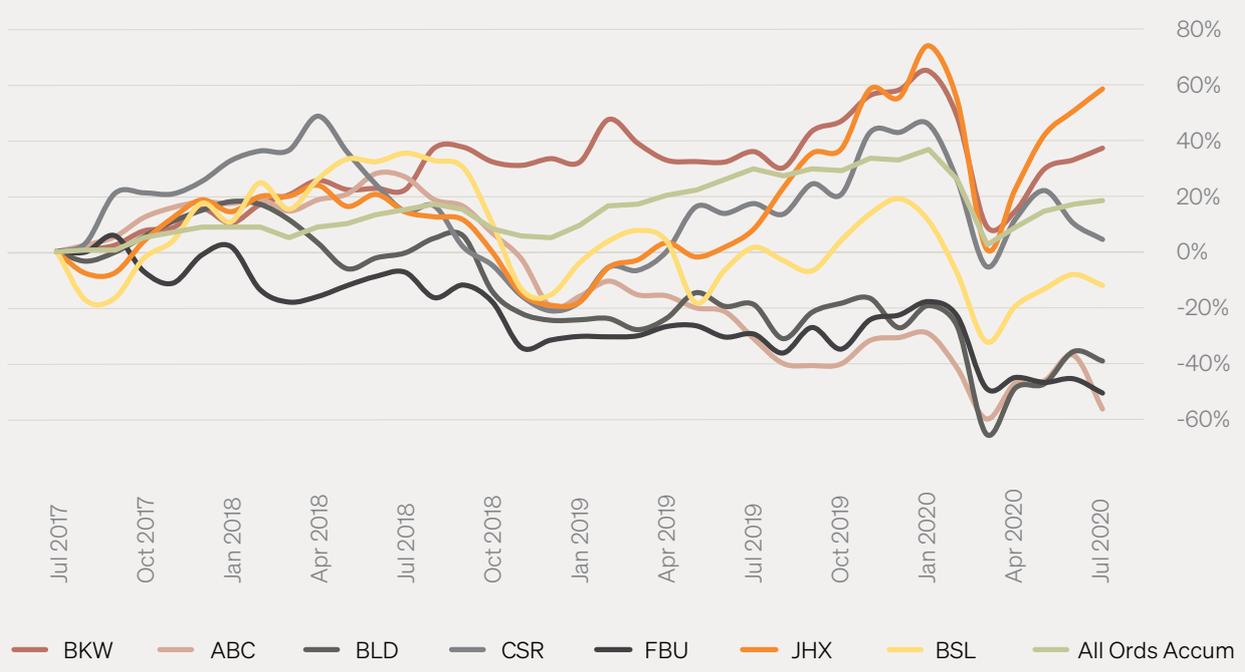
Total Shareholder Returns (TSR)

Our diversified portfolio of assets has translated into consistently strong absolute shareholder returns, including a return of 0.9% for the year to 31 July 2020 compared to a negative 9% return delivered by All Ords Accumulation Index over the same period. An investment in Brickworks shares delivered a robust long-term annual shareholder return of 10.6% on a compound basis over the 20 years.

Annual TSR	1 year	3 years	5 years	10 years	15 years	20 years
Brickworks Ltd	0.9%	11.1%	5.4%	6.9%	6.4%	10.6%

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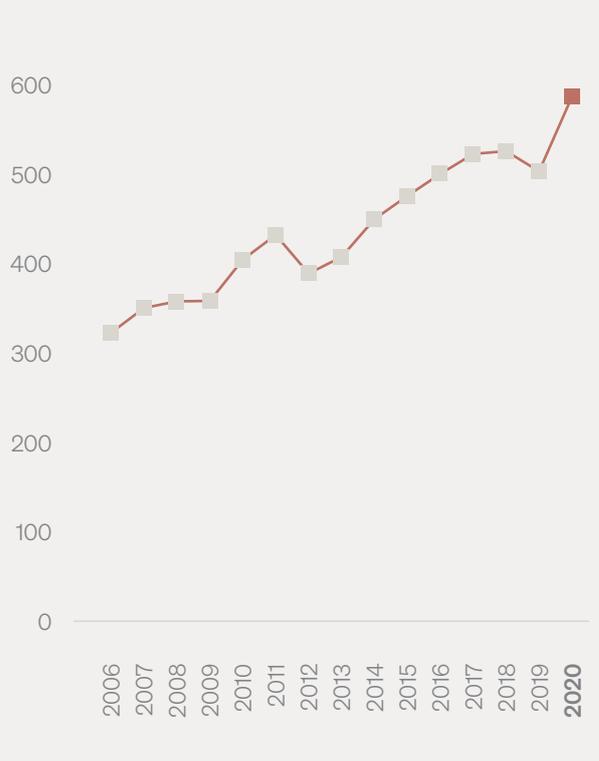
Total Shareholder Return (Cumulative)
3-year comparison



Employee Productivity

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

Building Products Australia Revenue per Employee (\$'000)

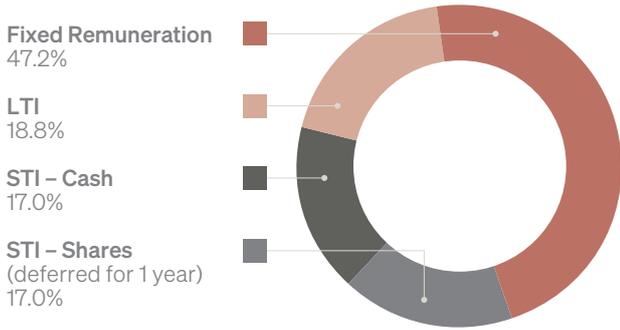


2.3 Potential Remuneration Mix

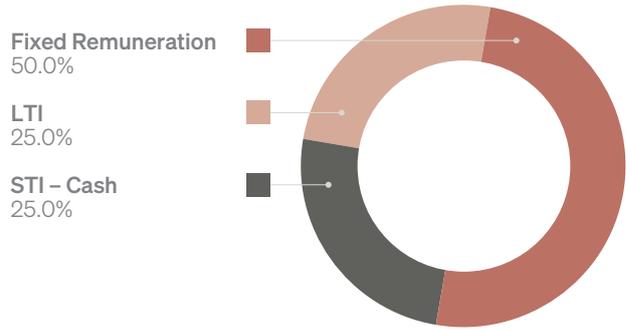
Total remuneration for the MD and the other executives comprises both fixed remuneration and an at-risk component (STI and LTI). The mix shown in the graph below is the potential remuneration based on the current remuneration at 31 July 2020 with STI and LTI based on maximum opportunities.

This structure is designed to retain and pay executives competitively based on their performance . .

Potential MD and CFO Remuneration Mix



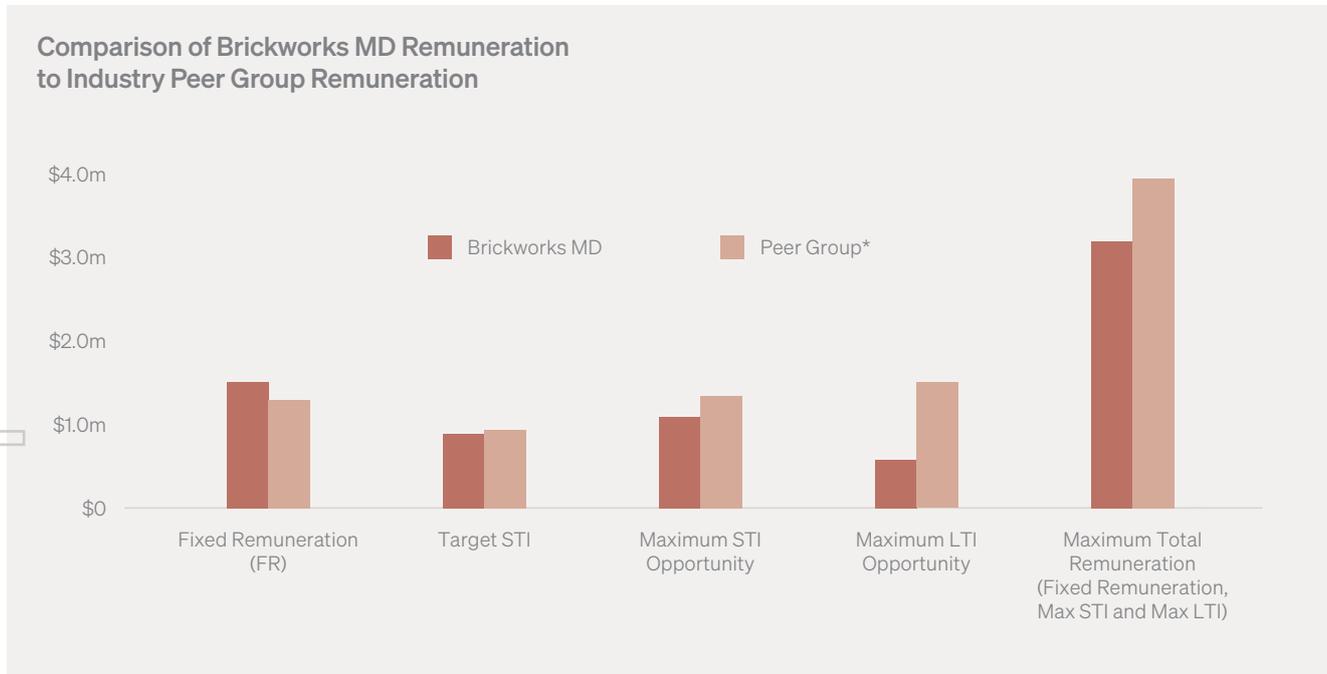
Executive GM Property & Development Remuneration Mix



2.4 Remuneration Component – Fixed Remuneration

There has been no material increase in total fixed remuneration for any KMP during the financial year ended 31 July 2020. There were no pay increases for senior executives for the next financial year.

A benchmarking exercise was undertaken during the current financial year by Aon and shows the MD's target and maximum pay opportunities compared to industry peers as set out below:



* The industry peer group includes 14 organisations engaged in property, manufacturing of construction materials, building products, commodities and other products generally within 50% to 200% of Brickworks' one-year average market capitalisation as follows: Abacus, Adelaide Brighton, Blue Scope, Boral, Charter Hall, Cromwell Property, CSR, Growthpoint Properties, GUD Holdings, GWA Group, Incitec Pivot, James Hardie, Nufarm and Fletcher Building.

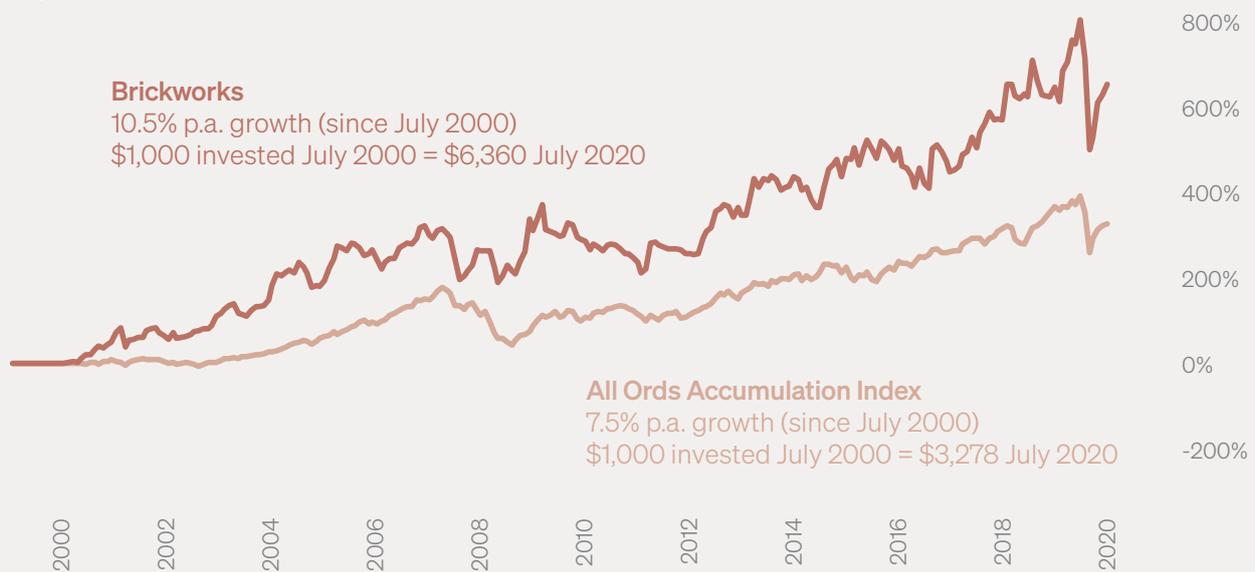
By way of summary:

- ▶ The Brickworks MD has Fixed Remuneration positioned slightly higher than the 75th percentile of the Industry peer group.
- ▶ Target STI is positioned slightly below the peer group market median.
- ▶ Maximum STI opportunity is notably lower than the market median. Specifically, MD and CEO variable opportunity (target STI being 60% of fixed remuneration and maximum opportunity 72% of fixed remuneration) is below market peers. -Market practice for the peer group mentioned above is for the Maximum STI opportunity to be equal to 110% of fixed remuneration at median.
- ▶ Maximum LTI opportunity for the MD (being 40% of his fixed remuneration) is significantly below market median. Median

maximum LTI opportunity in this peer group is equal to 100% of fixed remuneration at median.

- ▶ The Maximum Total Remuneration is 19% below the peer group market median.
- ▶ The structure of the MD's remuneration with a higher fixed remuneration and lower variable pay is reflective of his 21-year tenure as Managing Director at Brickworks (being significantly above the market average of 4 years) and reflects his valuable corporate memory, experience and expertise in the field.
- ▶ The Maximum LTI opportunity and total potential remuneration for the MD is well below market peers.
- ▶ The MD's remuneration is reflective of the value that has been created for shareholders throughout his tenure as outlined below.

Total Shareholder Return
20-year comparison



2.5. Remuneration Component – Short-Term Incentives (STI)

The information below outlines the STI Plan:

Purpose and Objectives

The STI is an annual incentive plan designed to reward executives for meeting or exceeding financial and non-financial objectives over a one-year period. The STI has been designed to foster an organisational culture of collaboration, co-operation and mutual respect which supports the objective of a long-term outperformance in both the financial and non-financial areas of the business, mainly with annual measures linked to the business strategy, set at levels that are challenging, yet achievable.

STI Awards and Deferral

MD and CFO

For the MD and CFO the STI is awarded in cash up to a maximum of 72% of total fixed remuneration (including base salary, superannuation and car allowance).

The target STI opportunity for the MD and CFO being 60% of fixed remuneration and maximum opportunity at 72% of fixed remuneration is below market peers. Standard practice is for the STI opportunity to be equal to 100% of fixed remuneration.

For STI awarded for the prior financial year performance (and paid in the financial year 2020) 33% of STI awarded to the MD and CFO is deferred for two years. For STI's awarded for the current financial year performance and paid in the financial year 2021 half of any STI awarded to the MD and CFO will be deferred into shares for one year.

Other Executives

For all other executives the STI is awarded in cash up to a maximum of 50% of total fixed remuneration (including base salary, and superannuation but excluding car allowance). Any excess STI earned between the target and maximum opportunity will not be paid as a cash bonus but will be added to the long-term incentive share allocation for that year and will vest over the LTI's plan vesting period.

Target Opportunities

The STI Target Opportunities are set out below:

	Target STI opportunity	Maximum STI opportunity (cash)*
MD & CFO	60% of total fixed remuneration (inc. base salary, car allowance and superannuation)	72% of total fixed remuneration
Other Executives** ***	Between 12.5% and 50% of fixed remuneration (inc. base salary and superannuation)	50% of total fixed remuneration (including base salary, car allowance and superannuation)

* For the MD/CFO maximum STI of 72% of total fixed remuneration is met when the Group NPAT (before significant items) excluding equity accounted profit from associates (WHSP) measure is at 110% of the profit target and all the other financial and non-financial KPIs are met.

** STI as a proportion of base salary for an employee increases as that employee gains greater responsibility and has greater capacity to influence the performance of the business as a whole.

*** Outperformance against the STI target above the maximum STI opportunity is recognised by the grant of shares or rights to vest over the LTI plan's performance period.

Performance measures

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

The MD determines the KPIs which are aligned to the delivery of the strategy and performance of the business for other executives.

STI targets are determined on an annual basis after consideration of many complex factors including:

- the market outlook;
- housing trends;
- energy supply;
- existing and new market competition;
- new and alternative products;
- interest rates; and
- cap rate compression.

This year the impact and the Company's response to COVID-19 was also a key consideration.

Payments under the STI are determined by performance against KPIs.

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

Rationale for selection

Financial measures (MD and CFO: 75%)

Group NPAT (before significant items) excluding equity accounted profit from associates (WHSP) – 37.5%	Focus senior executive attention on results and performance for segments for which they have direct responsibility. This is a gateway performance measure to receiving any other performance related payments. The gateway is the minimum threshold measure of profit which must be achieved before any STI is awarded. Once it is met performance is measured against the other following financial and non-financial measures to determine the actual individual awards.
Cash generation – 37.5%	Managing cash to ensure cash and working capital is available whenever and wherever required by the business.

Non-financial measures – (MD and CFO: 25%)

Quality of earnings – 12.5%	This measure considers the quality of earnings result including goodwill and asset impairment and windfall gains.
Safety and Health – 6.25%	This measure incentivises executives to demonstrate leadership in enhancing workplace health and safety and taking a sustainable approach to operations through process innovation.
People – 6.25%	The success of Brickworks depends on the people that work for the Company. This measure will only reward executives for superior performance and demonstration of effective leadership, talent development, retention and succession planning, which are critical to the success of the business and underpin financial performance.

MD and CFO

Percentage of financial component of STI Award payable for the MD and CFO

Profit – 37.5% of total STI Award	
Achievement	STI Award
Below 80% of profit target	0%
Between 80% and 100% of profit target	Pro-rata award on a straight-line basis between 60% and 100% of potential STI
Between 100% and 110% of profit target	Pro-rata award on a straight-line basis between 100% and 120% of potential STI

Operating cash flow – 37.5% of total STI Award	
Achievement	STI Award
Below 80% of budgeted operating cash flow	0%
Between 80% and 100% of budgeted operating cash flow	Pro-rata award on a straight-line basis between 60% and 100% of potential STI Award

The Board of Brickworks is confident that achievement of profit and cash generation above 80% of target in the current market conditions is considered as superior performance. The targets vary every year, are set with a view of delivering challenging results and do not provide executives with a windfall gain.

The remaining 25% of any STI Award is subject to the achievement of challenging non-financial measures.

Other Executives

Percentage of financial component payable for other executive KMP (other than the MD and CFO)

Profit – 37.5% of total STI Award	
Achievement	STI Award
Below base target	0%
Between base target and upper target	Straight line between 50% and 100%
> upper target	Pro-rata equal to the percentage over upper target to a maximum of 50% of total fixed remuneration

Operating cash flow – 37.5%	
Achievement	STI Award
Below base target	0%
Between base target and upper target	Straight line between 50% and 100%

The remaining 25% of any STI Award is subject to the achievement of challenging non-financial measures.

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

Performance assessment

MD and CFO

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

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

Other Executives

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

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

Other features

Clawback

The Board and the Remuneration Committee have discretion about the remuneration outcomes wherever and whenever this is considered appropriate. This discretion also applies in the event of financial misstatement, reputational damage and/or evidence of misconduct.

Termination

Should the employment of either the MD or CFO be terminated other than for cause, all deferred STI payments will remain on foot and will be considered for assessment in the usual course as if their employment had continued with the Company.

STI outcomes

The following table outlines the weighting of financial and non-financial KPIs in relation to each executive for financial year 2020 and the performance achieved. Unless otherwise stated all earnings measures exclude significant items.

Executive	Measure(s)	Performance	Outcome
Financial 75%			
MD & CFO	Group NPAT (before significant items) excluding equity accounted profit from associates (WHSP)	The Group NPAT (before significant items and excluding equity accounted profit from associates) was \$94.9 million which translated into a fully achieved maximum STI target.	100% achieved
	Group operating cash flow	The Group operating cash flow for the year ended 31 July 2020 was \$75.3 million which translated into a fully achieved maximum STI target.	100% achieved
EGM Property & Development	Divisional profit against target for Property	Property divisional profit amounted to \$129.1 million which was significantly above the performance target.	100% achieved
	Divisional cash generation against target	The cash flows generated by the Property division amounted to \$55.4 million and met the performance target.	100% achieved
The Company does not disclose specific financial performance targets and even retrospective disclosure of such targets would put the Company at a potential competitive disadvantage.			
Non-financial 25%			
MD & CFO	Return on net assets/quality of earnings considerations	<ul style="list-style-type: none"> ▶ Return on Net Tangible Assets for the Group excluding investments in associates (WHSP) amounted to 11.0% which translated into a fully achieved maximum STI target. ▶ Despite meeting the RONTA target, the quality of earnings was adversely affected by non-cash impairment losses and write-downs recognised in the current financial year. As a result, only 48% of the maximum of this non-financial STI target was achieved by the MD and 65% was achieved by the CFO. 	<p>48% achievement of the KPI for the MD</p> <p>65% achievement of the KPI for the CFO</p>
	<p>Safety</p> <p>Key lag target metrics across Australia:</p> <ul style="list-style-type: none"> ▶ LTI's < 5 ▶ MTI's < 52 ▶ LTIFR < 1.7 ▶ TRIFR < 19.6 <p>Key lead target metrics</p> <ul style="list-style-type: none"> ▶ 20% improvement in closing open hazards across the business ▶ random drug and alcohol testing of at least 25% of company employees in Australia ▶ 5% of total employees with certified qualifications in mental health first aid across Australia ▶ leadership training for executives ▶ active participation in safety committee meetings ▶ Inclusion of Brickworks North America into Group safety reporting 	<ul style="list-style-type: none"> ▶ Key lag target measures all met with enhanced safety performance year-on-year at Brickworks Building Products Australia measured by a greater than 10% reduction in long-term injuries (LTI), medical treatment injuries (MTI), long term injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR) compared to FY2019. ▶ Inclusion of Brickworks North America into Group safety reporting, including the businesses acquired in the year ended 31 July 2020. Key lag target metrics in North America improved as measured by reduction in LTI, LTIFR and TRIFR compared to the prior financial year. ▶ Key lead target metrics all met: <ul style="list-style-type: none"> ▶ a dramatic improvement in closing open hazards ▶ drug and alcohol testing embedded into the business ▶ proactive safety behaviour including leadership training for executives ▶ traction in employee certified qualifications in mental health ▶ Active participation by the MD and CFO in safety committee meetings throughout the Company's Australia wide operations 	100% achievement of safety KPIs

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Executive	Measure(s)	Performance	Outcome
Non-financial 25%			
MD & CFO	Succession Planning and Gender Diversity Key Metrics: <ul style="list-style-type: none"> ▶ Gender Diversity at the senior executive level in Australia of at least 25% by 31 July 2020 with improvement on the prior year ▶ Quarterly talent and succession reviews ▶ Mentoring program for emerging leaders in Australia ▶ Target internal promotion rate of 25% in Australia ▶ Inclusion of Brickworks North America into Group Gender Diversity and Succession Planning ▶ Embed values in performance management processes at all levels of the organisation 	<ul style="list-style-type: none"> ▶ Improvement in gender diversity at the senior executive level met ▶ Quarterly talent and succession reviews completed and actions implemented for our top talent across the business ▶ Mentoring program for key talent to develop, inspire and support Brickworks future leaders ▶ Internal promotion rate met ▶ Brickworks North America included into Group gender diversity and succession planning programs ▶ Values and culture program embedded throughout the organisation in performance management processes 	100% achievement of succession planning KPIs
EGM Property & Development	Property Trust Return on net assets/ quality of earnings considerations	<ul style="list-style-type: none"> ▶ Return on Net Tangible Assets for the Property division of 19.1% which was translated into a fully achieved STI target. 	100% achievement of non-financial KPIs
	Safety Target Metrics: <ul style="list-style-type: none"> ▶ Category 1 events (fatalities) – nil ▶ Category 2 events (injuries, near misses and development related risks) <2 	Enhanced safety performance as measured by the number of safety events in the financial year ended 31 July 2020: <ul style="list-style-type: none"> ▶ Category 1 events (FY2020: nil, FY2019: nil) ▶ Category 2 events (FY2020: nil, FY2019: 1) 	
	Mixture of Strategic and Operational relevant to the executive	<ul style="list-style-type: none"> ▶ Successfully managed Trust property leases to achieve high occupancy rates (98.8% at 31 July 2020) ▶ The following DA approvals were secured in the financial year ended 31 July 2020: <ul style="list-style-type: none"> ▶ Horsley Park Brick Plant 3 Crusher (August 2019) ▶ Horsley Park Brick Plant 2 redevelopment secured (May 2020) ▶ The DA approval for the new Berrima brick plant was lodged in July 2020 	

STI achieved

The table below outlines the weighting of financial and non-financial KPIs in relation to each executive for 2020 and the performance achieved.

The following table outlines the percentage of target STI achieved (and forfeited) in relation to financial and non-financial KPI's, and the total STI awarded, for each executive for 2020.

Executive	Target STI Opportunity \$	Max STI Opportunity \$	FINANCIAL			NON-FINANCIAL			STI awarded \$	STI over performance subject to LTI \$
			Weighting %	Achieved* %	Forfeited %	Weighting %	Achieved* %	Forfeited %		
MD	938,700	1,126,440	75%	120%	0%	25%	89%	11%	1,053,222	-
CFO	481,800	578,160	75%	120%	0%	25%	99%	1%	553,160	-
EGM Property & Development	256,250	278,500	75%	141%	0%	25%	100%	0%	278,500	56,806

* Calculated as % of Target STI opportunity.

2.6. Remuneration Component – Long Term incentives (LTI) for FY 2020

What is the LTI?

The Group operates an LTI Plan through the Brickworks Deferred Employee Share Plan and Executive Rights Plan in which employees receive Brickworks Limited shares or performance rights. No consideration is payable by participants for shares or performance rights under the terms of the plan.

Scope

The LTI includes:

- a broad-based employee share plan with 590 employees participating as at 31 July 2020 via 1,343,596 shares on allocation of which 54.30% remain unvested (and 45.70% vested). In addition, 24,350 shares in the plan were forfeited during the year to 31 July 2020; and
- an Executive Rights Plan with 22 employees participating as at 31 July 2020 via 203,545 rights on allocation of which 84.98% remain unvested (and 15.02% vested). No rights were forfeited during the year to 31 July 2020.

Purpose

The primary purpose of the LTI is the retention of the Company's senior executive team.

The LTI also provides alignment between executive remuneration and shareholders, as measured by the absolute and relative total shareholder return (TSR).

Opportunity

The value of shares or performance rights granted is dependent upon the employee's position within the Group and their total fixed remuneration. For the MD and CFO this LTI entitlement is 40%. For all other executives, this LTI entitlement is up to 50% of total fixed remuneration (excluding car allowance).

The maximum potential LTI for the MD and CFO is 40% of fixed remuneration, which is significantly below market peers. Standard practice is for the LTI opportunity to be equal to approximately 100% of fixed remuneration.

Performance measures that apply to senior executives (other than the MD and CFO) made in FY2020

The vesting of shares/ rights is undertaken progressively on 31 July for 20% on each anniversary following the allocation date for five years.

Performance measures that apply for allocations made in FY 2020 for the MD and CFO

50% of the award is subject to Brickworks relative total shareholder return (TSR) vesting condition under which Brickworks' TSR is compared to the companies in the S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index over a period of three years from 1 August 2019 to 31 July 2022.

The share price used at commencement of each tranche for assessing both relative and absolute TSR performance of Brickworks shares is the 90-day Volume Weighted Average Price (VWAP) prior to 31 July 2019. The actual share price used to compare to the TSR target share price is the 90-day VWAP prior to 31 July 2022.

The remaining 50% of the award is subject to an absolute TSR p.a. compounding vesting condition also over the same period.

Relative TSR measure (50% of each award)

A summary of the Relative TSR measure for the MD and CFO for the financial year 2020 is as follows.

Relative TSR measure proposed FY 2020 LTI allocation approved by shareholders at the 2019 AGM	
Performance Period	3-year performance period
Measure	Brickworks' relative TSR inclusive of all grossed dividends measured against the S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index (XJOAI Franked Index).
Vesting	<p>Below the median – 0% vesting</p> <p>At the median – 50% vesting</p> <p>Between the median and 60th percentile – pro-rata vesting on a straight-line basis between 50% and 100%</p> <p>At the 60th percentile or above – 100% vesting</p>
Re-testing	Testing to be undertaken once only at end of the 3-year period .
Dividends and voting rights	<p>No dividends or voting rights on unvested performance rights.</p> <p>Compensation for dividends will be provided at the end of the performance period only on those rights that meet the performance criteria.</p>
Shareholder approval	Yes for MD

During 2019, Brickworks obtained independent advice regarding the distribution of XJOAI returns above the median which is normally referred to as the index to establish what the level of the TSR performance was over the three previous years at the 75th percentile.

XJOAI Returns	1 Year to 31 July 2019	1 Year to 31 July 2018	1 Year to 31 July 2017
At Index Level	10.5%	17.9%	2.1%
At 60th percentile	17.0%	23.3%	6.2%
At 75th percentile	30.3%	33.7%	19.3%

It is extremely challenging and highly unlikely that Brickworks can generate TSR results in excess of 30% on a sustainable long-term basis given the cyclical nature of the building industry and ongoing capital expenditure requirements (without exposing the company to unnecessary risk).

More appropriately, Brickworks has adopted the 60th percentile, which requires a very challenging hurdle for 100% vesting.

Overall, the Board's emphasis is on establishing long term sustainable profit streams. The overarching objective is to reinvest to deliver sustainable long-term profits, while continually reducing production costs through technical innovation.

Absolute TSR measure (50% of each award)

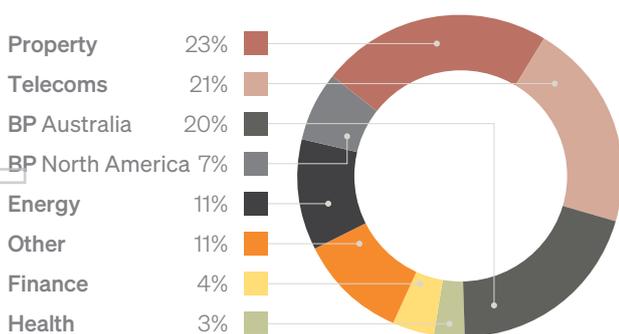
A summary of the Absolute TSR measure for the MD and CFO for the financial year 2020 is as follows.

Absolute annual compounding TSR measure proposed FY2020 LTI allocation approved by shareholders for the MD at the 2019 AGM	
Performance Period	3-year performance period
Vesting	<p>Less than 6% – 0% vesting</p> <p>Equal to 6% – 50% vesting</p> <p>Between 6% and 8% – pro-rata vesting on a straight-line basis between 50% and 100%</p> <p>Equal to 8% or greater – 100% vesting</p>
Re-testing	No re-test. Testing is to be undertaken once only at end of the 3-year period
Dividends and voting rights	<p>No dividends or voting rights on unvested performance rights</p> <p>Compensation for dividends will be provided at the end of the performance period only on those rights that meet the performance criteria</p>
Shareholder approval	Yes for MD

Rationale for an absolute TSR measure

- Brickworks has a diversified portfolio of assets through its investment in Washington H. Soul Pattinson & Company Limited (**WHSP**)
- Brickworks' look through asset exposure* shows that, in addition to building products (27%) and property (20%), the Company has exposure to other companies in telecommunications, finance, energy and health through its investment in WHSP.

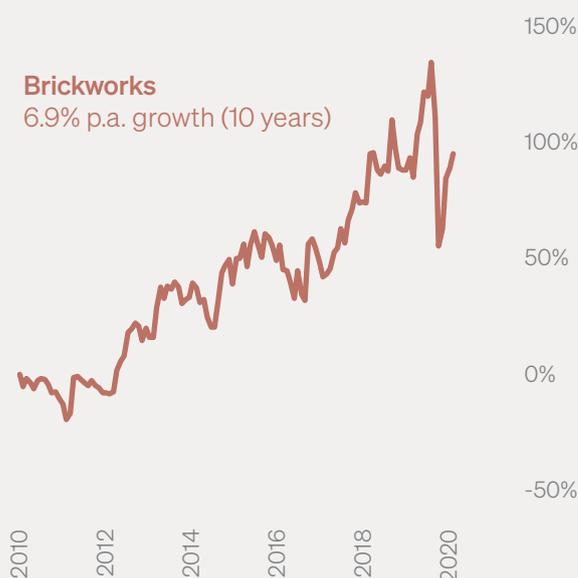
Brickworks Asset Exposure



* Based on 31 January 2020 asset values reported by WHSP, and includes Sioux City Brick and Redland Brick acquisitions in USA.

- Brickworks directly manages this interest through the independent board committee (**IBC**). Management of this interest included the sale of WHSP shares in the prior financial year.
- Brickworks Building Products profitability has been under significant pressure because of rising East Coast energy prices, a 50% reduction in the level of Perth house construction activity and a slowdown on the East Coast.
- As outlined in the graph below when considering historical performance an absolute TSR result of 8% compounding p.a. (stretch performance under the absolute TSR hurdle) in current market conditions represents a significant stretch, which would be favourable for shareholders.

Total Shareholder Return 10-year comparison



Overall suitability of LTI performance measures

The Board believes that when combined with the STI, the performance criteria for the MD and CFO under the LTI provides the most suitable link to long-term security holder value creation because:

- absolute TSR ensures vesting is commensurate with the Company's actual TSR, meaning there are no awards when TSR is negative and it also provides a good line of sight for the MD and CFO;
- measuring TSR on a relative basis levels the playing field by removing overall market movements and industry economics for the evaluation of MD and CFO performance. Relative TSR provides a relative, external market performance measure having regard to a peer group of ASX200 companies with which the Company competes for capital, customers and talent;
- the use of relative TSR ensures that the MD and CFO are motivated to deliver returns that are superior to what a security holder could achieve in the broader market and ensures as the most senior management they maintain a strong focus on security holder outcomes;

- Brickworks calculates its after tax TSR incorporating the full value of franking credits. The S&P ASX 200 Franking Credit adjusted annual total return Index also adjusts the total return for the tax effect of franking credits to ensure consistency of calculations;
- the use of the S&P ASX 200 Franking Credit adjusted annual total return Index was chosen as the relative performance target following testing of this group against a range of historical and future share price/payout scenarios to confirm that outcomes align with the Company's historical notion of superior long-term performance.
- having regard to the overall size and market capitalisation of Brickworks, and the diverse nature of the Brickworks Group across Property Development, Building Products and its investment in WHSP, the Board considers the XJOAI Franked Index as the most appropriate Index for relative performance assessment; and
- while the Board appreciates that there are at times different views held by different stakeholders, it considers that these measures provide the appropriate balance between market and non-market measures.

FY 2020 Allocations to the MD and CFO

Performance rights allocated to the MD in FY 2020 were approved at the FY2019 AGM. The allocation to the CFO was also conditional upon this approval being obtained. These rights are measured over a 3-year period and tested only once at the end of this 3-year period.

Other features

Claw back

While historically clawback clauses have not been applicable for LTI allocations. The Board and the Remuneration Committee have discretion about the remuneration outcomes wherever and whenever this is considered appropriate. This discretion also applies in the event of financial misstatement, reputational damage and/or evidence of misconduct.

Change of Control

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

Treatment of Dividends

Dividends will not be paid on unvested performance rights, and will only vest in proportion to the vested grants at the end of the performance period.

Sources of Shares

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

During the year rights were granted to the MD, CFO and Senior Executives through the LTI. Shares granted to employees other than the MD, CFO and Senior Executives were issued as new shares.

Derivatives

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

2.7. LTI Outcomes FY2020 MD and CFO

The following represents Brickworks' performance against each TSR measure for historical allocations made prior to the rights allocation made in FY2020 which is not tested for a period of 3 years.

Brickworks TSR is defined as the change in share price plus dividends (grossed up for associated franking credits). This forms part of the criteria used for assessing the vesting of LTI plan shares and performance rights under the absolute TSR test and relative TSR test.

Absolute TSR performance (for historical allocations made prior to FY 2020)

For the purposes of the absolute TSR measure under the LTI plan, Brickworks' TSR is calculated using a simple average of Brickworks' 1-year TSR, 2-year TSR, 3-year TSR, 4-year TSR and 5-year TSR. Brickworks' TSR results as at 31 July 2020 are:

Year TSR	Test period from	Test period to	TSR Performance
1-year TSR	1-Aug-2019	31 July 2020	(9.4%)
2-year TSR	1-Aug-2018		0.3%
3-year TSR	1-Aug-2017		5.4%
4-year TSR	1-Aug-2016		3.9%
5-year TSR	1-Aug-2015		5.1%
Average TSR			1.1%

Brickworks' Average TSR of 1.1% has not exceeded the target performance criteria (being 6%).

2.8. Other Company wide share plan

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

2.9. Market purchases

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

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

At 31 July 2020, there were 727 employees participating in the Brickworks Deferred Employee Share Plan and the Brickworks Exempt Employee Share Plan, holding 1,449,613 shares (0.97% of issued capital).

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

3 Employment Contracts

3.1 Termination payments

A payment will be made by the Company to an executive upon termination or bona-fide retirement, equivalent to a proportion (not exceeding 100% of each executive's average base pay for the previous three years, and any unvested shares or performance rights held on behalf of the executive will remain within the Brickworks Deferred Employee Share Plan and retain their vesting criteria. If an executive resigns, any unvested shares will be forfeited. The Board and the Remuneration Committee have discretion about the remuneration outcomes wherever and whenever this is considered appropriate. This discretion also applies in the event of financial misstatement, reputational damage and/or evidence of misconduct.

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

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

3.2. Executive Restraint

All executives gain strategic business knowledge during their employment. Brickworks will use any means available to it by law to ensure that this information is not used to the detriment of the Company by any employee following termination. To protect the Group's interests, Brickworks had an enforceable restraint through the executive's employment contract to prevent executives from either going to work for a competitor, or inducing other employees to leave the Company, for a specified period.

The terms of the restraint to prevent employees from going to work for a competitor, customer or supplier are for commensurate periods of between 6 and 12 months. A breach of the restraint conditions by an employee places at risk a potential monthly restraint payment at the discretion of the Company.

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

4 Non-Executive Directors

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

The maximum aggregate level of fees which may be paid to non-executive Directors is required to be approved by shareholders in a general meeting. This figure is currently \$1,300,000, and was approved by shareholders at the 2017 Annual General Meeting. Brickworks' constitution requires that Directors must own a minimum of 500 shares in the Company within two months of their appointment. All Directors complied with this requirement during the year.

The Directors Fees for FY2020 and FY2021 are as follows:

	FY2020	FY2021
Chair	\$260,000	\$260,000
NED Base Fee	\$130,000	\$130,000
Member – Audit & Risk Committee	\$8,000	\$8,000
Member – Remuneration Committee	\$6,000	\$6,000
Member – Nomination Committee	\$4,000	\$4,000
Chair – Audit & Risk Committee	\$21,000	\$21,000
Chair – Remuneration Committee	\$15,750	\$15,750
Chair – Nomination Committee	\$12,750	\$12,750

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

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

5 Remuneration of Key Management Personnel

5.1 Table of Remuneration to KMP

The fees payable to non-executive Directors and the remuneration payable to other KMP during the financial year ended 31 July 2020 are disclosed in the following table.

	Year	Base fees/ salary	Non- monetary benefits	Post Employment (Super)	Total fixed remuneration	Short Term Incentive	Long Term Incentive ¹	Retirement benefit	Total
Directors									
RD Millner	2020	237,443	–	22,557	260,000	–	–	–	260,000
	2019	233,790	–	22,210	256,000	–	–	–	256,000
MJ Millner	2020	127,854	–	12,146	140,000	–	–	–	140,000
	2019	116,895	–	11,105	128,000	–	–	–	128,000
BP Crotty	2020	142,580	–	13,545	156,125	–	–	–	156,125
	2019	128,858	–	12,242	141,100	–	–	–	141,100
DN Gilham	2020	–	–	–	–	–	–	–	–
	2019	38,965	–	3,702	42,667	–	–	–	42,667
DR Page	2020	155,180	–	5,820	161,000	–	–	–	161,000
	2019	128,858	–	12,242	141,100	–	–	–	141,100
RJ Webster	2020	143,151	–	13,599	156,750	–	–	–	156,750
	2019	124,475	–	11,825	136,300	–	–	–	136,300
MP Bunday	2020	114,117	–	10,841	124,958	–	–	–	124,958
	2019	–	–	–	–	–	–	–	–
RN Stubbs	2020	79,333	–	–	79,333	–	–	–	79,333
	2019	–	–	–	–	–	–	–	–
LR Partridge	2020	1,543,440	5,686	21,060	1,570,186	1,053,222	249,197	–	2,872,605
	2019	1,503,797	6,000	20,571	1,530,368	931,000	788,448	–	3,249,816
Total	2020	2,543,098	5,686	99,568	2,648,352	1,053,222	249,197	–	3,950,771
	2019	2,275,638	6,000	93,897	2,375,535	931,000	788,448	–	4,094,983
Other Key Management Personnel									
RC Bakewell	2020	781,940	19,459	21,060	822,459	553,160	–	–	1,375,619
	2019	761,034	19,734	20,571	801,339	494,367	106,121	–	1,401,827
M Kublins	2020	535,940	6,061	21,060	563,061	278,500	341,495	–	1,183,056
	2019	523,929	5,930	20,571	550,430	272,250	331,390	–	1,154,070
MA Ellenor	2020	–	–	–	–	–	–	–	–
	2019	260,612	4,973	8,555	274,140	107,832	–	–	381,972
Total	2020	1,317,880	25,520	42,120	1,385,520	831,660	341,495	–	2,558,675
	2019	1,545,575	30,637	49,697	1,625,909	874,449	437,511	–	2,937,869

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

- ▶ L R Partridge: net increase of \$45,475 in accrued leave entitlements (2019: \$55,547 increase)
- ▶ R C Bakewell: net increase of \$12,525 in accrued leave entitlements (2019: \$43,238 increase)
- ▶ M Kublins: net decrease of \$1,888 accrued leave entitlements (2019: \$6,001 decrease)

¹ Reflects the value of the shares/executive rights vested during the financial year. Any share allocations tested against absolute and relative TSR performance measures at 31 July 2020 did not vest. Only historical tenure based shares allocated to the Managing Director in 2015 and 2016 vested during the financial year.

5.2 Director and Key Management Personnel shareholdings

	Held 31 July 2019	Granted as Remuneration 27 Nov 2019	Purchases	Shares Disposed of	Held 31 July 2020					
Directors										
RD Millner	4,813,098	-	-	-	4,813,098					
MJ Millner	4,787,141	-	-	-	4,787,141					
BP Crotty	18,209	-	-	-	18,209					
DR Page	9,810	-	4,400	-	14,210					
RJ Webster	15,922	-	-	-	15,922					
MP Bunday	-	-	1,000	-	1,000					
RN Stubbs	-	-	1,000	-	1,000					
	FPO	DESP	EEP	ERP			FPO	DESP	EEP	ERP
L R Partridge	51,000	145,855	-	33,400	-	(34,676)	71,000	91,179	-	33,400
Other Key Management Personnel										
R C Bakewell	3,252	35,613	-	17,186	-	(2,100)	8,201	28,564	61	17,186
M Kublins	23,509	98,807	-	24,918	-	(28,133)	23,509	70,674	-	24,918

FPO Fully paid ordinary shares.

DESP These shareholdings are unvested shares held through the Brickworks Deferred Employee Share Plan which may not vest to the employee if they do not satisfy vesting criteria.

EEP Employee Exempt Plan.

ERP Executive Rights Plan in which employees receive a payment or Brickworks Limited shares if the vesting criteria is met.

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

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

End of the Remuneration Report

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Auditor's Independence Declaration

The Directors received an independence declaration from the auditor, EY. A copy has been included on page 107 of the report.

Provision of non-audit services by external auditor

During the year the external auditors, EY, provided non-audit services to the Group, totalling \$425,860. The non-audit services were for the provision of due diligence, tax and other advisory services in relation to business combinations and other assurance services, and accounting advice of a general nature relating to the interpretation and application of tax laws and accounting standards.

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

The details of total amounts paid to the external auditors are included in note 7.3 to the financial statements.

Indemnification of auditors

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

Proceedings on behalf of the Company

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

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

Indemnification of Directors and officers

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

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

Rounding of Amounts

The Company has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000 where allowed under that instrument.

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

Dated: 24 September 2020

R.D. Millner

Director

L.R. Partridge AM

Director

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Auditor's Independence Declaration

Auditor's Independence Declaration to the Directors of Brickworks Limited

As lead auditor for the audit of the financial report of Brickworks Limited for the financial year ended 31 July 2020, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Anthony Jones

Partner

24 September 2020

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Consolidated Financial Statements

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Consolidated Income Statement

	Note	2020 \$'000	2019 \$'000
Continuing operations			
Revenue	2.2	953,404	918,695
Cost of sales		(680,530)	(623,573)
Gross profit		272,874	295,122
Gain on bargain purchase	6.5	3,776	-
Other income	2.2	469	111,736
Distribution expenses		(65,485)	(72,189)
Administration expenses		(47,713)	(37,549)
Selling expenses		(101,746)	(89,615)
Impairment of non-current assets	2.1, 3.2	(46,042)	(55,558)
Restructuring costs		(41,536)	(7,886)
Business acquisition costs		(12,792)	(15,072)
Other expenses		(20,327)	(15,814)
Share of net profits of associates and joint ventures	2.3	475,639	201,300
Profit from continuing operations before finance cost and income tax		417,117	314,475
Finance costs	2.2	(26,452)	(23,883)
Profit from continuing operations before income tax		390,665	290,592
Income tax expense	4.1	(75,274)	(93,697)
Profit from continuing operations after tax		315,391	196,895
Discontinued operations			
Loss from discontinued operations, net of income tax benefit	6.6	(16,508)	(42,253)
Profit after tax		298,883	154,642
Profit after tax attributable to:			
Shareholders of Brickworks Limited		298,883	154,642
		Cents	Cents
Earnings per share attributable to the shareholders of Brickworks Limited			
Basic (cents per share)	2.4	199.4	103.3
Diluted (cents per share)	2.4	199.2	103.3
Basic (cents per share) from continuing operations	2.4	210.4	131.6
Diluted (cents per share) from continuing operations	2.4	210.2	131.6

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income

	Note	2020 \$'000	2019 \$'000
Profit after tax		298,883	154,642
Other comprehensive income, net of tax			
<i>Items that may be subsequently reclassified to Income Statement</i>			
Share of increments/(decrements) in reserves attributable to associates and joint ventures		9,818	(4,489)
Foreign currency translation		(474)	806
Income tax (expense)/benefit relating to these items	4.1	(2,945)	1,344
Net other comprehensive profit/(loss) that may be reclassified to Income Statement		6,399	(2,339)
<i>Items not to be subsequently reclassified to Income Statement</i>			
Net fair value gain on financial assets at fair value through other comprehensive income		331	280
Share of increments in reserves attributable to associates and joint ventures		2,121	6,842
Income tax expense relating to these items	4.1	(736)	(2,137)
Net other comprehensive income not to be reclassified to Income Statement		1,716	4,985
Other comprehensive income, net of tax		8,115	2,646
Total comprehensive income		306,998	157,288
Total comprehensive income, attributable to:			
Shareholders of Brickworks Limited		306,998	157,288

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	2020 \$'000	2019 \$'000
Cash and cash equivalents	5.2	187,109	74,881
Receivables	3.1	129,024	133,319
Inventories	3.1	278,148	247,106
Prepayments		8,510	10,588
Contract assets	3.1	8,001	12,781
Current income tax asset	4.2	26,624	991
Assets classified held for sale	6.6	-	15,358
Total current assets		637,416	495,024
Inventories	3.1	7,029	7,248
Financial assets at fair value through other comprehensive income	5.3	1,792	1,462
Investments accounted for using the equity method	6.3	2,244,629	1,813,027
Property, plant and equipment	3.2	657,328	597,571
Right-of-use assets	3.3	106,216	-
Intangible assets	3.2	178,523	178,652
Total non-current assets		3,195,517	2,597,960
TOTAL ASSETS		3,832,933	3,092,984
Payables	3.1	128,466	128,276
Derivative financial liabilities	5.4, 5.7	134	644
Current income tax liability	4.2	-	68,335
Post-employment liabilities	3.5	696	679
Contract liabilities	3.1	6,712	7,067
Lease liabilities	3.3	29,535	-
Other financial liabilities	6.5	1,698	-
Liabilities held for sale	6.6	-	3,302
Provisions	3.4	65,641	53,495
Total current liabilities		232,882	261,798
Borrowings	5.4	638,688	324,241
Derivative financial liabilities	5.4	9,633	8,198
Post-employment liabilities	3.5	18,606	19,277
Lease liabilities	3.3	82,984	-
Other financial liabilities	6.5	13,761	-
Provisions	3.4	14,881	12,153
Deferred income tax liability	4.2	417,487	299,959
Total non-current liability		1,196,040	663,828
TOTAL LIABILITIES		1,428,922	925,626
NET ASSETS		2,404,011	2,167,358
Issued capital	5.5	356,015	351,229
Reserves	5.6	293,344	283,357
Retained profits		1,754,652	1,532,772
TOTAL EQUITY		2,404,011	2,167,358

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes In Equity

	Notes	Issued capital \$000	Reserves \$000	Retained profits \$000	Total \$000
For the year ended 31 July 2020					
Balance at 1 August 2019		351,229	283,357	1,532,772	2,167,358
Adjustment on the adoption of AASB 16 (net of tax)	7.6	-	-	(4,117)	(4,117)
Restated balance at 1 August 2019		351,229	283,357	1,528,655	2,163,241
Profit after tax		-	-	298,883	298,883
Other comprehensive income – net of tax		-	8,115	-	8,115
Net dividends paid	2.5	-	-	(71,964)	(71,964)
Issue of shares through employee share plan	5.5	(10)	-	-	(10)
Net movement in associate reserve	5.5	-	922	(922)	-
Shares vested to employees	5.5	4,796	(4,796)	-	-
Share based payments expense	7.1	-	5,746	-	5,746
Balance at 31 July 2020		356,015	293,344	1,754,652	2,404,011
For the year ended 31 July 2019					
Balance at 1 August 2018		345,873	309,094	1,416,111	2,071,078
Adjustment on the adoption of AASB 15 (net of tax)		-	-	356	356
Adjustment on the adoption of AASB 9 (net of tax)		-	(16,113)	16,113	-
Restated balance at 1 August 2018		345,873	292,981	1,432,580	2,071,434
Profit after tax		-	-	154,642	154,642
Other comprehensive income – net of tax		-	2,646	-	2,646
Net dividends paid	2.5	-	-	(66,811)	(66,811)
Issue of shares through employee share plan	5.5	(22)	-	-	(22)
Change in ownership interest in the associate	5.5	-	(12,265)	12,361	96
Purchase of shares through employee share plan	5.5	(590)	-	-	(590)
Shares vested to employees	5.5	5,968	(5,968)	-	-
Share based payments expense	7.1	-	5,963	-	5,963
Balance at 31 July 2019		351,229	283,357	1,532,772	2,167,358

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	2020 \$000	2019 \$000
Cash flows from operating activities			
Receipts from customers		999,521	944,999
Payments to suppliers and employees		(926,802)	(901,838)
Proceeds from land held for resale		-	41,000
Interest received		404	1,023
Interest and other finance costs paid		(24,509)	(20,050)
Dividends and distributions received		84,764	81,824
Income tax paid		(58,119)	(23,878)
Net cash from operating activities		75,259	123,080
Cash flows from investing activities			
Purchases of property, plant and equipment		(104,161)	(49,099)
Proceeds from sale of property, plant and equipment		9,607	3,055
Purchase of investments in joint ventures		(14,715)	(17,055)
Proceeds from sale or return of investments		35,140	223,014
Proceeds from sale of subsidiary		3,543	-
Purchase of controlled entities, net of cash acquired		(102,027)	(142,804)
Net cash from/(used in) investing activities		(172,613)	17,111
Cash flows from financing activities			
Proceeds from borrowings		439,302	543,642
Repayments of borrowings		(112,001)	(550,371)
Payment of principal portion of lease liabilities		(28,175)	-
Dividends paid		(86,964)	(82,374)
Net cash provided by/(used in) financing activities		212,162	(89,103)
Net increase in cash held		114,808	51,088
Effects of exchange rate changes on cash		(2,580)	2,626
Cash at the beginning of the financial year		74,881	21,167
Cash at the end of the financial year	5.2	187,109	74,881
Reconciliation of net profit attributable to shareholders of Brickworks Limited to net cash from operating activities			
Profit after tax		298,883	154,642
<i>Adjustments for non-cash items</i>			
Depreciation and amortisation		45,440	37,396
Amortisation of right-of-use assets		29,456	-
Non-cash amortisation of borrowing costs		1,046	(2,622)
Capitalised borrowing costs on qualifying asset		(960)	-
Net fair value change on derivatives		925	6,543
Losses recognised on the measurement of assets held for sale		-	49,089
Impairment of non-current assets		46,042	55,558
Non-cash profit on sale of land held for resale		(28,019)	-
Loss on disposal of subsidiary		12,048	-
Gain on bargain purchase		(3,813)	-
Net losses/(gains) on disposal of property, plant and equipment		4,220	(2,192)
Net gains on disposal of financial assets		-	(109,447)
Non-cash share based payment expense		5,735	5,351
Share of net profit of investments accounted for using the equity method		(390,875)	(119,476)
Net cash provided by operating activities before changes in assets and liabilities		20,128	74,842
<i>Changes in assets and liabilities net of effects from business combinations</i>			
(Increase)/decrease in receivables		10,781	8,572
(Increase)/decrease in inventories		12,689	(12,629)
(Increase)/decrease in net contract assets		4,425	(5,714)
(Increase)/decrease in net assets held for sale		(82)	-
(Increase)/decrease in land held for resale		2,289	7,383
(Increase)/decrease in prepayments		2,282	1,310
(Decrease)/increase in payables		191	(421)
(Decrease)/increase in provisions		5,893	(4,044)
(Decrease)/increase in post-employment liabilities		(625)	905
(Decrease)/increase in other financial liabilities		193	-
(Decrease)/increase in current and deferred income tax		17,095	52,876
Net cash provided by operating activities		75,259	123,080

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes

to the Consolidated Financial Statements

1 About this report

This section sets out the basis upon which the financial statements are prepared as a whole. Significant and other accounting policies underpinning the recognition and measurement basis of assets and liabilities are summarised throughout the notes to the financial statements. Other accounting policies are outlined in note 7.6.

1.1 Statement of compliance and basis of preparation

The financial statements comprise Brickworks Limited and its controlled entities (the "Group").

Brickworks Limited (ABN 17 000 028 526) is a for-profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX code: BKW).

The nature of the operations and principal activities of the Group are described in note 2.1.

The Group's consolidated financial statements are general purpose financial statements which:

- ▶ have been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*;
- ▶ comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- ▶ incorporate the results of each controlled entity from the date Brickworks Limited obtains control and until such time as it ceases to control an entity;
- ▶ have been prepared on a historical cost basis, except for derivative financial instruments, financial assets at fair value through other comprehensive income and investment property, which have been measured at fair value. Other financial assets including receivables and borrowings have been measured at amortised cost;
- ▶ are presented in Australian dollars, which is the Group's functional currency¹;
- ▶ adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 August 2019;
- ▶ do not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as disclosed in Note 7.6.

The financial statements were authorised for issue in accordance with a resolution of directors on 24 September 2020.

¹ All values are rounded to the nearest thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

1.2 Key estimates or judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the following areas:

Note	Judgement/Estimate
3.2(a)	Property, plant and equipment
3.2(c)	Non-current assets impairment assessment
6.3(b)	Fair value – investment property

1.3 COVID-19

The COVID-19 pandemic has had a significant impact on the economic environment in both Australia and North America.

In response, the Group has adopted a number of measures to preserve cash and control inventory levels including the temporary closure of plants across the network and the acceleration of restructuring plans. The impact of these closures, incremental COVID-19 costs and restructuring activities implemented during the year has been disclosed in Note 2.1 Segment reporting.

The Group continues to actively manage the risks arising from COVID-19. This includes scenario and contingency planning, stress testing of cash flows and sensitivity analysis. Significant estimates and judgments made in the process of applying the Group's accounting policies have been developed taking into account the uncertainty of the short-term and long-term effects of the pandemic.

1.4 Comparative information

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

The notes are organised into the following sections:

2	Financial Performance	Provides the information that is considered most relevant to understanding the financial performance of the Group.
3	Operating Assets and Liabilities	Provides a breakdown of individual line items in the balance sheet that are considered most relevant to users of the financial report.
4	Income Tax	Provides the information considered most relevant to understanding the taxation treatment adopted by the Group during the financial year.
5	Capital and Risk Management	Provides information about the capital management practices of the Group and its exposure to various financial risks.
6	Group Structure	Explains significant aspects of the Brickworks' group structure, including its controlled entities and equity accounted investments in which the Group has an interest. When applicable, it also provides information on business acquisitions or disposals of subsidiaries made during the year.
7	Other	Provides information on items which require disclosure to comply with AASBs and other regulatory pronouncements and any other information that is considered relevant for the users of the financial report which has not been disclosed in other sections.

2 Financial Performance

This section provides the information that is considered most relevant to understanding the financial performance of the Group, including profitability of its operating segments, significant items, nature of its revenues and expenses and dividends paid to the shareholders.

2.1 Segment reporting

Management identified the following reportable business segments:

Building Products Australia	Manufacture of vitrified clay, concrete and timber products used in the building industry. Major product lines include bricks, masonry blocks, pavers, roof tiles, floor tiles, precast walling and flooring panels, fibre cement walling panels and roof battens used in the building industry.
Building Products North America	Manufacture of vitrified clay and concrete products used in the building industry. Major product lines include bricks and masonry blocks used in the building industry.
Property	Utilisation of opportunities associated with land owned by the Group, including the sale of property and investment in Property Trusts.
Investments	Holds investments in the Australian share market, both for dividend income and capital growth, and includes the investment in Washington H. Soul Pattinson and Company Limited (WHSP).

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31 July 2020	Building Products Australia \$'000	Building Products North America \$'000	Property \$'000	Investments \$'000	Continuing operations \$'000	Discontinued operations ² \$'000	Consolidated \$'000
REVENUE							
Sale of goods ³	576,740	230,102	-	-	806,842	8,120	814,962
Revenue from supply and install contracts ⁴	110,140	-	-	-	110,140	-	110,140
Sale of land held for resale ³	-	-	35,140	-	35,140	-	35,140
Interest received	-	-	-	404	404	-	404
Rental revenue	91	50	149	-	290	-	290
Other operating revenue	455	116	17	-	588	-	588
Revenue	687,426	230,268	35,306	404	953,404	8,120	961,524
RESULT							
Segment EBITDA	90,780	26,773	129,437	50,771	297,761	(1,691)	296,070
Amortisation of right-of-use assets	(26,363)	(3,093)	-	-	(29,456)	-	(29,456)
Depreciation and amortisation	(31,821)	(13,619)	-	-	(45,440)	-	(45,440)
Segment EBIT	32,596	10,061	129,437	50,771	222,865	(1,691)	221,174
Unallocated expenses							
Significant items					210,893	(9,397)	201,496
Borrowing costs					(26,243)	-	(26,243)
Other unallocated expenses					(16,850)	-	(16,850)
Profit/(loss) before income tax					390,665	(11,088)	379,577
Income tax (expense)/benefit ¹					(75,274)	(5,420)	(80,694)
Profit/(loss) after income tax					315,391	(16,508)	298,883
ASSETS							
Segment assets	1,097,749	336,802	677,365	1,704,403	3,816,319	-	3,816,319
Unallocated assets					16,614	-	16,614
Total assets					3,832,933	-	3,832,933
LIABILITIES							
Segment liabilities	261,707	93,989	2,132	279,015	636,843	-	636,843
Borrowings					638,688	-	638,688
Other unallocated liabilities					153,391	-	153,391
Total liabilities					1,428,922	-	1,428,922
OTHER							
Share of profit of associates and joint ventures	335	-	107,625	367,679	475,639	-	475,639
Carrying value of investments accounted for by the equity method	18,044	-	677,365	1,549,220	2,244,629	-	2,244,629
Acquisition of non-current segment assets	78,661	127,442	14,715	-	220,818	85	220,903
Non-cash expenses other than depreciation and amortisation	113,149	43,015	-	-	156,164	-	156,164

1 Included in the income tax expense is tax expense related to significant items amounting to \$47,880,000.

2 Refer to Discontinued operations – Note 6.6.

3 Recognised at a point in time.

4 Recognised over time.

Notes to the Consolidated Financial Statement

2.1 Segment reporting (continued)

31 July 2019	Building Products Australia \$'000	Building Products North America ² \$'000	Property \$'000	Investments \$'000	Continuing operations \$'000	Discontinued operations ³ \$'000	Consolidated \$'000
REVENUE							
Sale of goods ⁴	628,009	120,373	–	–	748,382	31,960	780,342
Revenue from supply and install contracts ⁵	126,218	–	–	–	126,218	–	126,218
Sale of land held for resale ⁴	–	–	41,000	–	41,000	–	41,000
Interest received	–	–	–	1,023	1,023	–	1,023
Rental revenue	474	4	346	–	824	386	1,210
Other operating revenue	749	467	32	–	1,248	–	1,248
Revenue	755,450	120,844	41,378	1,023	918,695	32,346	951,041
RESULT							
Segment EBITDA	87,921	12,046	157,806	103,725	361,498	(9,058)	352,440
Depreciation and amortisation	(30,783)	(5,866)	–	–	(36,649)	(748)	(37,397)
Segment EBIT	57,138	6,180	157,806	103,725	324,849	(9,806)	315,043
Unallocated expenses							
Significant items					4,652	(50,611)	(45,959)
Borrowing costs					(23,883)	–	(23,883)
Other unallocated expenses					(15,026)	–	(15,026)
Profit/ (loss) before income tax					290,592	(60,417)	230,175
Income tax (expense)/benefit ¹					(93,697)	18,164	(75,533)
Profit/ (loss) after income tax					196,895	(42,253)	154,642
ASSETS							
Segment assets	1,021,094	255,977	583,079	1,216,485	3,076,635	13,700	3,090,335
Unallocated assets					991	1,658	2,649
Total assets					3,077,626	15,358	3,092,984
LIABILITIES							
Segment liabilities	163,995	50,526	1,073	202,751	418,345	3,302	421,647
Borrowings					324,241	–	324,241
Other unallocated liabilities					179,738	–	179,738
Total liabilities					922,324	3,302	925,626
OTHER							
Share of profit of associates and joint ventures	51	–	126,607	74,642	201,300	–	201,300
Carrying value of investments accounted for by the equity method	17,878	–	583,077	1,212,072	1,813,027	–	1,813,027
Acquisition of non-current segment assets	45,218	148,109	17,055	–	210,382	606	210,988
Non-cash expenses other than depreciation and amortisation	90,213	15,567	–	–	105,780	–	105,780

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

1 Included in the income tax expense is tax expense related to significant items amounting to \$26,802,000.

2 Comparatives reflect results in the post-acquisition period commencing 23 November 2018. Refer to Business combinations – Note 6.5. (a).

3 Refer to Discontinued operations – Note 6.6.

4 Recognised at a point in time.

5 Recognised over time.

Recognition and measurement

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to effectively allocate Group resources and assess performance and for which discrete financial information is available.

Management identifies the Group's operating segments based on the internal reports that are reviewed and used by the Board of Directors in their role as the CODM. The operating segments are identified based on the consideration of the nature of products sold and services provided. Discrete information about each of these business divisions is presented to the Board of Directors on a recurring basis. A number of operating segments have been aggregated to form the Building Products segment. The accounting policies used by the Group in reporting segments internally are the same as those disclosed in the significant accounting policies, with the exception that significant items (i.e. those items which by their size and nature or incidence are relevant in explaining financial performance) are excluded from trading profits. This approach is consistent with the manner in which results are reported to the CODM.

Significant items	Note	2020 \$000	2019 \$000
Impairment of non-current assets ¹		(46,042)	(53,777)
Acquisition costs ²		(13,000)	(15,072)
COVID-19 – unabsorbed costs ³		(8,705)	–
COVID-19 – incremental costs ⁴		(912)	–
Restructuring costs – Western Australia ⁵		(11,657)	(726)
Restructuring costs – North America ⁵		(11,066)	(607)
Restructuring costs – East Coast Australia ⁵		(18,813)	(6,553)
Gain on bargain purchase – Sioux City Brick acquisition ⁶		3,776	–
Gain on sale of 7.9 million WHSP shares ⁷		–	109,447
Significant items from continuing operations before income tax (excluding associates)		(106,419)	32,712
Income tax benefit on other significant items (excluding associates) ⁸		26,198	4,021
Income tax benefit related to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the United States of America ⁸		5,241	–
Income tax expense related to sale of WHSP shares ⁹		–	(38,063)
Significant items from continuing operations after income tax (excluding associates)		(74,980)	(1,330)
Significant one-off transactions of associate ⁹		317,312	(28,060)
Income tax expense arising from the carrying value of the investment in the associates (WHSP) ⁹		(73,229)	(7,943)
Significant items after income tax (associates)		244,083	(36,003)
Significant items from continuing operations after income tax (including associates)		169,103	(37,333)
Loss on disposal of business ¹⁰	6.6	(7,211)	–
Impairment of assets held for sale ¹⁰	6.6	–	(49,089)
Other significant items ¹⁰	6.6	(2,186)	(1,522)
Significant items from discontinued operations before income tax		(9,397)	(50,611)
Income tax (expense)/benefit ¹⁰		(6,090)	15,183
Significant items from discontinued operations after income tax		(15,487)	(35,428)

Recognition and measurement

Significant items are those which by their size and nature or incidence are relevant in explaining the financial performance of the Group compared to the prior year.

Table notes on following page

2.1 Segment reporting (continued)

- 1 Disclosed in 'Impairment of non-current assets' line on the Income Statement. Refer to Property, plant and equipment and intangible assets – Note 3.2. (c). Impairment of non-current assets in the current year includes:
- \$8.353 million related to write-downs of Property, Plant & Equipment recognised as a result of implementation of the post-acquisition plant rationalisation program in North America;
 - \$12.992 million related to write-downs of Property, Plant & Equipment recognised as a result of the restructure of the Building Products operations in Western Australia;
 - \$17.087 million recognised following a review of carrying amounts of Property, Plant & Equipment and intangibles in the Austral Masonry business giving rise to a PP&E impairment of \$13.230 million and an intangible impairment of \$3.857 million;
 - \$3.736 million recognised following a review of carrying amounts of Property, Plant & Equipment in the Bristle Roofing business; and
- \$3.872 million recognised following a review of carrying amounts of Building Products Property, Plant & Equipment on the East Coast of Australia.
- 2 Disclosed in 'Business acquisition costs' (\$12.8 million) and 'Finance costs' (\$0.2 million) lines on the Income Statement.
- 3 Disclosed in 'Cost of sales' line on the Income Statement.
- 4 Disclosed in 'Other expenses' line on the Income Statement.
- 5 Disclosed in 'Restructuring costs' line on the Income Statement.
- 6 Disclosed in 'Gain on bargain purchase' line on the Income Statement.
- 7 Disclosed in 'Other income' line on the Income Statement.
- 8 Disclosed in 'Income tax expense' line on the Income Statement.
- 9 Disclosed in 'Share of net profits of associates and joint ventures' line on the Income Statement.
- 10 Disclosed in the 'Losses from discontinued operations, net of income tax benefit' line on the Income Statement.

2.2 Revenues and expenses

(a) Revenue and other income

	2020 \$000	2019 \$000
REVENUE		
<i>Revenue from contracts with customers</i>		
Sale of goods	806,842	748,382
Revenue from supply and install contracts	110,140	126,218
Sale of land held for resale	35,140	41,000
	952,122	915,600
<i>Other operating revenue</i>		
Interest received – other corporations	404	1,023
Rental revenue	290	824
Other	588	1,248
	953,404	918,695
OTHER INCOME		
Recovery of legal costs	415	–
Gain on sale of 7.9 million WHSP shares	–	109,447
Net gain on disposal of property, plant and equipment	–	2,192
Other items	54	97
	469	111,736

All remaining performance obligations related to supply and install contracts are expected to be recognised within one year.

Recognition and measurement

Revenue is recognised when control of the asset has passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable net of discounts, allowances and goods and services tax (GST). Trade discounts and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

The Group's contracts for the sale of goods and associated freight generally include one performance obligation. The revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 60 days from delivery.

Performance obligations arising from supply and install contracts are satisfied over time. On that basis, the Group recognises revenue from these contracts over time.

The performance obligation related to supply and install

contracts is satisfied over time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

Revenue from the sale of land held for resale 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.

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

Rental income from investment properties is accounted for on a straight-line basis over the term of the rental contract.

Net gain/(loss) on disposal of property, plant and equipment is recognised when the risks and rewards have been transferred and the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold. The gain is measured as a difference between the amount receivable under the sale contract and the carrying value of the disposed asset.

(b) Expenses

Specific Expense Disclosures	2020 \$000	2019 \$000
Wages and salaries	222,716	188,164
Post-employment benefits expense	14,225	12,566
Share based payments expense	5,746	5,963
Health insurance expense – US employees	9,689	5,099
Other	7,243	5,308
Employee benefits expense from continuing operations	259,619	217,100
Research and development expenses	2,413	2,701
Depreciation of property, plant and equipment	45,375	36,582
Amortisation of right-of-use assets	29,456	–
Amortisation of intangible assets	65	65
Depreciation and amortisation from continuing operations	74,896	36,647
Net loss on the sale of property	3,615	–
Net loss on disposal of plant and equipment	391	–
Net loss on the sale of intangibles	214	–
Net loss on disposal of non-current assets	4,220	–
Interest and finance charges paid/payable	21,164	17,340
Interest on lease liabilities	4,154	–
Net fair value change on derivatives	925	6,543
Unwind of discounting on deferred consideration – Redland Brick acquisition	209	–
Total finance costs from continuing operations	26,452	23,883

2.2 Revenues and expenses (continued)

Recognition and measurement

Employee benefits expense includes salaries and wages, leave entitlements (refer note 3.4), post-employment benefit (refer note 3.5), share based payments and other employee entitlements. The expense is charged against profit in their respective expense categories when services are provided by employees, except for share based payment expense which is recognised based on the vesting period (refer note 7.1).

Finance costs expense relates primarily to the interest on interest bearing liabilities and is recognised in the period in which they are incurred, except when they are included in the costs of qualifying assets in which they are capitalised up to the point that the asset is ready for its intended use.

2.3 Share of net profits of associates and joint ventures

	Notes	2020 \$'000	2019 \$'000
Share of net of profits of associates	6.3 (a)	367,679	74,642
Share of net profits of joint ventures	6.3 (b)	107,960	126,658
		475,639	201,300

Recognition and measurement

Share of net profits of associates and joint ventures is accounted for using the equity method. The consolidated income statement reflects the Group's share of the results of associates and joint ventures.

Accounting policies applied with respect to the Group's investments in associates and joint ventures are further outlined in Note 6.3.

2.4 Earnings per share (EPS)

	2020	2019
Profit after tax attributable to shareholders of Brickworks Limited (\$'000)	298,883	154,642
Weighted average number of ordinary shares used in the calculation of basic EPS (thousand) ¹	149,902	149,671
Weighted average number of ordinary shares used in the calculation of diluted EPS (thousand)	150,041	149,671
Basic EPS (cents per share)	199.4	103.3
Diluted EPS (cents per share)	199.2	103.3
Basic EPS (cents per share) from continuing operations	210.4	131.6
Diluted EPS (cents per share) from continuing operations	210.2	131.6

Recognition and measurement

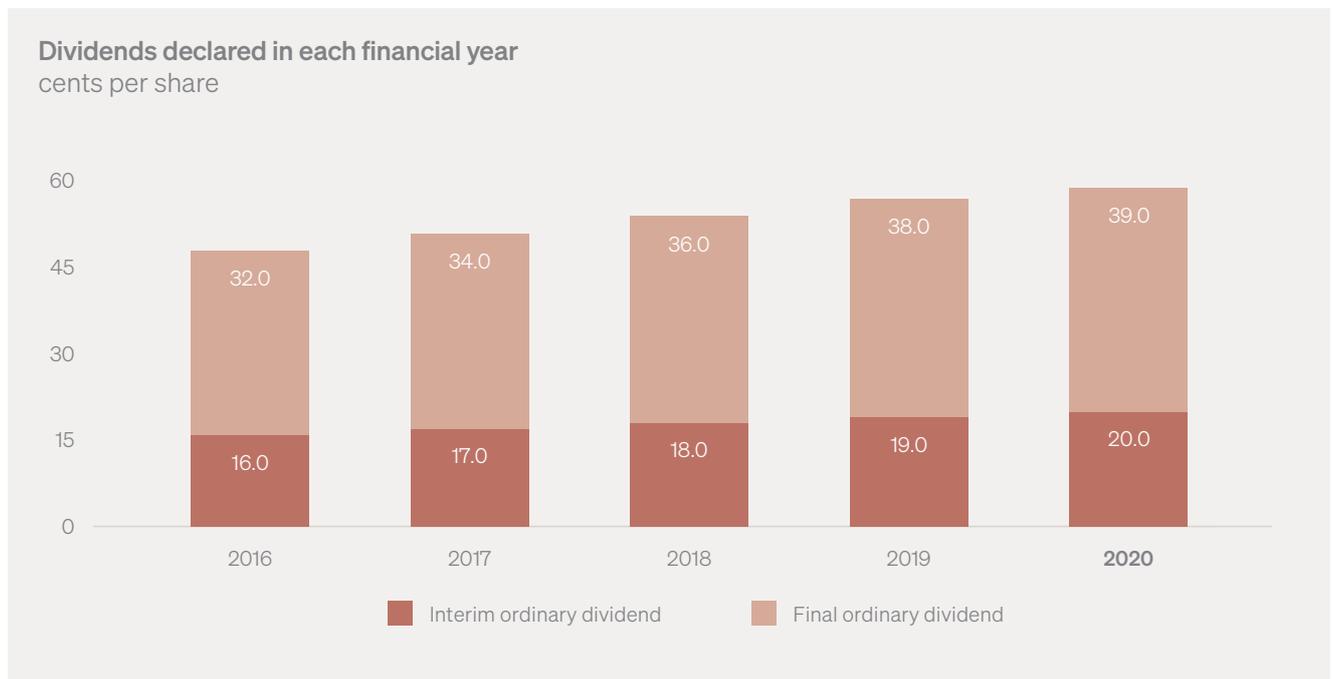
Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders of Brickworks Limited, after eliminating the effect of earnings related to the parent entity's shareholding arrangements and excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS adjusts the figures used in the determination of basic EPS to reflect the after income tax effect of interest and other finance 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 these shares. Diluted earnings per share are shown as being equal to basic earnings per share if potential ordinary shares are non-dilutive to existing ordinary shares.

1 There were no dilutive potential ordinary shares as at 31 July 2019.

2.5 Dividends and franking credits

Type of dividend (fully franked)	Cents per share	Total amount \$'000	Date paid/payable
2018 Final	36.0	53,918	28 Nov 18
2019 Interim	19.0	28,456	30 April 19
2019 Final	38.0	56,976	27 Nov 19
2020 Interim	20.0	29,988	5 May 20
2020 Final ¹	39.0	58,476	25 Nov 20



	2020 \$'000	2019 \$'000
2019 Final ordinary dividend (PY: 2018)	56,976	53,918
2020 Interim ordinary dividend (PY: 2019)	29,988	28,456
Group's share of dividend received by associated company	(15,000)	(15,563)
	71,964	66,811
Franking account balance on a tax paid basis	203,535	158,729

The impact on the franking account of dividends resolved to be paid after 31 July 2020, but not recognised as a liability, will be a reduction in the franking account of \$25.1 million (2019: \$24.4 million).

¹ The final dividend for the 2020 financial year has not been recognised as a liability in this financial report because it was resolved to be paid after 31 July 2020. The amounts disclosed as recognised in 2020 are the final dividend in respect of the 2019 financial year and the interim dividend in respect of the 2020 financial year.

3 Operating Assets and Liabilities

This section provides further information about the Group's operating assets and liabilities, including its working capital, property, plant and equipment, right-of-use assets, intangible assets, lease liabilities and provisions.

3.1 Working capital

	2020 \$000	2019 \$000
(a) Receivables		
Trade receivables	124,987	130,357
Allowance for expected credit losses	(2,063)	(1,415)
Net trade receivables	122,924	128,942
Other debtors	6,100	4,377
	129,024	133,319
Movement in allowance for expected credit losses		
Opening balance	1,415	764
Acquisition of subsidiary	461	541
Trade debts provided	2,238	631
Trade debts written-off	(1,964)	(547)
Foreign currency exchange difference	(87)	26
Closing balance	2,063	1,415
Receivables past due		
<i>Receivables past due but not impaired</i>		
Past due 0–30 days	5,463	6,797
Past due 30+ days	5,004	5,013
	10,467	11,810

	2020 \$000	2019 \$000
(b) Inventories		
Current		
Raw materials and stores	55,234	54,222
Work in progress	4,894	4,194
Finished goods	218,020	188,690
Total	278,148	247,106
Non-current		
Raw materials	7,029	7,248

Write-down of inventories recognised as an expense for the 2020 financial year amounted to \$11.861 million (2019: \$2.548 million).

(c) Current payables

Trade payables and accruals	128,466	128,276
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Average terms on trade payables are 30 days from statement.

As at 31 July 2020 the contract assets amounted to \$8.0 million (2019: \$12.8 million) and contract liabilities to \$6.7 million (2019: \$7.1 million). There has been no allowance for expected credit losses recognised related to the contract assets.

Recognition and measurement

Trade receivables are initially recognised at the value of the invoice issued to the customer and subsequently measured at amortised cost and are subject to impairment.

The Group recognises an **allowance for expected credit losses (ECLs)** for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Inventories are measured at:

- Raw materials: the lower of actual cost and net realisable value
- Finished goods and work in progress: the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are applied on the basis of normal production capacity.

Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

Contract assets are initially recognised for revenue earned from supply and install contracts as receipt of consideration is conditional on successful completion of installation. Upon completion of installation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities include advances received in relation to supply and install contracts as well as transaction price allocated to customer incentive programs.

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at amortised cost.

3.2 Property, plant and equipment and intangible assets

(a) Property, plant and equipment

	Notes	Land and buildings		Plant and equipment		Total	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cost		396,428	356,302	715,058	635,404	1,111,486	991,706
Accumulated depreciation and impairment losses		(75,639)	(56,511)	(378,519)	(337,624)	(454,158)	(394,135)
Net carrying amount 31 July		320,789	299,791	336,539	297,780	657,328	597,571
Net carrying amount at 1 August		299,791	251,457	297,780	259,036	597,571	510,493
Additions ¹		7,350	7,693	90,220	48,851	97,570	56,544
Acquisitions through business combinations	6.5	61,519	47,865	12,585	41,594	74,104	89,459
Adjustment on finalisation of acquisition accounting		(935)	-	-	-	(935)	-
Disposals		(11,785)	(400)	(1,828)	(463)	(13,613)	(863)
Transfers to land held for resale		(2,289)	-	-	-	(2,289)	-
Transfer to asset held for sale		(92)	(3,238)	-	(18,367)	(92)	(21,605)
Impairment losses		(18,370)	(149)	(23,815)	(3,392)	(42,185)	(3,541)
Foreign currency exchange difference		(5,705)	2,437	(1,723)	1,977	(7,428)	4,414
Depreciation expense		(8,695)	(5,874)	(36,680)	(31,456)	(45,375)	(37,330)
Net carrying amount 31 July		320,789	299,791	336,539	297,780	657,328	597,571

As at 31 July 2020 capital works in progress, disclosed as part of plant and equipment, amounted to \$95.0 million (2019: \$45.8 million).

Recognition and measurement

Property, plant and equipment is measured at cost less depreciation and impairment losses. 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 reporting period in which they are incurred.

Depreciation commences on assets when it is deemed they are capable of operating in the manner intended by management. Assets are depreciated over their estimated useful lives, except for leasehold improvements which are depreciated over the shorter of their estimated useful life and the remaining lease period. Depreciation is charged to the income statement based on the rates indicated below.

Freehold land	not depreciated
Buildings	2.5%-4.0% prime cost
Plant and equipment	4.0%-33.0% prime cost, 7.5%-22.5% diminishing value

Carrying amounts are assessed for impairment whenever there is an indication they may be impaired. If the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written down to its recoverable amount.

1 Additions to plant and equipment include \$0.96 million of capitalised borrowing costs in the current year.

3.2 Property, plant and equipment and intangible assets (continued)

Significant accounting judgements, estimates and assumptions

Estimation of useful lives of assets has been based on historical experience. The condition of assets is assessed at least annually and considered against the remaining useful lives. Adjustments to useful lives are made when considered necessary.

(b) Intangible assets

	Notes	Goodwill \$'000	Timber access rights \$'000	Brand names \$'000	Other \$'000	Total \$'000
Cost		266,020	–	19,380	944	286,344
Accumulated amortisation and impairment losses		(104,815)	–	(2,062)	(944)	(107,821)
Net carrying amount 31 July 2020		161,205	–	17,318	–	178,523
Net carrying amount 1 August 2019		157,943	–	19,765	944	178,652
Acquisitions through business combinations	6.5	4,211	–	–	–	4,211
Adjustment on finalisation of acquisition accounting	6.5	688	–	–	–	688
Disposals		–	–	–	(214)	(214)
Impairment losses		(1,130)	–	(2,062)	(665)	(3,857)
Foreign currency exchange difference		(507)	–	(385)	–	(892)
Amortisation expense		–	–	–	(65)	(65)
Net carrying amount 31 July 2020		161,205	–	17,318	–	178,523
Cost		287,702	8,656	19,765	1,259	317,382
Accumulated amortisation and impairment losses		(129,759)	(8,656)	–	(315)	(138,730)
Net carrying amount 31 July 2019		157,943	–	19,765	944	178,652
Net carrying amount 1 August 2018		204,059	–	11,062	1,009	216,130
Acquisitions through business combinations	6.5	5,665	–	8,276	–	13,941
Impairment losses		(52,017)	–	–	–	(52,017)
Foreign currency exchange difference		236	–	427	–	663
Amortisation expense		–	–	–	(65)	(65)
Net carrying amount 31 July 2019		157,943	–	19,765	944	178,652

(c) Impairment assessment

Following the implementation of the post-acquisition plant rationalisation program in North America and a restructure of the Building Products operations in Australia in response to current market conditions, the Group performed a carrying value assessment of its non-current assets at 31 July 2020. An impairment loss of \$46.0 million (2019: \$1.8 million) in respect of property, plant & equipment and intangible assets was recognised following the review. Further detail on the impairment losses recognised in the current year has been included in Note 2.1 as part of significant items disclosures.

The carrying value assessment included a value-in-use (VIU) impairment review of the Austral Masonry Cash Generating Unit (“CGU”). As a result of the review, goodwill and other intangibles of \$3.9 million allocated to this CGU were fully impaired.

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

Goodwill is allocated to the Group's CGUs for impairment testing purposes. Building Products North America and national divisions within the Building Products Australia operating segment are CGUs which represent the lowest level at which the results are monitored for internal reporting purposes. At 31 July 2020 the following CGUs representing business operations have allocations of goodwill:

- ▶ Austral Bricks: \$152.0 million (2019: \$152.0 million)
- ▶ Building Products North America: \$9.2 million (2019: \$4.8 million)
- ▶ Austral Masonry: \$Nil (2019: \$1.1 million)

For the purpose of impairment assessment outlined below brand names with indefinite useful lives with a carrying value of \$17.3 million (2019: \$19.7 million) have been allocated to the following CGUs, which form part of the Building Products Australia and North America operating segments:

- ▶ Austral Bricks: \$9.0 million (2019: \$9.0 million)
- ▶ Building Products North America: \$8.3 million (2019: \$8.7 million)
- ▶ Austral Masonry: \$Nil (2019: \$2.1 million)

Each CGU tested for impairment has been valued based on value-in-use methodology, using the assumptions outlined in point (ii) below.

(ii) Austral Bricks, Austral Masonry and Building Products North America impairment assessment – key assumptions

Significant accounting judgements, estimates and assumptions

Management is required to make significant estimates and judgements in assessing the carrying amount of non-financial assets for impairment. The valuations used to support the carrying amounts of each CGU (including goodwill, other intangible assets and property, plant and equipment) are based on forward-looking assumptions that are by their nature uncertain. The nature and basis of the key assumptions used to estimate the future cash flows and discount rates, and on which the Group has based its projections when determining the recoverable value of each CGU, are set out below.

Calculation method	The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost to sell. VIU calculations use cash flows projections, inclusive of working capital movements, and are based on financial projections approved by the Board covering a five-year period. Estimates beyond five years are calculated with a growth rate that reflects the long-term growth rate.
Sales volumes	Sales volumes are management forecasts reflecting independent external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates. A major driver of sales volumes is the level of activity in the relevant segment in the building sector. Management has assessed the reported forecast construction activity data in Australia and North America from external sources.
Sales prices	Management expects to obtain price growth over the forecast period. The assumed increases differ by CGU and between different states where the CGU operates.
Costs	Costs are calculated taking into account historical gross margins, known cost increases, and estimated inflation rates over the period that are consistent with the locations in which the CGUs operate.
Terminal value earnings	Terminal value earnings are based on average historical earnings (6-7 years) moderated to reflect structural changes to the market in which the CGU operates.
Long-term growth rates	Long-term growth rates used in cash flow valuation reflect 2.5% (2019: 2.5%).
Discount rate	Management uses an independent external advisor to calculate the appropriate discount rate applied consistently across all CGUs. For 2020, the pre-tax discount rate for the Australian CGUs was 12.20% (2019: 12.20%) and 11.69% for the North American CGU.

(iii) Sensitivity to changes in assumptions

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

3.3 Right-of-use assets and lease liabilities

On 1 August 2019, the Group adopted AASB 16 Leases. Adoption disclosures are further outlined in Note 7.6 (b).

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets			Total \$'000	Liabilities \$'000
	Property \$'000	Equipment \$'000	Vehicles \$'000		
As at 1 August 2019, post transition	58,942	47,231	4,232	110,405	(115,514)
New and modified leases	17,786	7,332	899	26,017	(26,017)
Leases terminated	(204)	(433)	(49)	(686)	737
Depreciation expense	(10,031)	(16,872)	(2,588)	(29,491)	-
Payment of principal portion of lease liability	-	-	-	-	28,175
Foreign exchange difference	26	(55)	-	(29)	100
As at 31 July 2020	66,519	37,203	2,494	106,216	(112,519)¹

During the year, the Group recognised rent expense of \$1.6 million from short-term leases and variable lease payments.

Recognition and measurement

The Group recognises **right-of-use assets** at the commencement of the lease (i.e. the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of liabilities recognised and lease payments made at or before the commencement date, less any incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Unless the Group is reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments under AASB 136 *Impairment of Assets*.

At the commencement of a lease, the Group recognises **lease liabilities** measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include renewal periods where the Group is reasonably certain to exercise the renewal option. Outgoings and other variable lease payments that do not depend on an index or a rate are recognised as expense as incurred.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term lease and leases of low-value assets

The Group applies a recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies a recognition exemption to leases that are considered of low value. Lease payments on short-term and low-value leases are recognised as expense on a straight-line basis over the lease term.

Judgements in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within control and affects its ability to exercise (or not to exercise) the option to renew.

1 \$29,535 million included in current liabilities and \$82,984 million in non-current liabilities.

3.4 Provisions

	Notes	Employee benefits \$'000	Remediation \$'000	Infrastructure costs \$'000	Workers compensation \$'000	Site Closures \$'000	Other \$'000	Total \$'000
Opening balance 1 August 2019		49,821	10,348	875	2,156	1,660	788	65,648
Recognised/(reversed)		69,695	2,888	1,190	1,815	14,607	3,644	93,839
Business combinations	6.5	2,889	3,894	-	130	1,075	932	8,920
Foreign currency exchange difference		(2,418)	(368)	-	(8)	(1,192)	(320)	(4,306)
Transferred from liabilities held for sale		-	-	-	550	-	1,000	1,550
Settled		(68,732)	(5,749)	(106)	(1,413)	(8,122)	(1,007)	(85,129)
Closing balance 31 July 2020		51,255	11,013	1,959	3,230	8,028	5,037	80,522
Current		47,054	333	1,959	3,230	8,028	5,037	65,641
Non-current		4,201	10,680	-	-	-	-	14,881
Total		51,255	11,013	1,959	3,230	8,028	5,037	80,522
Opening balance 1 August 2018		45,846	7,225	904	3,396	-	2,791	60,162
Recognised/(reversed)		42,677	4,744	(29)	2,937	-	587	50,916
Business combinations	6.5	6,652	2,282	-	-	2,069	168	11,171
Foreign currency exchange difference		749	111	-	72	107	9	1,048
Transferred to liabilities held for sale		(1,844)	-	-	(347)	-	(1,000)	(3,191)
Settled		(44,259)	(4,014)	-	(3,902)	(516)	(1,767)	(54,458)
Closing balance 31 July 2019		49,821	10,348	875	2,156	1,660	788	65,648
Current		45,939	2,077	875	2,156	1,660	788	53,495
Non-current		3,882	8,271	-	-	-	-	12,153
Total		49,821	10,348	875	2,156	1,660	788	65,648

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will be required and the obligation can be reliably measured. The amount recognised as a provision represents the best estimate of the consideration required to settle the present obligation at reporting date and uncertainties surrounding the obligation.

Provision for employee benefits is recognised in respect of the 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. Estimated future payments include related on-costs, reflect assumptions regarding future wage and salary levels, employee departures and periods of service, and have been discounted using market yields on Australian high quality corporate bond rates.

Provision for remediation is recognised for the estimated costs of restoring operational and quarry sites to their original state in accordance with relevant approvals. The settlement of this provision will occur as the operational site nears the end of its useful life, or once the resource allocation within the quarry is exhausted, which varies based on the size of the resource and the usage rate of the extracted material. 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.

Provision for infrastructure costs is recognised for the Group's obligation for the estimated costs of completed infrastructure works in relation to certain properties. The timing of the future outflows is expected to occur within the next financial year.

3.4 Provisions (continued)

Provision for workers compensation relates to the Group's self insurance for workers compensation program. The subsidiaries of the Group are licensed self insurers in New South Wales, Victoria, Western Australia and Australian Capital Territory for workers compensation insurance. The provision is determined with reference to independent actuarial calculations provided annually based on incidents reported before year end. The timing of the future outflows is dependent upon the notification and acceptance of relevant claims, and would be satisfied over a number of future financial periods.

Provision for site closures is recognised for the estimated costs of permanently closing manufacturing sites. The timing of the future outflows is expected to occur within the next financial year.

3.5 Post-employment liabilities

Following the acquisition of Glen-Gery in November 2018, the Group participated in two multi-employer defined benefit pension schemes, being Aluminium, Brick and Glass Workers International Union ("AB&GW") and National Integrated Group Pension Plan ("NIGPP"), which are both held in the United States. Effective 31 October 2019, Glen-Gery ceased to participate in the NIGPP and agreed on a withdrawal payment of \$0.9 million settled before 31 July 2020.

As the Group is unable to identify its share of the assets and liabilities for the AB&GW scheme as insufficient information is available on which to calculate this split (as confirmed with the scheme actuaries), it is accounted for on a defined contribution basis.

Unfunded vested benefits are allocated among active employer participating groups. This allows the multi-employer plan to assess employers who withdraw from a plan with a share of the plan's total unfunded vested liability. That share of unfunded liability is not determined with reference to the employer's participants nor the assets that were accumulated by that employer's contributions. When an employer withdraws, it may be required to pay the entire withdrawal liability over time, or a lesser amount based on certain limitations related to the period of payments and the net worth of the employer.

The minimum contribution requirements for the AB&GW scheme are based on a minimum monthly charge per active employee.

In total, the AB&GW plan has a deficit as at 31 July 2020 of \$17.7million (2019: \$18.0 million). With respect to this scheme based on the total contributions made during 2020, the level of participation the Group made compared to other participating entities was 86% and the Group has circa 61% of all members (active, deferred and retired). Management currently does not have any plans on withdrawing from this scheme.

The contribution rates agreed to be paid by the Group include an element of rehabilitation funding with respect to the total plan deficit. In respect of the scheme, the arrangement gives rise to a present obligation and as such a liability of \$19.3 million (2019: \$20.0 million) has been recognised at a present value of future committed contribution amounts required in respect of this scheme.

Total expected contributions to the plan, including an element of rehabilitation funding, for the next annual reporting year, being the year ending 31 July 2021, amount to \$1.2 million.

	Post-employment liabilities \$'000
Opening balance 1 August 2019	19,956
Recognised	1,568
Withdraw payment NGIPP	(855)
Settled	(478)
Foreign currency exchange difference	(889)
Closing balance 31 July 2020	19,302
Current	696
Non-current	18,606
Total	19,302
Opening balance 1 August 2018	-
Business combinations	19,052
Recognised	299
Settled	(385)
Foreign currency exchange difference	990
Closing balance 31 July 2019	19,956
Current	679
Non-current	19,277
Total	19,956

Recognition and measurement

Multi-employer plans are defined contribution plans or defined benefit plans that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Where a multi-employer plan is a defined benefit plan, an entity shall account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan as if it were a defined contribution plan.

Contributions payable to a defined contribution plan are recognised as a liability, after deducting any contribution already paid. Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the period in which the employees render the related service, they shall be discounted using the rate applicable to high quality corporate bonds.

4 Income Tax

This section provides the information considered most relevant to understanding the taxation treatment adopted by the Group during the financial year.

The Group is subject to income taxes in Australia and United States of America. The entities incorporated in the United States of America are not part of the Australian tax consolidated group and therefore taxed separately.

Tax consolidation

Brickworks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group (Tax Group) under the Australian Tax Consolidation regime. Brickworks Limited is the head entity of that group.

The Tax Group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable based on the current tax liability (or current tax asset) of the entity. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Such amounts are reflected in amounts receivable from or payable to other entities in the Tax 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 considered remote.

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

4.1 Income tax expense

	Notes	2020 \$000	2019 \$000
Profit from continuing operations before income tax		390,665	290,592
Loss from discontinued operations before income tax benefit	6.6	(11,088)	(60,417)
Profit before income tax		379,577	230,175
Prima facie tax expense calculated at 30%		113,873	69,053
<i>(Decrease) / increase in income tax expense due to:</i>			
Share of net profits of associates		(20,380)	2,464
Franked dividend income		(16,694)	(16,914)
Disposal of subsidiary		8,759	-
Income tax benefit related to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the United States of America		(5,241)	-
(Under)/overprovided in prior years		(3,169)	478
R&D tax incentive		(3,089)	(2,221)
Impairment of non-current assets		2,224	15,605
Business acquisition costs		1,916	2,919
Gain on bargain purchase		(995)	-
Tax rate difference in overseas entities		731	(74)
Capital losses arising on disposal of property		664	-
Utilisation of carried forward capital losses		(387)	(2,669)
Sale of 7.9 million WHSP shares		-	5,229
Other non-allowable items		2,482	1,663
Income tax expense attributable to profit		80,694	75,533
Current tax (benefit)/expense		(17,969)	71,385
Deferred tax expense relating to movements in deferred tax balances	4.2	102,219	6,339
Overprovided in prior years		(3,169)	478
Utilisation of carried forward capital losses		(387)	(2,669)
Total income tax expense on profit		80,694	75,533

4.1 Income tax expense (continued)

	Notes	2020 \$000	2019 \$000
Income tax expense/(benefit) attributable to:			
Profit from continuing operations		75,274	93,697
Loss from discontinued operations	6.6	5,420	(18,164)
Income tax expense attributable to profit		80,694	75,533
Income tax expense/(benefit) recognised directly in equity			
Tax effect on movements in reserves attributable to equity accounted investments		3,582	709
Tax effect on movements in reserves attributable to financial instruments		99	84
Income tax expense/(benefit) recognised in other comprehensive income		3,681	793
Tax effect on the adoption of AASB 15 by associate		-	152
Tax effect on the adoption of AASB 16 by associate		760	-
Tax effect on the adoption of AASB 16		1,524	-
Total income tax expense/(benefit) recognised directly in equity		5,965	945

4.2 Income tax assets and liabilities

(a) Current income tax liability/(asset)

	2020 \$000	2019 \$000
Current income tax liability	-	68,335
Current income tax asset	(26,624)	(991)

Recognition and measurement

Current tax represents the amount expected to be paid or recovered in relation to taxable income for the financial year measured using 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 it is unpaid (or refundable).

(b) Deferred income tax liability

	Balance Sheet		Movement through Income Statement	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Equity accounted investments in associated and joint ventures	431,238	317,360	106,565	20,706
Property, plant and equipment	24,802	25,225	3,247	1,307
Assets held for sale	-	(14,727)	-	(14,727)
Provisions	(31,643)	(27,305)	(2,104)	(1,148)
Tax losses and rebates	(3,599)	(5,419)	(9,782)	664
Intangibles	1,133	5,068	(2,423)	(376)
Other	(4,444)	(1,901)	6,716	(87)
Net deferred income tax liability	417,487	298,301	102,219	6,339

Notes	2020 \$000	2019 \$000
Net deferred income tax liability related to continuing operations	417,487	299,959
Net deferred income tax asset classified as held for sale	–	(1,658)
Net deferred income tax liability	417,487	298,301

Recognition and measurement

Deferred tax is recognised based on the amounts calculated using the balance sheet liability method in respect of temporary differences between the carrying values of assets and liabilities for financial reporting and tax purposes. The tax cost base of assets is determined based on management's intention for that asset on either use or sale as appropriate. No deferred income tax is recognised for a taxable temporary difference arising from an investment in a subsidiary, associate or a joint venture where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date.

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. The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax 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.

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

Deferred income 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.

5 Capital and Risk Management

This section provides information about the Group's capital management and its exposure to various financial risks.

The Group's activities expose it to a variety of financial risks: liquidity risk, market risk (including interest rate risk and foreign exchange risk) and credit risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance where the Group's exposure is material.

The Board approves written principles for overall risk management, as well as policies covering specific areas such as interest rate risk, foreign exchange risk, credit risk and the use of derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial assets and liabilities at balance date:

	Notes	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents	5.2	187,109	74,881
Receivables	3.1(a)	129,024	133,319
Financial assets at fair value through other comprehensive income	5.3	1,792	1,462
Total financial assets		317,925	209,662
Financial liabilities			
Trade and other payables	3.1(c)	128,466	128,276
Borrowings	5.4(a)	641,169	327,768
Lease liabilities	3.3	112,519	–
Other financial liabilities	6.5(b)	15,459	–
Derivative financial liabilities	5.4(c), 5.7(a)	9,767	8,842
Total financial liabilities		907,380	464,886

Recognition and measurement

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

A financial liability is derecognised when the obligation under the liability has been discharged, cancelled or expires, with any resulting gain recognised in the income statement.

5.1 Capital management

The Group manages its capital to ensure that all entities in the Group can continue as going concerns while maximising the return to shareholders through an appropriate balance of net debt and total equity.

The Group's capital structure consists of debt disclosed in note 5.4, cash and cash equivalents (refer note 5.2), issued capital (note 5.5), reserves (note 5.6) and retained profits. The capital structure can be influenced by the level of dividends paid, issuance of new shares, returns of capital to shareholders, or adjustments in the level of borrowings through the acquisition or sale of assets.

The Group's capital structure is regularly measured using net debt to equity, calculated as net debt divided by a sum of net debt and total equity. Net debt represents total drawn at the reporting date (refer note 5.4) less cash and cash equivalents (note 5.2) and total equity includes contributed equity (note 5.5), reserves (note 5.6) and retained earnings.

The Group's strategy during the year was to maintain the total debt to capital employed (at a consolidated level) below a loan facilities banking covenant limit of 40% imposed per the syndicated loan facility agreement disclosed in note 5.4 (2019: 40%).

	2020 \$000	2019 \$000
Net debt	454,060	252,887
Total equity	2,404,011	2,167,358
Capital employed	2,858,071	2,420,245
Net debt to capital employed	15.9%	10.4%

5.2 Cash and cash equivalents

	2020 \$000	2019 \$000
Cash on hand	187,109	74,881

Recognition and measurement

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. For the purpose of the statement of cash flows, cash and cash equivalents is equal to the balance disclosed in the balance sheet.

5.3 Financial assets at fair value through other comprehensive income

The Group's financial assets at fair value through other comprehensive income represent listed equities publicly traded on the Australian Stock Exchange. The fair value of these investments is based on quoted market prices, being the last sale price, at the reporting date. These are categorised as "Level 1" in the fair value hierarchy.

	Market value	
	2020 \$000	2019 \$000
Equities - Listed	1,792	1,462
Total	1,792	1,462

5.4 Borrowings

(a) Available loan facilities

	2020 \$000	2019 \$000
Current		
Interest-bearing loans	-	-
Unamortised borrowing costs	-	-
	-	-
Non-current		
Interest-bearing loans	641,169	327,768
Unamortised borrowing costs	(2,481)	(3,527)
	638,688	324,241

In December 2019 the Group extended its \$100.0 million working capital facility to 11 December 2021.

In March 2020 the Group entered into a construction facility agreement with a facility limit of \$46.0 million to fund the construction of the Austral Masonry Oakdale East plant in New South Wales. The construction facility will mature at the earlier of the practical completion date and September 2021. Upon completion of the construction the lender agreed to acquire the plant and lease it to the Group under a lease agreement with an initial lease period of up to 10 years.

There were no other changes to the Group's loan facilities in the current year.

The Group designated its USD unsecured debt facilities as a hedging instrument to hedge the currency risk associated with translation of the Group's net investment in the US operations into the Group's functional currency (AUD).

Except for Tranche A and B of the ITL facility, interest on the Group's loan facilities is payable based on floating rates determined with reference to the BBSY¹ (AUD) and US LIBOR² (USD) bid rate at each maturity. Further information with regards to management of the Group's interest rate risk is disclosed in Note 5.4(c).

The fair value of interest-bearing loans at 31 July 2020 approximated their carrying amount (2019: carrying amount).

Recognition and measurement

Borrowings are recorded initially at fair value of the consideration received, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(b) Management of liquidity risk

The Group manages liquidity risk by maintaining a combination of adequate cash reserves, bank facilities and reserve borrowing facilities, continuously monitored through forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. At 31 July 2020 the Group had AUD 190.0 million and USD 17.0 million of unused bank facilities (2019: AUD 410.0 million and USD 74.0 million).

In addition, the Group had AUD 24.0 million available under the Austral Masonry Oakdale East construction facility entered into during the current year.

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

1 The Bank Bill Swap Bid Rate (BBSY) is a benchmark interest rate quoted by Reuters Information Service.

2 US Libor is benchmark interest as referenced by the London Inter-bank Offered Rate (LIBOR).

The maturity profile of the Group's loan facilities at 31 July 2020 is outlined below.

Facility	Currency	Limit (\$m)	Drawn (\$m)	Available (\$m)	Maturity date
Tranche A	AUD	100	90	10	August 2023
Tranche B	AUD	175	25	150	August 2024
Tranche C	AUD	80	80	-	August 2022
Syndicated loan facility	AUD	355	195	160	
Tranche A1	USD	100	100	-	August 2023
Tranche B1	USD	100	83	17	August 2024
Syndicated loan facility	USD	200	183	17	
Facility A-ITL	AUD	25	25	-	February 2028
Facility B-ITL	AUD	35	35	-	February 2026
Facility C-ITL	AUD	40	40	-	February 2026
Syndicated ITL facility	AUD	100	100	-	
Working capital facility	AUD	100	70	30	December 2021
Working capital facility	AUD	46	22	24	September 2021

The table below analyses the undiscounted value of the Group's financial liabilities and derivatives based on the remaining period at the reporting date to maturity. For bank facilities the cash flows have been estimated using interest rates applicable at the end of the reporting period.

	1 year or less \$'000	1 to 5 years \$'000	5 to 10 years \$'000	Total \$'000
31 July 2020				
Trade and other payables	128,466	-	-	128,466
Borrowings	14,978	773,050	27,290	815,318
Derivatives	134	9,633	-	9,767
	143,578	782,683	27,290	953,551
31 July 2019				
Trade and other payables	128,276	-	-	128,276
Borrowings	14,088	280,624	106,173	400,885
Derivatives	644	8,198	-	8,842
	143,008	288,822	106,173	538,003

(c) Management of interest rate risk

The Group's main interest rate risk arises from fluctuations in the BBSY bid rate and US Libor relating to bank borrowings. Where appropriate, the Group uses interest rate derivatives to eliminate some of the risk of movements in interest rates on borrowings, and increase certainty around the cost of borrowed funds.

Interest rate swaps

The Group has entered into interest rate swaps contracts which allow the Group to swap floating rates into an average fixed rate of 2.66% (2019: 2.88%). The contracts require settlement of net interest receivable or payable usually around every 90 days. The settlement dates are aligned with the dates on which interest is payable on the underlying bank borrowings and are brought to account as an adjustment to borrowing costs.

5.4 Borrowings (continued)

The fair value of interest rate swaps is outlined below. During the financial year ended 31 July 2020 the Group did not enter into new interest swaps arrangements.

	Notional Principal Amount		Average Interest Rate		Fair value	
	2020 \$000	2019 \$000	2020 %	2019 %	2020 \$000	2019 \$000
Less than 1 year	25,000	50,000	2.27	3.43	134	642
1 to 3 years	100,000	25,000	2.76	2.27	9,633	8,198
3 to 5 years	-	100,000	-	2.76	-	-
Total	125,000	175,000	2.66	2.88	9,767	8,840

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

Recognition and measurement

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 the nature of the item being hedged. The Group designates certain derivatives as either fair value or cash flow hedges.

Changes in the fair value of derivatives that are designated as qualifying 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.

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

Changes in the fair value of **derivatives which do not qualify for hedge accounting** are recognised immediately in the income statement.

Sensitivity analysis

At 31 July 2020, if interest rates had been +/- 1% per annum throughout the year, with all other variables being held constant, the profit after income tax for the year would have been \$2.6 million higher or lower respectively (2019: \$2.0 million higher/lower). There would not have been any other significant impacts on equity.

5.5 Contributed equity

	2020	2019	2020	2019
	Number of shares	Number of shares	\$'000	\$'000
Contributed equity				
Ordinary shares, fully paid	149,937,589	149,771,794	366,455	363,515
Treasury shares	(660,758)	(810,821)	(10,440)	(12,286)
			356,015	351,229
Movement in ordinary issued capital				
Opening balance 1 August	149,771,794	149,408,331	363,515	357,387
Issue of shares through employee share plan	165,795	363,463	2,950	6,150
Share issue costs	-	-	(10)	(22)
Closing balance 31 July	149,937,589	149,771,794	366,455	363,515
Movement in treasury shares				
Opening balance 1 August	(810,821)	(823,552)	(12,286)	(11,514)
Issue of shares through employee share plan	(165,795)	(363,463)	(2,950)	(6,150)
Purchase of shares through employee share plan	-	(34,867)	-	(590)
Shares vested to employees	315,858	411,061	4,796	5,968
Closing balance 31 July	(660,758)	(810,821)	(10,440)	(12,286)

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares represent own equity instruments which are issued or acquired for later payment as part of employee share-based payment arrangements and 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. The accounting policy applied in respect of share-based payments is disclosed in Note 7.1.

5.6 Reserves

	Notes	Capital Profits Reserve \$'000	Equity Adjustments Reserve \$'000	General Reserve \$'000	Foreign Currency translation Reserve \$'000	Share-based Payments Reserve \$'000	Investments revaluation reserve \$'000	Associates and JVs Reserve \$'000	Total \$'000
Balance at 1 August 2019		88,102	(11,603)	36,125	(657)	5,532	1,461	164,397	283,357
Other comprehensive income for the year		-	(3,681)	-	(474)	-	331	11,939	8,115
Change in ownership interest in the associate		-	-	-	-	-	-	922	922
Shares vested to employees	7.1	-	-	-	-	(4,796)	-	-	(4,796)
Share based payments expense	7.1	-	-	-	-	5,746	-	-	5,746
Balance at 31 July 2020		88,102	(15,284)	36,125	(1,131)	6,482	1,792	177,258	293,344
Balance at 1 August 2018		88,102	(18,779)	36,125	(1,463)	5,537	1,181	198,391	309,094
Adjustment on the adoption of AASB 9 (net of tax)		-	6,906	-	-	-	-	(23,019)	(16,113)
Restated balance at 1 August 2018		88,102	(11,873)	36,125	(1,463)	5,537	1,181	175,372	292,981
Other comprehensive income for the year		-	(793)	-	806	-	280	2,353	2,646
Change in ownership interest in the associate		-	1,063	-	-	-	-	(13,328)	(12,265)
Shares vested to employees	7.1	-	-	-	-	(5,968)	-	-	(5,968)
Share based payments expense	7.1	-	-	-	-	5,963	-	-	5,963
Balance at 31 July 2019		88,102	(11,603)	36,125	(657)	5,532	1,461	164,397	283,357

Nature and purpose of reserves

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

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

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

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

Share-based payments reserve represents the value of bonus shares and rights granted to employees that have been recognised as an expense in the income statement but are yet to vest to employees.

Investment revaluation reserve represents amounts arising on the remeasurements of financial assets at fair value through other comprehensive income.

Associates and JVs reserve represents the Group's share of its associates and joint ventures reserves balances recognised in line with the equity method of accounting. The Company is unable to control this reserve in any way, and does not have any ability or entitlement to distribute this reserve, unless it is received from its associates or joint ventures in the form of dividends or trust distributions.

5.7 Management of other risks

(a) Foreign exchange risk

Translation risk

The Group is exposed to fluctuations in US dollars (USD) related to translation of investments in overseas subsidiaries. Foreign currency translation risk is the risk that upon consolidation for financial reporting the value of investment in foreign domiciled entities will fluctuate due to changes in foreign currency rates.

The Group uses USD denominated borrowings to hedge the Group's net investment in overseas subsidiaries. The related exchange gains/losses on foreign currency movements are recognised in the Foreign Currency Translation Reserve. As at 31 July 2020 the net investment in the US subsidiaries of the Group of USD 192.6 million (2019: USD 139.6 million) was hedged with USD denominated borrowings of USD 183.0 million (2019: USD 126.0 million).

Transaction risk

The 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 NZ subsidiary, which is in New Zealand dollars (NZD) is not material to the Group as a whole. Accordingly, any reasonably foreseeable fluctuation in the exchange rate of NZD would not have a material impact on either profit after tax or equity of the Group.

The Group has a limited exposure to foreign currency fluctuations due to its importation of goods. The main exposure is to USD and Euros (EUR). It is the policy of the Group to enter into forward foreign exchange contracts to cover specific currency payments, as well as covering anticipated purchases for up to 12 months in advance.

The fair value of foreign currency forward contracts is outlined below:

	Fair value	
	2020 \$000	2019 \$000
USD forward contracts	-	-
EUR forward contracts	-	2
Net derivative liability	-	2

The overall level of exposure to foreign currency purchases is not material to the Group. Accordingly, any reasonably foreseeable fluctuation in the exchange rate of the USD and EUR resulting in changes to foreign currency receivables and payables would not have a material impact on either profit after tax or equity of the Group.

(b) Credit risk

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

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

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

(c) Equity price risk

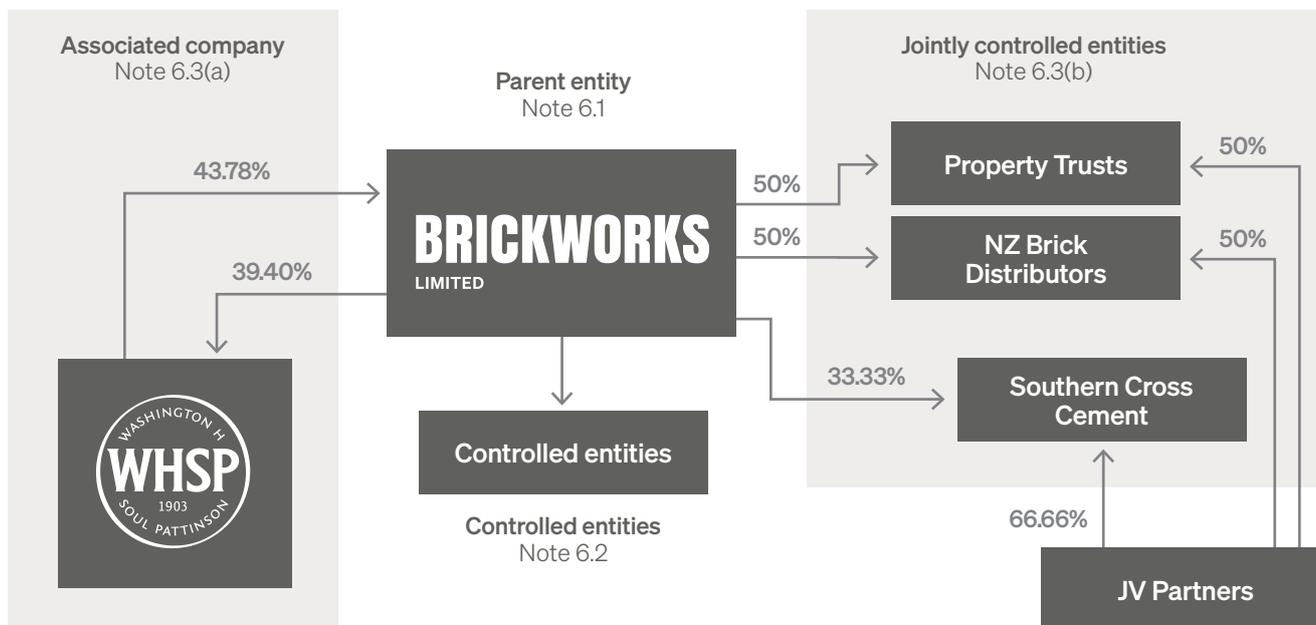
The Group does not have material direct exposure to equity price risk, as the value of its share trading portfolio is insignificant, and hence any fluctuations in equity prices would not be material to either profit after tax or equity of the Group.

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

At the time of preparing this report, there was no publicly available information regarding the effects of any reasonably foreseeable fluctuations in equity values on net profit or equity of WHSP at 31 July 2020 or subsequently.

6 Group Structure

This section explains significant aspects of Brickworks' group structure, including equity accounted investments that the Group has an interest in and its controlled entities. When applicable, it also provides information on business acquisitions made during the financial year.



6.1 Parent entity disclosures

	2020 \$'000	2019 \$'000
Statement of financial position		
Current assets	163,565	2,931
Non-current assets	1,348,913	1,270,898
Current liabilities	(4,131)	(74,371)
Non-current liabilities	(943,877)	(595,448)
Net assets	564,470	604,010
Equity		
Issued capital	356,016	351,229
Reserves	109,185	92,555
Retained earnings	99,269	160,226
Total equity	564,470	604,010
Statement of financial performance		
Profit after tax	41,686	183,900
Total comprehensive income	41,686	174,800

The parent entity's contingent liabilities of \$10.6 million (2019: \$9.3 million) were associated with bank guarantees issued in the ordinary course of business.

There are no contractual commitments for the acquisition of property, plant and equipment of the parent entity (2019: nil).

6.2 Controlled entities

Details of wholly owned entities within the Brickworks Group of companies are as follows.

Entity	% Group's interest		Entity	% Group's interest	
	2020	2019		2020	2019
Incorporated in Australia			Incorporated in Australia		
A.C.N. 000 012 340 Pty Ltd	100	100	Brickworks Sub Holding Co No. 6 Pty Ltd ¹	100	100
A.C.N. 074 202 592 Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 7 Pty Ltd ¹	100	100
AP Installations (NSW) Pty Ltd ¹	100	100	Brickworks Sub Holding Co No. 8 Pty Ltd ¹	100	100
AP Installations (Qld) Pty Ltd ¹	100	100	Bristile Guardians Pty Ltd ¹	100	100
Austral Bricks (NSW) Pty Ltd ¹	100	100	Bristile Holdings Pty Ltd ¹	100	100
Austral Bricks (Qld) Pty Ltd ¹	100	100	Bristile Pty Ltd ¹	100	100
Austral Bricks (SA) Pty Ltd ¹	100	100	Bristile Roofing (East Coast) Pty Ltd ¹	100	100
Austral Bricks (Tas) Pty Ltd ¹	100	100	Bristile Roofing Holdings Pty Ltd ¹	100	100
Austral Bricks (Tasmania) Pty Ltd ¹	100	100	Capital Battens Pty Ltd (formerly Auswest Timbers (ACT) Pty Ltd) ¹	100	100
Austral Bricks (Vic) Pty Ltd ¹	100	100	Christies Sands Pty Ltd ¹	100	100
Austral Bricks (WA) Pty Ltd ¹	100	100	Clifton Brick Holdings Pty Ltd ¹	100	100
Austral Bricks Holdings Pty Ltd ¹	100	100	Clifton Brick Manufacturers Pty Ltd ¹	100	100
Austral Facades Pty Ltd ¹	100	100	Daniel Robertson Australia Pty Ltd ¹	100	100
Austral Masonry (NSW) Pty Ltd ¹	100	100	Davman Builders Pty Ltd ¹	100	100
Austral Masonry (Qld) Pty Ltd ¹	100	100	Brickworks Building Products North America Pty Ltd ¹	100	100
Austral Masonry (Vic) Pty Ltd ¹	100	100	Hallett Brick Pty Ltd ¹	100	100
Austral Masonry Holdings Pty Ltd ¹	100	100	Hallett Roofing Services Pty Ltd ¹	100	100
Austral Precast (NSW) Pty Ltd ¹	100	100	Horsley Park Holdings Pty Ltd ¹	100	100
Austral Precast (Qld) Pty Ltd ¹	100	100	International Brick & Tile Pty Ltd ¹	100	100
Austral Precast (Vic) Pty Ltd ¹	100	100	J. Hallett & Son Pty Ltd ¹	100	100
Austral Precast (WA) Pty Ltd ¹	100	100	Lumetum Pty Ltd ¹	100	100
Austral Precast Holdings Pty Ltd ¹	100	100	Metropolitan Brick Company Pty Ltd ¹	100	100
Austral Roof Tiles Pty Ltd ¹	100	100	Nubrik Concrete Masonry Pty Ltd ¹	100	100
Auswest Timbers Holdings Pty Ltd ¹	100	100	Nubrik Pty Ltd ¹	100	100
Auswest Timbers Pty Ltd ¹	-	100	Pilsley Investments Pty Ltd ¹	100	100
Bowral Brickworks Pty Ltd ¹	100	100	Prestige Brick Pty Ltd ¹	100	100
Brickworks Building Products Pty Ltd ¹	100	100	Prestige Equipment Pty Ltd ¹	100	100
Brickworks Building Products (NZ) Pty Ltd ¹	100	100	Southern Bricks Pty Ltd ¹	100	100
Brickworks Cement Pty Limited ¹	100	100	Terra Timbers Pty Ltd ¹	-	100
Brickworks Construction Materials Pty Limited ¹	100	100	The Austral Brick Co Pty Ltd ¹	100	100
Brickworks Head Holding Co Pty Ltd ¹	100	100	The Warren Brick Co Pty Ltd ¹	100	100
Brickworks Industrial Developments Pty Ltd ¹	100	100	Visigoth Pty Ltd ¹	100	100
Brickworks Properties Pty Ltd ¹	100	100			
Brickworks Property Finance Co Pty Ltd	100	100	Incorporated in the United States of America		
Brickworks Specialised Building Systems Pty Ltd ¹	100	100	Brickworks North America Corporation	100	100
Brickworks Sub Holding Co No. 1 Pty Ltd ¹	100	100	Glen-Gery Corporation	100	100
Brickworks Sub Holding Co No. 2 Pty Ltd ¹	100	100	Landmark Stone Products, LLC	100	100
Brickworks Sub Holding Co No. 3 Pty Ltd ¹	100	100	Redfield Quarry, LLC	100	100
Brickworks Sub Holding Co No. 4 Pty Ltd ¹	100	100	Sioux City Brick & Tile Company	100	-
Brickworks Sub Holding Co No. 5 Pty Ltd ¹	100	100	Brickworks Eddie Acquisition Corporation	100	-

Recognition and measurement

Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements have been prepared by consolidating the financial statements of Brickworks Limited and its controlled entities. All inter-entity balances and transactions are eliminated. All wholly owned entities within the Group have been consolidated in these financial statements.

¹ The entity is party to a deed of cross guarantee (refer note 6.4).

6.3 Investments accounted for using the equity method

	Notes	2020 \$'000	2019 \$'000
Associated companies	6.3(a)	1,549,220	1,212,072
Joint ventures	6.3(b)	695,409	600,955
Total investments accounted for using the equity method		2,244,629	1,813,027

Recognition and measurement

Under the **equity method**, the investments are carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of an associate or a joint venture.

After applying the equity method of accounting, the Group determines whether it is necessary to recognise an additional impairment loss with respect to its investment in an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment is impaired. If there is such evidence, the Group calculates the amount of impairment as a difference between the recoverable amount of the associate or joint venture and its carrying amount, and the recognises the loss as 'Share of net profits of associates and joint ventures' in the income statement.

The consolidated income statement reflects the Group's share of the results of operations of the associate/jointly controlled entity.

(a) Associated company

	Group's interest		Contribution to Group profit before tax		Carrying value		Market value of shares	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Washington H. Soul Pattinson and Company Limited	39.40	39.40	367,679	74,642	1,549,220	1,212,072	1,843,855	2,141,890

Washington H. Soul Pattinson and Company Limited's (WHSP) shares are publicly traded on the Australian Stock Exchange (ASX code: SOL). The nature of WHSP's activities is outlined below:

Investing	Investments in cash, term deposits and equity investments (including investments in telecommunications, pharmaceutical and financial services businesses listed on the Australian Stock Exchange)
Energy	Coal, oil and gas activities
Copper and gold operations	Copper and gold mining activities

In addition to the Group owning 39.40% (2019: 39.40%) of issued ordinary shares of WHSP, at 31 July 2020 WHSP owned 43.78% (2019: 43.83%) of issued ordinary shares of Brickworks Limited.

The information disclosed below reflects the total amounts reported in the financial statements of WHSP amended to reflect adjustments made by the Group in applying the equity method of accounting.

	2020 \$000	2019 \$000
Current assets	902,996	486,845
Non-current assets	5,947,266	4,856,858
Current liabilities	(484,488)	(301,981)
Non-current liabilities	(1,561,250)	(975,377)
Outside equity interest (OEI)	(872,194)	(989,805)
Net assets	3,932,330	3,076,540
Equity accounted carrying value	1,592,220	1,212,072
Revenue	1,368,467	1,616,615
Profit after tax attributable to members	986,002	470,815
Other comprehensive income	31,247	16,361
Total comprehensive income	1,017,249	487,176
Dividends received by Brickworks Limited from the associate	55,646	56,381

WHSP's lease commitments and contractual commitments for the acquisition of property, plant and equipment were not publicly available at the time of preparation of this report (2019: \$98.7 million and \$122.7 million, respectively). The Group has no legal liability for any expenditure commitments incurred by associates.

Recognition and measurement

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.

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

The consolidated financial statements include eliminations related to the cross share-holding arrangement between the Group and the associate.

6.3 Investments accounted for using the equity method (continued)

(b) Joint ventures

Information relating to joint ventures is outlined below.

	Group's interest		Contribution to Group profit before tax		Carrying value		Principal activity
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	
Domiciled in Australia							
BGAI CDC Trust	50.00	50.00	-	-	266	267	Property development, management and leasing
BGAI Erskine Trust	50.00	50.00	21,305	21,951	128,894	123,725	
BGAI1 Capicure Trust	50.00	50.00	2,167	1,777	12,267	12,383	
BGAI1 Heritage Trust	50.00	50.00	7,091	9,057	37,983	40,528	
BGAI1 Oakdale Trust	50.00	50.00	26,634	51,753	186,400	188,012	
BGAI2 Oakdale East Trust	50.00	50.00	-	-	35,140	-	
BGMG1 Oakdale South Trust	50.00	50.00	38,637	30,165	104,576	68,810	
BGMG2 Rochedale Trust	50.00	50.00	11,791	9,398	74,999	67,117	
BGMG1 Oakdale West Trust	50.00	50.00	-	-	96,840	82,235	
Gain recognised on recognition as investment property and sale to third parties	-	-	-	2,506	-	-	
Property trusts	-	-	107,625	126,607	677,365	583,077	
Southern Cross Cement	33.33	33.33	124	5	11,050	10,926	Import of cement
Fastbrick Australia	-	50.00	-	-	-	169	Construction services
Domiciled in New Zealand							
NZ Brick Distributors	50.00	50.00	211	46	6,994	6,783	Import and distribution of building products
Total	-	-	107,960	126,658	695,409	600,955	

Property Trusts and Southern Cross Cement have balance dates of 30 June. The balance date for NZ Brick Distributors is 31 March.

Contribution to Group profit before tax from Property Trusts is set out below.

	2020 \$'000	2019 \$'000
Share of fair value adjustment of properties held by joint venture	78,068	88,865
Share of joint venture property rental profits	29,557	25,612
Gain recognised on recognition as investment property and sale to third parties	-	2,506
Share of profit on disposal of assets held by joint venture	-	9,624
Total equity accounted profit from Property Trusts	107,625	126,607

The information disclosed below reflects the total amounts reported in the financial statements of joint ventures amended to reflect adjustments made by the Group in applying the equity method of accounting. This information has been aggregated due to the similarity of the risk and return characteristics.

	2020 \$'000	2019 \$'000
Current assets	51,800	55,242
Non-current assets	2,025,817	1,685,903
Current liabilities	(45,295)	(32,198)
Non-current liabilities	(630,068)	(494,758)
Net assets	1,402,254	1,214,189
Equity accounted carrying value	695,409	600,955
Other balance sheet disclosures		
Cash and cash equivalents	24,486	27,992
Current financial liabilities	(27,492)	(32,198)
Non-current financial liabilities	(552,020)	(494,758)
Revenue	88,280	83,713
Depreciation and amortisation	(31)	(31)
Interest income	110	221
Interest expense	(16,976)	(18,863)
Profit after tax	216,043	248,309
Other comprehensive income	2,129	(8,033)
Total comprehensive income	218,172	240,276
Distributions received by Brickworks Limited from the joint ventures	64,258	25,441
Joint ventures' expenditure commitments		
Capital commitments	463,145	150,888
Contingent liabilities of joint ventures		
Contingent liabilities incurred jointly with other investors	-	-
<i>The entity has no legal liability for any contingent liabilities incurred by joint ventures</i>		

Recognition and measurement

A **joint venture** is a type of arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint venture. Joint control is the contractually agreed sharing of control arrangement, which exists only when the decisions about relevant activities require unanimous consent of the parties sharing control.

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

Profits or losses on transactions with the joint venture are deferred to the extent of the Group's ownership interest where properties remain classified as inventory by the joint venture until such time as they realised by the joint venture on sale. Total unrealised eliminated profits as at 31 July 2020 amounted to \$50.1 million (2019: \$50.1 million).

Investment property held by the joint venture, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in the equity accounted share of the joint venture's profit and recognised in the income statement of the Group in the period in which they arise.

Significant accounting judgements, estimates and assumptions

Management is required to make significant estimates and judgements in assessing the fair value of investment property. An independent valuation specialist was engaged to assess the fair value of investment properties held by the joint venture. The fair value of investment properties is determined using recognised valuation techniques such as the capitalisation of net income method and discounted cash flow method.

6.4 Deed of cross guarantee

Brickworks Limited and a number of its subsidiaries ("Closed Group") are parties to a deed of cross guarantee under which each company, including Brickworks Limited, supports liabilities and obligations of other members of the Closed Group. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785. The entities covered in the deed are listed in Note 6.2. Members of the Closed Group and parties to the deed of cross guarantee are identical.

Set out below is a consolidated balance sheet, consolidated income statement and a summary of movements in consolidated retained profits of the Closed Group.

	2020 \$000	2019 \$000
Consolidated Balance Sheet		
Current assets		
Cash and cash equivalents	167,004	18,253
Receivables	101,081	109,604
Inventories	175,706	180,833
Prepayments	6,000	8,763
Contract assets	8,001	12,781
Current tax asset	9,945	–
Assets classified as held for sale	–	15,358
Total current assets	467,737	345,592
Non-current assets		
Receivables	169,136	176,737
Other financial assets	276,199	202,572
Inventories	7,029	7,248
Investments accounted for using the equity method	1,567,264	1,229,949
Property, plant and equipment	491,391	495,317
Right-of-use assets	85,042	–
Intangibles	161,042	165,178
Total non-current assets	2,757,103	2,277,001
Total assets	3,224,840	2,622,593
Current liabilities		
Trade and other payables	107,317	105,533
Derivative financial liabilities	134	644
Lease liabilities	26,026	–
Income tax payable	–	68,477
Contract liabilities	6,375	6,379
Liabilities directly associated with assets classified as held for sale	–	3,302
Provisions	51,131	47,356
Total current liabilities	190,983	231,691
Non-current liabilities		
Borrowings	638,688	324,241
Derivative financial liabilities	9,633	8,198
Lease liabilities	64,956	–
Provisions	11,751	10,291
Deferred income tax liabilities	255,748	181,589
Total non-current liabilities	980,776	524,319
Total liabilities	1,171,759	756,010
Net assets	2,053,081	1,866,583

	2020 \$000	2019 \$000
Equity		
Contributed equity	356,016	351,229
Reserves	304,937	279,559
Retained profits	1,392,128	1,235,796
Total equity	2,053,081	1,866,584
Consolidated Income Statement		
Profit before income tax	292,146	102,014
Income tax expense	(58,986)	(36,292)
Profit after income tax expense	233,160	65,722
Movement in Consolidated Retained Earnings		
Retained profits at the beginning of the year	1,235,796	1,208,057
Profit after income tax expense	233,160	65,722
Dividends paid	(71,964)	(66,811)
Share of associate's transferred to outside equity interests	(4,864)	28,828
Retained profits at the end of the year	1,392,128	1,235,796

6.5 Business combinations

(a) Acquisition of Sioux City Brick

During the financial year ended 31 July 2020, the Group acquired the assets and business of Sioux City Brick & Tile Co ("Sioux City Brick"). Sioux City Brick has a leading market position in the Midwest region of the United States. The purchase consideration was fully paid in cash and has been provisionally allocated as follows.

Business acquired	Sioux City Brick
Date acquired	27 August 2019
Consideration	
Cash paid (\$'000)	49,526
Assets acquired	
Cash (\$'000)	1,195
Receivables (\$'000)	6,417
Inventories (\$'000)	25,230
Prepayments (\$'000)	149
Property, plant and equipment (\$'000)	30,608
Right-of-use assets (\$'000)	1,441
Liabilities assumed	
Trade and other payables (\$'000)	(3,290)
Lease liabilities (\$'000)	(1,441)
Deferred tax liabilities (\$'000)	(127)
Provisions (\$'000)	(6,842)
Fair value of net assets (\$'000)	53,340
Gain on bargain purchase (\$'000)	3,814¹
Direct costs relating to acquisition (\$'000)	6,403

Business acquisition costs of \$6,403,000 were incurred in both the current and prior year in relation to this acquisition.

The consideration for the acquisition has been apportioned against the fair value of the assets and liabilities acquired. The preliminary fair value of the identifiable assets and liabilities of Sioux City Brick at the acquisition date exceeded the sum of the consideration transferred with the excess amount recognised in the income statement as a gain on bargain purchase.

Analysis of cash flows on acquisition	Sioux City Brick
Net cash acquired with the subsidiary (included in cash flows from investing activities) (\$'000)	1,195
Cash paid in the period (\$'000)	(49,526)
Net cash flow on acquisition (\$'000)	(48,331)

(b) Acquisition of Redland Brick

During the financial year ended 31 July 2020, the Group acquired the assets of Redland Brick. Redland Brick has a leading market position in the Northeast and Mid-Atlantic regions of the United States. The purchase consideration is comprised of upfront cash payments and deferred consideration, subject to certain conditions being met. The purchase consideration has been provisionally allocated as follows.

Business acquired	Redland Brick
Date acquired	10 February 2020
Consideration	
Upfront cash payments (\$'000)	53,696
Deferred consideration (\$'000)	16,438
Total consideration (\$'000)	70,134
Assets acquired	
Inventories (\$'000)	24,363
Prepayments (\$'000)	152
Property, plant and equipment (\$'000)	43,496
Right-of-use assets (\$'000)	339
Liabilities assumed	
Lease liabilities (\$'000)	(339)
Deferred tax liabilities (\$'000)	(10)
Provisions (\$'000)	(2,078)
Fair value of net assets (\$'000)	65,923
Goodwill arising on acquisition (\$'000)	4,211
Direct costs relating to acquisition (\$'000)	7,300

Business acquisition costs of \$7,300,000 were incurred in both the current and prior year in relation to this acquisition.

Analysis of cash flows on acquisition	Redland Brick
Net cash acquired with the subsidiary (included in cash flows from investing activities) (\$'000)	-
Cash paid in the period (\$'000)	53,696
Net cash flow on acquisition (\$'000)	(53,696)

The deferred consideration was discounted using the rate applicable to high quality corporate bonds and presented as 'Other financial liabilities'. The net present value of the deferred consideration at 31 July 2020 amounts to \$15,459,000².

1 Reflects the gain on bargain purchase translated using the spot rate at the acquisition date. The equivalent amount translated using the average rate for the period recognised in the Income Statement amounts to \$3,776,000 with the difference on translation recognised in Foreign currency translation reserve in equity.

2 \$1.698 million included in current liabilities and \$13.761 million in non-current liabilities.

(c) Information on prior year acquisition

Acquisition of Glen-Gery Corporation

In the prior year the Group acquired Glen-Gery Corporation, the fourth-largest brick manufacturer in the United States. Glen-Gery has leading positions in the Midwest, Northeast and Mid-Atlantic states.

During the financial year ended 31 July 2020, management finalised the purchase price allocation. The only change since the allocation disclosed in the prior year was an adjustment to the fair value of Property, plant and equipment (\$935,000) which resulted in an increase in goodwill (\$688,000) and a decrease in deferred tax liabilities (\$247,000). The final acquisition balance sheet is presented below:

Business acquired	Glen-Gery
Date acquired	23 November 2018
Consideration	
Cash paid (\$'000)	140,790
Assets acquired	
Cash (\$'000)	2,587
Receivables (\$'000)	18,317
Inventories (\$'000)	62,857
Prepayments (\$'000)	1,312
Property, plant and equipment (\$'000)	87,306
Brand names (\$'000)	8,276
Liabilities assumed	
Payables (\$'000)	(12,045)
Current income tax liability (\$'000)	(14)
Deferred tax liabilities (\$'000)	(3,000)
Post-employment liabilities (\$'000)	(19,052)
Provisions (\$'000)	(10,977)
Fair value of net assets (\$'000)	135,567
Goodwill arising on acquisition (\$'000)	5,223

Acquisition of Aussie Concrete Products (ACP)

In the prior year the Group acquired Aussie Concrete Products (ACP). ACP has a market leading position in the concrete sleeper segment. The business has manufacturing operations based in Brisbane, complemented by a national sales and distribution network. The purchase consideration was fully paid in cash and has been allocated as follows.

Business acquired	ACP
Date acquired	24 May 2019
Consideration	
Cash paid (\$'000)	4,601
Assets acquired	
Inventories (\$'000)	2,274
Property, plant and equipment (\$'000)	1,218
Other assets (\$'000)	173
Liabilities assumed	
Provisions (\$'000)	(194)
Fair value of net assets (\$'000)	3,471
Goodwill arising on acquisition (\$'000)	1,130

Recognition and measurement

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of 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.

6.6 Discontinued operations

In the prior year, following a strategic review, the Group decided to exit the Auswest Timbers hardwood operations and initiated an active program to locate a buyer for its Auswest Timbers division. The results for the year ended 31 July 2020 and the prior year have been presented as discontinued operations (net of tax).

During the financial year ended 31 July 2020, the Group completed the sale of the Auswest Timbers division. The completion date for the transaction was 23 October 2019. Further as a result of the finalisation of the sale, the Group recorded a loss on sale before tax of \$7.2 million.

(a) Financial performance and cashflow information

	2020 \$000	2019 \$000
Results of discontinued operations		
Revenue	8,120	32,346
Expenses	(9,811)	(42,152)
Operating loss	(1,691)	(9,806)
Loss on disposal of subsidiary	(7,211)	-
Other significant items	(2,186)	(1,522)
Impairment loss recognised on the measurement to fair value less costs to sell	-	(49,089)
Finance costs	-	-
Loss before tax	(11,088)	(60,417)
Income tax benefit	(5,420)	18,164
Loss after tax	(16,508)	(42,253)
Deferred tax asset relating to discontinued operations	(6,593)	-
Income tax benefit related to operating loss	670	2,980
Income tax benefit related to other significant items	503	457
Income tax benefit on loss recognised on the measurement to fair value less costs to sell	-	14,727
Income tax (expense)/benefit	(5,420)	18,164
Cash flows from discontinued operations		
Net cash used in operating activities	(3,397)	(6,201)
Net cash from/(used) in investing activities	3,458	(606)
Net cash from financing activities	-	-
Net cash inflow/(outflow)	61	(6,807)
Basic (cents per share) from discontinued operations	(11.0)	(28.3)
Diluted (cents per share) from discontinued operations	(11.0)	(28.3)

(b) Details of the sale of the Auswest Hardwood business

The details of the disposal are set out below:

	\$000
Cash received	5,043
Transaction costs	(1,781)
Net consideration	3,262
Carrying amount of net assets sold	(10,473)
Loss on sale before tax	(7,211)
Deferred tax asset relating to discontinued operations	(6,593)
Loss on sale after tax	(13,804)

The carrying amount of the assets and liabilities as at the date of the sale (23 October 2019) were:

	\$000
Inventory	10,706
Prepayments	156
Property, plant and equipment	828
Total assets	11,690
Provisions	1,217
Total liabilities	1,217
Net assets disposed	10,473

Recognition and measurement

A discontinued operation is component of the entity that has been disposed of or is classified as held for sale and that represents a cash-generating unit or a group of cash-generating units and is part of a single co-ordinated plan to dispose of such line of business or area of operations. The results of discontinued operations are presented separately in the consolidated income statement.

7 Other Disclosures

This section provides information on items which require disclosure to comply with AASBs and other regulatory pronouncements and any other information that is considered relevant for the users of the financial report which has not been disclosed in other sections.

7.1 Share based payments

At 31 July 2020, the Brickworks Employee Share Plans had 727 members taking part who owned a combined 1,499,613 shares or 0.97% of issued ordinary share capital (2019: 759 employee participants, 1,611,577 shares, 1.08%). These figures exclude shares held by employees outside the Brickworks Employee Share Plans. This represented shares purchased under the salary sacrifice arrangements, as well as shares held as part of the Brickworks equity compensation plan shown below.

(a) Salary sacrifice arrangements

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

(b) Equity-based compensation plans

Deferred Employee Share Plan

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.

	Unvested No. of shares	Vested No. of shares	Total No. of shares
Opening balance	770,228	727,730	1,497,958
Granted	194,060	–	194,060
Vested	(315,858)	315,858	–
Forfeited / withdrawn	(24,350)	(254,078)	(278,428)
Closing balance	624,080	789,510	1,413,590

The unvested shares vest to employees at 20% per year for each of the following 5 years, provided ongoing employment is maintained. In addition, a performance hurdle related to the Group's Total Shareholder Return (TSR) is applicable to the unvested shares granted to the Managing Director and Chief Financial Officer. Unvested shares are unavailable for trading by the employees. All shares granted to employees provide dividend and voting rights to the employee.

Executive Rights Plan

The Executive Rights Plan was introduced in the current year. Except for the rights granted to the Managing Director and the Chief Financial Officer, the rights vest at 20% per year for each of the following 5 years, provided ongoing employment is maintained. A performance hurdle related to the Group's Total Shareholder Return (TSR) is applicable to rights granted to the Managing Director and Chief Financial Officer.

207,088 rights were allocated in the current year (2019: nil) including 31,289 rights that vested on 31 July 2020 (2019: nil). No rights were forfeited during the year to 31 July 2020 (2019: nil).

A fair value of shares with a TSR performance hurdle has been determined with reference to an independent valuation. A summary of key valuation assumptions is outlined below.

	2020
Grant date	26 November 2019
Valuation method	Monte-Carlo simulation
Performance period	3 years
Grant date share price	\$18.36
Estimated volatility	20.2%
Risk free rate (forward rates 1-6 years)	0.69%

	2020 \$000	2019 \$000
Expense arising from share-based payment transactions	5,746,093	5,962,848
Fair value of vested shares held by the plan at the end of the year (based on 31 July share price)	12,892,698	14,092,956
Fair value of shares granted during the year	(3,453,338)	6,959,450
Fair value of executive rights granted during the year	(3,651,539)	–

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

Recognition and measurement

The fair value determined at the grant date of the equity-settled **share based payments** is expensed over the vesting period, with a corresponding increase to the employee share reserve.

Unvested shares are included in the Contributed Equity as Treasury Shares (refer note 5.5).

7.2 Related party transactions

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

- ▶ Property transactions with various trusts (listed in note 6.3) which are jointly owned by the Group and Goodman Australia Industrial Fund, an unlisted property trust. During the financial year ended 31 July 2020, the Group sold the Oakdale East land holding into the Property trust for a consideration of \$35,140,000 and realising a profit of \$28,019,000 (2019: Nil). All transactions with the property trusts are at arm's length values.
- ▶ In the prior year the Group engaged Korn/Ferry International and Korn Ferry Hay Group Pty Limited, entities which employ The Hon. Robert Webster, to provide consulting services regarding executive evaluation and development. There were no services provided in the current year (2019: \$31,156).
- ▶ Directors and their direct-related entities are able, with all staff members, to purchase goods produced by the Group on terms and conditions no more favourable than those available to other customers.
- ▶ There were no other transactions with key management personnel during the year (2019: Nil).

7.3 Auditor's remuneration

	2020 \$	2019 \$
Fees for auditing the statutory financial report of the parent covering the Group	1,053,363	984,500
– Other regulatory audits	–	12,350
– Other assurance services	6,500	–
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	6,500	12,350
– Due diligence, tax and other advisory services in relation to business combinations	201,235	605,327
– Taxation services	164,567	63,146
– Other services	53,558	–
Fees for other services	419,360	668,473
Total fees	1,479,223	1,665,323

The financial statements of the Group are audited by EY. Details of non-audit services provided by EY are outlined in the Directors' Report.

7.4 Commitments and contingencies

(a) Commitments

	2020 \$000	2019 \$000
Contracted capital expenditure		
Within one year	54,902	24,869

Contracted capital expenditure relates to contracts to supply or construct buildings or various items of plant and equipment for use in the Building Products operating segment. These have not been provided for at balance date.

(b) Contingencies

	2020 \$000	2019 \$000
Bank guarantees issued in the ordinary course of business	48,718	36,530

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

The entities forming the Group are parties to various legal actions against them that are not provided for in the financial statements. These actions are being defended and the Group does not anticipate that any of these actions will result in material adverse consequences for the Group.

7.5 Events occurring after balance date

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

7.6 Other accounting policies

(a) Other accounting policies

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

Revenues, expenses and assets are recognised net of **goods and services tax (GST)**, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable to the taxation authority is included as a current asset or liability.

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

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

(b) New standards, interpretations and amendments adopted by the Group

The Group has adopted all amendments to Australian Accounting Standards which became applicable from 1 August 2019.

AASB 16 Leases

On 1 August 2019, the Group applied AASB 16 Leases using the modified retrospective transition option. Accordingly, the comparative information in this year-end financial report has not been restated.

The standard removed the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for new and existing lease contracts. The Group is a lessee under a number of arrangements previously classified as operating leases. These arrangements relate predominantly to major plant and equipment, property and mobile plant.

Nature of the effect of adoption of AASB 16

The effect of adopting AASB 16 as at 1 August 2019 is, as follows:

	31 July 2019 as reported \$'000	AASB 16 adjustments \$'000	1 August 2019 post transition \$'000
Balance sheet 1 August 2019			
Right-of-use (ROU) assets	-	110,405	110,405
Investments accounted for using the equity method	1,813,027	(759)	1,812,268
Deferred tax liabilities from continuing operations	299,959	(1,751)	298,208
Lease liabilities	-	115,514	115,514
Retained earnings	1,532,772	(4,117)	1,528,655

The lease liabilities recognised upon transition at 1 August 2019 can be reconciled to the operating lease commitments as of 31 July 2019 as follows:

	2020 \$'000
Operating lease commitments as 31 July 2019	
Weighted average incremental borrowing rate as at 1 August 2019	3.70%
Discounted operating lease commitments at 1 August 2019	(15,205)
Add:	
Reasonably certain extension options	38,352
Lease liability as at 1 August 2019	115,514

Associates

In the current year the Group recognised the impact on the initial adoption of AASB 16 by its associate (WHSP). The amount of \$531,000 (net of tax) has been reflected in the statement of changes in equity as an adjustment to the opening balance of retained earnings and reserves.

(c) New standard not yet applicable

A number of new accounting standards (including amendments and interpretations) have been issued but were not effective during the year ended 31 July 2020. The Group has not elected to early adopt any of these new accounting standards in these financial statements. Certain amendments were made to the definition of materiality, which were applicable to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and consequential amendments to other AASBs, which (i) use a consistent definition of materiality through AASBs and the Conceptual Frameworks for Financial Reporting; (ii) clarify when information is material; and (iii) incorporate some of the guidance in AASB 101 about immaterial information. These amendments are issued but are applicable to the Group in future financial years.

Other pronouncements are not expected to have a material impact on the Group's results or financial position.

Chicago House
Glen-Gery Brick Flint Hills
Roman Maximus
Chicago, Illinois

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Directors'

DECLARATION

In the opinion of the Directors:

1. the complete set of the financial statements and notes of the consolidated entity, as set out on pages 109 to 157, and the additional disclosures included in the Remuneration Report section of the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*:
 - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 31 July 2020 and of the performance for the year ended on that date of the consolidated entity;
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
4. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.4 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.

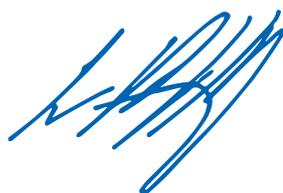
This declaration is made after receiving the declaration required to be made to the Directors in accordance with s295A of the *Corporations Act 2001* for the financial year ended 31 July 2020.

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

Dated: 24 September 2020



R.D. Millner
Director



L.R. Partridge AM
Director

Milledge Lane
Nubrik Artisan in Avalanche and
Austral Bricks Homestead in Red
Launceston, TAS

MILLEDGE LANE

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Independent

Auditor's Report

Independent Auditor's Report to the Members of Brickworks Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Brickworks Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 July 2020, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 July 2020 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Valuation of investment properties held within joint venture property trusts

Why significant	How our audit addressed the key audit matter
<p>During the year the Group recorded a gain of \$78.1 million relating to its share of changes in the fair value of investment properties held within the joint venture property trusts.</p> <p>As disclosed in Note 6.3(b) of the financial report, investment properties are accounted for in accordance with Australian Accounting Standards, with changes in fair value recorded in the income statement.</p> <p>Fair values of investment properties held within the joint venture property trusts are determined by the directors at the end of each reporting period with reference to external independent property valuations.</p> <p>As at 31 July 2020 there is increased uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means there is a wider range of possible assumptions and values than has been the case with other valuations in the past. In addition, property values may change unexpectedly over a relatively short period of time.</p> <p>This was considered a key audit matter due to the judgments required in determining fair value. These judgments include determining the capitalisation rate, discount rate, market rent, re-leasing costs and forecast occupancy levels. Minor changes in certain assumptions could result in significant changes in valuations and reported results.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We discussed the following matters with management: <ul style="list-style-type: none"> ▶ movements in the Group's investment property portfolio; ▶ changes in the condition of each property; ▶ process regarding the valuation of investment properties including specific consideration of the impact that COVID-19 has had on the Group's investment property portfolio including rent abatements offered to tenants; and ▶ The impact that COVID-19 has had on the Group's investment property portfolio including rental waivers and deferrals offered to tenants and tenant occupancy risk arising from changes in the estimated lease renewals. ▶ On a sample basis, we performed the following procedures for selected properties: <ul style="list-style-type: none"> ▶ Evaluated the key assumptions and inputs including the net passing rent, operating expenses, occupancy rates, lease terms, and capital expenditure; ▶ Assessed whether changes to lease arrangements as a result of COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were also considered; ▶ Evaluated the capitalisation rates adopted, and movements in the year, based on our knowledge of the property portfolio, published industry reports and comparable property valuations; ▶ Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies, in particular with consideration to the impact of COVID-19; ▶ Assessed the qualifications, competence, and objectivity of the Group's independent property valuation experts. ▶ We have evaluated the Group's assessment that property valuations conducted during the year appropriately reflect the fair value as at the Balance Sheet date by reviewing available market data and assessing whether there are any material changes in the key inputs to the valuation calculation such as rental yields and lease terms particularly as a result of COVID-19. ▶ We have considered whether there have been any indicators of material changes in property valuations from 31 July 2020 up to the date of our opinion or any matters emerging since 31 July 2020 which provide evidence of a material change in valuation at that date. We involved our real estate valuation specialists to assist us in making this assessment.

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Gain on reclassification of inventory to investment property and other unrealised gains for property held within joint ventures

Why significant	How our audit addressed the key audit matter
<p>As set out in Note 6.3(b) of the financial report, the Group is required to defer the profit on the sale of land to the joint venture property trusts in which it maintains an interest. This unrealised profit is recognised as income at the earlier of the property being classified as an investment property within the property trusts or sold externally.</p> <p>\$50.1 million of gains on properties within the joint venture property trusts remain deferred on the basis that the properties continue to be classified as inventory in accordance with Australian Accounting Standards.</p> <p>This was considered a key audit matter due to the value of the gains recorded and the deferral of those gains based on the application of judgment related to the classification of the properties.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the Group's assessment that properties met the definition of investment property as set out in Australian Accounting Standards by enquiring as to the Group's intentions for the property, reading board minutes and contractual agreements supporting the change in intention. • We evaluated the adequacy of the associated financial report disclosures.

Impairment of tangible and intangible assets

Why significant	How our audit addressed the key audit matter
<p>As set out in Note 3 of the financial report, the Group assessed the carrying value of its non-current assets at 31 July 2020 resulting in an impairment loss of \$42.2 million in respect of property, plant & equipment and intangible assets.</p> <p>Following the assessment, the Group fully impaired intangibles in the Austral Masonry cash generating unit totalling \$3.9 million.</p> <p>The assessment involved a value in use model, based upon discounted cash flow forecasts being used to calculate the recoverable amount of each group of CGUs. The cash flow forecasts and growth rates include consideration of the impact of COVID-19.</p> <p>The assessment involved critical accounting estimates and assumptions, based upon conditions existing as at 31 July 2020, specifically concerning factors such as forecast cashflows, discount rates and terminal growth rates. The estimates and assumptions relate to future performance, market and economic conditions. At 31 July 2020 the Group's performance and the economy as a whole, were impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets.</p> <p>This was considered a key audit matter due to the level of judgment required to forecast cash flows and assumptions used to calculate the recoverable amount of each Group of CGUs.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the mathematical accuracy of the value in use cash flow models prepared by the Group to determine recoverable amount. • We assessed the underlying assumptions regarding future cash flows and agreeing the forecast used in the models to the Board approved business plans taking into consideration the historical accuracy of the Group's cash flow forecasting and considering the impact of COVID-19. • We assessed the key assumptions such as the discount rates and growth rates (including terminal growth rates) applied in the models, with reference to external industry and market data and involvement from our valuation specialists. • We considered the sensitivity analysis performed by the Group, focusing on the areas in the models where a reasonably possible change in assumptions could cause the carrying amount to differ from its recoverable amount and therefore indicate further impairment on the assets. • We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgments and estimates.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats of safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 86 to 103 of the directors' report for the year ended 31 July 2020.

In our opinion, the Remuneration Report of Brickworks Limited for the year ended 31 July 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


Ernst & Young



Anthony Jones

Partner

Sydney, 24 September 2020

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Aesop Store
Austral Bricks Venetian Glass Polished in Arctic Crystal
Hong Kong, HK

Statement of Shareholders

Ordinary Shares

at 31 August 2020

Shareholders

Number of holders 16,882

Voting entitlement is one vote per fully paid ordinary share % of total holdings by or on behalf of 20 largest shareholders 75.94%

Distribution of shareholdings:

1 – 1,000	11,022
1,001 – 5,000	4,640
5,001 – 10,000	690
10,001 – 100,000	480
100,001 and over	50
	16,882

Holdings of less than marketable parcel of 28 shares 641

Substantial Shareholders

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

Shareholder	Number of Shares
Washington H Soul Pattinson and Company Limited	65,645,140

20 Largest Shareholders

as disclosed on the Share Register as at 31 August 2020

		Number of Shares	%
1	WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	62,545,140	41.71
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,856,996	9.24
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,080,373	4.72
4	CITICORP NOMINEES PTY LIMITED	6,393,150	4.26
5	NATIONAL NOMINEES LIMITED	4,761,207	3.18
6	MILTON CORPORATION LIMITED	3,234,567	2.16
7	J S MILLNER HOLDINGS PTY LIMITED	3,018,836	2.01
8	NATIONAL NOMINEES LIMITED <N A/C>	2,887,000	1.93
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,769,248	1.18
10	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,628,619	1.09
11	MRS MARGARET DOROTHY STONIER	1,498,743	1.00
12	CPU SHARE PLANS PTY LTD <BKW DF2 CONTROL A/C>	784,923	0.52
13	BNP PARIBAS NOMS PTY LTD <DRP>	707,030	0.47
14	T G MILLNER HOLDINGS PTY LIMITED	698,509	0.47
15	CPU SHARE PLANS PTY LTD	627,107	0.42
16	ARGO INVESTMENTS LIMITED	584,009	0.39
17	NIBLICK PTY LIMITED	518,400	0.35
18	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	475,310	0.32
19	BKI INVESTMENT COMPANY LIMITED	436,209	0.29
20	MILLANE PTY LIMITED	341,349	0.23
		113,846,725	75.94

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Corporate Information

Registered Office

738–780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Website: www.brickworks.com.au
Email: info@brickworks.com.au

Auditors

EY

Bankers

National Australia Bank

Share Register

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne Victoria 3001
Telephone: 1300 855 080 (within Australia)
+61 3 9415 4000 (International)

Principal Administrative Office

738–780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Email: info@brickworks.com.au

BRICKWORKS
BUILDING PRODUCTS

Important Dates

2020 annual result released	24 September 2020
Record date for final ordinary dividend	15 October 2020
Annual General Meeting	24 November 2020
Payment date for final ordinary dividend	25 November 2020
2021 half-year end	31 January 2021
2021 half-year result announced	25 March 2021
Record date for interim ordinary dividend	13 April 2021
Payment date for interim ordinary dividend	4 May 2021
2021 financial year end	31 July 2021
2021 annual result released	23 September 2021

The above dates are indicative only and are subject to change

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Highlights

- ▶ **Statutory NPAT** including significant items, up 93% to \$299 million
- ▶ **Underlying NPAT from continuing operations** before significant items, down 38% to \$146 million
- ▶ **Underlying EBIT from continuing operations** before significant items, down 34% to \$206 million (EBITDA \$281 million)
 - ▶ **Building Products Australia EBIT** down 43% to \$33 million (EBITDA \$91 million)
 - ▶ **Building Products North America EBIT** up 63% to \$10 million (EBITDA \$27 million)
 - ▶ **Property EBIT** down 18% to \$129 million, net Property Trust assets up \$94 million
 - ▶ **Investments EBIT** down 51% to \$51 million, BKW share of WHSP market value \$1.844 billion at 31 July 2020
- ▶ **Operating cashflow** down 39% to \$75 million
- ▶ **Gearing** (net debt/equity) of 19%, net debt \$454 million
- ▶ **Total shareholder's equity** up \$237 million since 31 July 2019, to \$2,404 billion
- ▶ **Final dividend** of 39 cents fully franked, up 1 cent or 3% (Record date 15 October 2020, payment date 25 November 2020)
- ▶ **Total full year dividend** of 59 cents fully franked, up 2 cents or 4%
- ▶ **Dividend Reinvestment Plan** introduced (to be partially underwritten)

Review of Results

Full year ended July 2020

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Snapshot

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\$953m

Group Revenue
↑4%

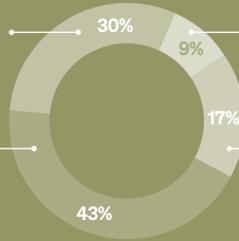
\$281m

Total EBITDA
↓19%

Overview of underlying EBITDA

Building Products Australia
EBITDA
\$91m ↑3%

Property
EBITDA
\$129m ↓18%



Building Products North America
EBITDA
\$27m ↑122%

Investments
EBITDA
\$51m ↓51%

Building Products Australia



\$687m
revenue

1181
employees

29
manufacturing sites

\$146m

Underlying profit
↓38%

\$299m

Statutory profit
↑93%

\$454m

Net debt
19% Gearing

\$1,844m

Market value of WHSP shareholding as at 31 July

\$727m

Property Trust net asset value

\$900m

Building Products net tangible assets

\$3,017m

Total inferred asset value including net debt

Building Products North America



\$230m
revenue

777
employees

11
manufacturing sites

98 cents

Underlying earnings per share
↓38%

199 cents

Statutory earnings per share
↑93%

39 cents

Final ordinary dividend
↑3%

59 cents

Total full year dividend
↑4%

Record date 15 October
Payment date 25 November

12.2% p.a.

BKW total shareholder return over 52 years (at 31 July 2020)

16,394

Shareholders

Five Year Summary

	2016 \$000	2017 \$000	2018 \$000	2019 \$000	2020 \$000	Growth %
Total revenue	707,646	803,397	785,238	918,695	953,404	4%
<i>Earnings before interest and tax¹</i>						
Building Products Australia	78,339	69,943	78,554	57,138	32,596	(43%)
Building Products North America	–	–	–	6,180	10,061	63%
Property	73,451	90,588	93,979	157,806	129,437	(18%)
Investments	59,559	103,097	123,498	103,725	50,771	(51%)
Head office and other expenses	(12,479)	(12,432)	(13,664)	(15,026)	(16,850)	(12%)
Total EBIT	198,870	251,196	282,367	309,823	206,015	(34%)
Total EBITDA	224,964	277,814	310,535	346,472	280,911	(19%)
Finance costs	(14,080)	(12,436)	(14,456)	(23,883)	(26,243)	(10%)
Income tax	(36,525)	(38,949)	(42,269)	(51,712)	(33,484)	35%
Underlying net profit after tax¹	148,265	199,811	225,642	234,228	146,288	(38%)
Significant items net of tax	(61,299)	(8,175)	(46,886)	(37,333)	169,103	
Discontinued operations net of tax (including significant items)	(8,776)	(5,426)	(3,314)	(42,253)	(16,508)	
Net profit after tax (including significant items and discontinued operations)	78,190	186,210	175,442	154,642	298,883	93%
Per share earnings and dividends						
Basic earnings per share (cents)	52.6	124.9	117.5	103.3	199.4	93%
Underlying earnings per share (cents) ¹	99.7	134.1	151.1	156.5	97.6	(38%)
Final dividend per share (cents)	32.0	34.0	36.0	38.0	39.0	3%
Total dividends per share (cents)	48.0	51.0	54.0	57.0	59.0	4%
Ratios						
Net tangible assets per share (\$)	10.96	11.77	12.42	13.28	14.08	6%
Statutory return on shareholders' equity	4.3%	9.5%	8.5%	7.1%	12.4%	74%
Underlying return on shareholders' equity ¹	8.1%	10.2%	10.9%	10.8%	6.1%	(44%)
Interest cover ratio (underlying)	14.6	17.1	18.1	17.9	8.1	(54%)
Gearing (net debt to equity)	14.6%	14.9%	14.7%	11.7%	18.9%	62%

All revenue and earnings measures exclude significant items and discontinued operations unless otherwise stated

¹ This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.

Chairman's Letter

On behalf of your Board of Directors, it gives me great pleasure to present Brickworks' Annual Report for the 2020 financial year. In a year marked by the challenges of the COVID-19 pandemic, I am pleased to report that our diversified portfolio of attractive assets has yet again delivered a strong and resilient performance.

Review of Financial Year 2020

2020 will long be remembered as a year unlike any other. As with all businesses, Brickworks has faced the challenges and uncertainties presented by the global COVID-19 pandemic. However, we must not forget the local impacts of the devastating bushfires over summer and the crippling drought on the east coast of Australia.

In the face of these immense challenges, I am proud of the response from Brickworks management and staff. First and foremost, the immediate actions taken to ensure the health, safety and well-being of our staff, customers and the public. Then, the subsequent reaction, in the face of the dynamic and unpredictable conditions, to ensure business continuity and uphold high levels of customer service.

In spite of these circumstances, it gives me pleasure to report that the Company has delivered a strong financial result. Brickworks reported a Statutory Net Profit After Tax (NPAT) of \$299 million, up 93% on the prior year.

The Statutory result included a significant one-off profit in relation to our shareholding in WHSP, triggered by the merger of its associate TPG with Vodafone.

After excluding the impact of this, and a range of other significant items and discontinued operations, the underlying NPAT was \$146 million, down 38% from the record result achieved in the prior year.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was \$281 million, down 19% on the prior year, and after depreciation, EBIT was \$206 million, down 34%.

Although underlying earnings were lower than the prior year, performance across most businesses was pleasing. Another strong contribution from Property was a key feature of the result. In addition, the Building Products businesses in Australia and the United States delivered strong operational performance, considering the significant disruption caused by COVID-19, and the associated impact on building activity.

Significant progress was made during the year on a number of key strategic initiatives. Our expansion into the United States has gathered momentum, with the completion of two further bolt-on acquisitions.

In August 2019 we completed the acquisition of Iowa based Sioux City Brick. This was followed in February by the acquisition of four manufacturing plants from Redland Brick.

These acquisitions will support our growth strategy in North America with both businesses being well established, with recognised brands and a strong reputation in the industry. We welcome the new employees that have joined Brickworks as part of these acquisitions.

In just two years we have built a brick business with significant scale and a leading market position in the North East of the United States. Whilst the COVID-19 pandemic has had a short-term impact, our North American operations provide the Group with additional diversification and strong prospects for growth over the long term.

As I mentioned, the contribution from Property was a highlight in 2020, and this was again driven by a significant increase in the value of our industrial property portfolio. Well-located industrial facilities, close to consumers are increasing in value, as they are now a key component in the supply chain solution of our customers.

A prime example of this trend is the pre-commitment for a 20-year lease that the Property Trust secured with Amazon in June.

The COVID-19 pandemic has only accelerated the trends towards online shopping, and as a result we expect demand to increase for our prime industrial assets. We have a long pipeline of land available for development in Western Sydney and are poised to benefit from these industry trends over the years to come.

Dividends and Capital Management

The Directors have declared a fully franked final dividend of 39 cents per share, up 3% on the prior year. This brings total dividends for the year to 59 cents per share, up 2 cents or 4%.

We are proud to be one of few ASX200 companies who have increased dividends to our shareholders during the pandemic and have not needed to raise equity or receive government support payments.

This is testament to our strong financial position, prudent capital management and our diversified business model. We know that many

of our shareholders rely on this income stream, particularly during these difficult times.

Including this year's dividend increase, we have now maintained or increased dividends for the last 44 years.

We have taken the decision to introduce a partially underwritten dividend reinvestment plan for the full year dividend. This will provide existing shareholders with the opportunity to invest the dividend back into the Company, without incurring brokerage fees, and will also help to preserve the Company's liquidity position as we move through a period of significant investment and uncertainty around the global economic outlook.

At year end, our borrowing level remained conservative, with gearing of 19%, down from 21% at the end of the first half.

Board and Governance

Brickworks has a strong and stable Board that is committed to acting in the best interests of shareholders and ensuring that Brickworks is well positioned for future growth.

The Board regularly reviews its capabilities and composition to ensure an optimal mix of skills, knowledge, and experience to safeguard the continued and long-term success of the Company.

During the year we appointed two new independent non-executive directors.

Malcolm Bunday joined the Board on 1 October 2019. Malcolm has valuable experience as a managing director, with expertise in complex manufacturing operations in Australia and the United States, strategy, mergers and acquisitions and business portfolio management. His broad business knowledge, manufacturing experience and strong financial background will complement the Board's existing mix of skills and experience. Malcolm is Chair of the Board's Remuneration Committee, and a member of the Audit and Risk Committee, Independent Board Committee and the Nomination Committee.

We were also pleased to welcome Ms Robyn Stubbs, who commenced as a Director on 1 January 2020. Robyn's executive career spans 25 years in senior sales and marketing roles, including at two of Australia's largest property groups: Stockland and Lend Lease. Robyn is as a member of the Board's Audit and Risk Committee, Independent Board Committee, Nomination Committee and the Remuneration Committee.

I would also like to take this opportunity to thank Brendan Crotty, who will retire at the upcoming Annual General Meeting and will not be seeking re-election. Brendan has served on the Board for 12 years, and in that time has made an invaluable contribution to the Company.

Following these appointments, and the retirement of Brendan, the Board will comprise seven directors, including four independent non-executive directors.

In Conclusion

Having now concluded the 2020 financial year, it is worth reflecting on the evolution of our Company since the turn of the century 20 years ago.

Back in 2000, Brickworks had just five brick plants, operating across two states – New South Wales and Queensland – in addition to its stake in WHSP. Total revenue was \$160 million and asset backing was around \$500 million.

Since then, Brickworks has grown significantly through active portfolio management, with major transactions including the acquisition of Bristle Limited in 2003, significant acquisitions in masonry and precast, a major investment in cement, the establishment and development of the Property Trust, major property sales such as Brookvale, Eastwood and Scoresby, and the recent entry into North America.

Today our Company has an attractive portfolio of assets including:

- ▶ A 39.4% stake in WHSP, worth over \$1.8 billion²;

- ▶ A 50% share in an industrial property trust with net value to Brickworks of more than \$700 million;
- ▶ Australia's leading brickmaker;
- ▶ Leading positions in a range of other building products in Australia; and
- ▶ The largest brickmaker in the north-eastern region of the United States.

In total, the Company is backed by inferred net asset value of \$3.0 billion³, and in 2020 we generated close to \$1 billion in revenue.

This diversified portfolio of attractive assets and our robust balance sheet provides us with the resilience to overcome any short-term challenges such as the ongoing uncertainty in relation to COVID-19.

Looking ahead, we believe the Company is well positioned for further growth. In particular, we will invest to meet the growing demand for prime industrial property, and we will continue to support our North American business as it pursues growth opportunities. In addition, we have exciting new plant investments underway within our Australian building products operations.

So, as you can see, we have achieved a lot in the past 20 years, and we are excited by the opportunities available for continued growth well into the future.

The continued strong performance of the Company is a credit to our staff. On behalf of the Board, I would like to thank all our staff and our executive management team for their ongoing efforts and commitment.

I would also like to thank my fellow directors and our shareholders for your continued support.



Robert Millner
Chairman

² As at 31 July 2020.

³ Inferred net assets comprise: Investments based on market value of BKW shareholding in SOL at 31 July 2020, Property based on BKW 50% share of net property trust assets, Building Products based on net tangible assets, offset by net debt.

Managing Director's Overview

In a tumultuous year headlined by the widespread disruption caused by the COVID-19 pandemic, it gives me pleasure to report that 2020 has been another successful year for Brickworks. Not only has the Company delivered a strong increase in statutory earnings, but we have also made significant progress on the implementation of a range of strategic initiatives to position the Company for long-term growth.

COVID-19 Response

As COVID-19 emerged early in the new year, it soon became evident that the spread of the virus would cause a significant impact across all aspects of society and change the way in which we live and work.

In those early stages, Brickworks acted swiftly to put in place procedures to protect our staff and ensure the well-being of all employees. Action was taken well in advance of government mandated requirements, including daily temperature checking for all staff, separation of work teams and quarantine measures for travelling staff.

The Company was already well-prepared prior to the pandemic, with most work sites being fully equipped with biomedical kits and other supplies, enabling the Company to quickly put in place the necessary procedures to protect staff, at a time when such supplies were otherwise difficult to source.

Advanced video-conferencing infrastructure set up at virtually all sites across Australia and the United States, and on all laptop computers, allowed for effective communication amongst the executive team as we responded to the evolving circumstances on a daily basis.

All operations across Australia and the United States continued, until Pennsylvania Governor

Tom Wolf ordered the closure of non-life sustaining businesses, on 19 March. This resulted in the shut-down of manufacturing at our five plants in Pennsylvania, and we used this opportunity to accelerate plant rationalisation activities that were already planned in this state.

During the peak period of uncertainty throughout March and April, a number of decisive actions were taken, in anticipation of difficult conditions ahead. To preserve cash and control inventory, a number of additional plants across the network were taken offline. In addition, all non-contracted capital spend and non-essential expenditure was delayed.

Whilst we have experienced some disruption to our operations, particularly in the United States, we have also been re-assured by the response of Governments in both countries. We are thankful that the critical role of the construction sector in maintaining economic activity throughout the crisis has been recognised.

As I reflect on the current situation, the most significant impact on our Company is the way in which our teams interact at work. Ongoing travel restrictions mean that management communication remains online, and this is likely to remain the case for some time.

These fundamental changes to the way we work has the potential to impact our culture, which is built on collaboration and teamwork. Although not immediately obvious, this is one of the many challenges that large organisations face, in the wake of the COVID-19 pandemic.

The mental health of our employees is of paramount concern. At Brickworks, we have maintained flexible workplace arrangements to ensure we are able to accommodate a range of individual employee circumstances. Whilst we believe in the importance of face to face interactions, and have put in place strict guidelines to allow this at all of our sites, we are also cognisant of situations where this may not be suitable, such as when our employees are caring for elderly or vulnerable family members.

The travel restrictions also present challenges in managing ongoing capital projects, with the mobility of engineering crews significantly impacted. In some locations, such as where specialised engineering crews are required to service machinery, these restrictions are making it extremely difficult to keep our manufacturing plants operational.

It is now time for governments to be unified and put in place practical measures that allow the safe movement of personnel for critical work-related travel. This is essential in order to maintain industry, support the economy and ultimately preserve the employment and livelihood of many Australians.

Emerging stronger from the pandemic

During the past six months we have been proactive in accelerating several exciting initiatives across the Group to position the Company to emerge stronger following the pandemic.

Within the Property Trust, infrastructure and development work has continued at pace, in order to meet strong tenant demand.

In late October we will hold the biggest product launch event in our Company's history, with an exciting range of innovative new bricks, roof tiles and masonry products.

We are transforming the way we interact with our customers, with a new pilot "Supercentre" retail/trade concept being developed, and a new ERP system currently being rolled out. In addition, we have revamped our online and digital interfaces and launched a dedicated architectural news channel.

During the pandemic, we have taken the opportunity to complete an extensive training program across the Company, using online channels.

I am also pleased to say that after initially pausing a number of capital projects to preserve cash during the peak period of uncertainty, we have now re-initiated our capital program, where we have mobility and availability of engineering crews. This capital program is the largest in our Company's history and includes major plant upgrades in the United States, and new masonry and brick plants in Sydney.

During the past six months, we have completed significant planned restructuring and efficiency improvement activities across our Building Products businesses. This resulted in 150 redundancies. In addition, around 50 redundancies (less than 3% of our workforce) can be attributed to cost reduction initiatives in response to the onset of the COVID-19 pandemic.

Safety

At Brickworks, we believe there is no task that is so important we can't take the time to find a safe way to do it.

We continue to make steady progress in reducing the number of workplace injuries. In 2020, the workplace injury rate in our Australian operations reduced again, with just one lost time injury recorded across our workforce. This represents a record low of 0.4 lost time injuries per million hours worked.

The injury rates in our acquired United States operations are considerably higher than Australia. As such, we have invested significant time and resources into behavioural safety leadership training and incorporated key health

and safety programs across this business. Although this has helped to reduce injury rates in the United States, there remains more work to do in order to ensure our core value of creating a “Sustainably Safe” workplace is embedded and reflected across all our operations.

We will not be satisfied until we have achieved our ultimate goal of zero harm across the business.

Building Products Australia

Building Products Australia recorded an EBITDA from continuing operations of \$91 million in 2020. After including depreciation, EBIT was \$33 million, down by 43% on the prior year.

Despite the lower earnings, operational performance across most divisions was encouraging, given the challenges associated with the COVID-19 pandemic, and the headwinds due to declining market activity.

Austral Bricks earnings on the east coast proved particularly resilient, with improved earnings recorded in Queensland, South Australia and Tasmania.

In Western Australia production was reduced to one plant at Bellevue. With building activity now at 30-year lows in this state, the industry remains in a state of flux amidst excess capacity and widespread corporate restructuring activity.

Bristle Roofing earnings were down, impacted by the decrease in detached house construction activity and strong competition, particularly in Queensland.

Austral Precast and Austral Masonry earnings were also lower, with both having a high exposure to the steep declines in multi-residential markets in New South Wales and Queensland.

The Southern Cross Cement plant in Brisbane was commissioned during the year and we are very pleased with the current performance of this facility.

Building Products North America

In February, Brickworks completed the acquisition of assets from Redland Brick. This marked the

Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

Our strategic focus on the architectural brick market in the north-eastern region of the US provides us with a differentiated position compared to other major players. We are now well established as the leading player in this region, incorporating major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Columbus, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

Building Products North America delivered EBIT of \$10 million for financial year 2020, up 63% on the prior year. EBITDA was \$27 million, an increase of 122%.

The uplift reflects the benefit of a full year of operation (vs around 8 months in the prior year), and the benefits of the recent acquisitions.

However, operations in the United States were more significantly impacted by the COVID-19 pandemic compared to Australia, with sales activity across a number of states being restricted for various periods during the second half.

As I have mentioned, we used this opportunity to accelerate plant rationalisation activities that were already planned in Pennsylvania, with the closure of the Bigler plant and conversion of the York plant to premium handmade product only.

These rationalisation activities followed plant closures earlier in the year at Redfield and Cushwa, and have resulted in significant efficiency improvements, driving lower unit costs at our operating plants.

Major plant improvement projects were completed at Iberia during the year and remain ongoing at Hanley.

Another key priority for the United States business is our investment in marketing and branding. The team has made great progress in developing new premium products, integrating brands and developing promotional material during the year. We also look forward to soon opening new design studios in New York and Philadelphia.

Property

Property delivered another stellar result in 2020, generating EBIT of \$129 million.

Property Trust earnings were again strong. Unlike some other property sectors, industrial real estate has been particularly resilient throughout the COVID-19 pandemic. This is reflected in Property Trust rent collections which have experienced negligible rental arrears or deferrals. For the year, net trust income increased by 15% to \$30 million.

All Property Trust assets were revalued during the year and this resulted in another strong revaluation profit of \$53 million. In addition, a development profit on the completion of facilities at Oakdale South contributed \$25 million in earnings.

A major highlight for the year was securing a lease pre-commitment for 20 years with Amazon at the Property Trust's Oakdale West Estate in Western Sydney. This is the second major pre-commitment secured at this site, following the announcement of Coles Group in January 2019.

Amazon is well known around the world as a symbol of the accelerating trend to online shopping. As such, securing this tenancy demonstrates how Brickworks is well positioned to benefit from the ongoing e-commerce revolution, with our facilities playing a pivotal role in helping our customers meet the supply chain needs of this new economy.

We are also excited by the design of the facility, which responds to the increasing need for technology and innovation from our customers. This project will deliver profit during the development phase and further rental income for the Property Trust once complete.

Investments

Brickworks holds a 39.4% stake in WHSP, and this investment is a core asset of Brickworks that has brought diversity and reliable earnings to the Company for more than 40 years.

Our investment in WHSP provides a cash flow stream via dividends that allows long-term

strategic decision making by sheltering the business during cyclical downturns. In total, cash dividends of \$56 million were received during the year.

EBIT from Investments was down 51% to \$51 million in 2020, with WHSP earnings adversely impacted by a lower contribution from New Hope Corporation.

In addition, WHSP related items contributed a non-regular profit of \$244 million (after tax) during the year. This primarily relates to the completion of the merger of TPG Telecom and Vodafone in June, resulting in a change in accounting treatment of WHSP's investment in TPG.

Group Outlook

The outlook varies across each of our divisions.

Within Building Products Australia, orders and sales have increased in September across most businesses, reflecting the various government stimulus measures in place. Feedback from builders suggests that the pipeline of orders is building across the country.

Indeed, with a combination of state and federal incentives directed at housing, and the opportunity to utilise funds from superannuation, there is currently a unique opportunity for first home buyers to invest. As such, there is a possibility that we may see stronger than expected building activity across much of the country over the next 6-12 months.

That said, as the largest detached housing markets in Australia, the performance of Melbourne and Sydney will be critical to the overall health of the sector.

Prior to the stage four restrictions in Melbourne, builders were reporting strong sales and customer traffic through display homes. However, the re-introduction of restrictions has impacted consumer sentiment and slowed the pace of construction activity. As such, an extension of housing incentives in Victoria is essential to increase the chances of a broad-based recovery.

In Sydney, we expect the stimulus to be less effective, with higher land prices making the grant payments less attractive. In regional New South Wales, where housing is less expensive, demand is expected to remain robust.

In May we received development approval for a new \$125 million face brick plant at Horsley Park in NSW. Site preparations are underway, with construction of this plant to commence in financial year 2021. Upon completion, this facility will be the most advanced brick facility ever built, placing Austral Bricks New South Wales in a very strong competitive position.

In North America, the bolt-on acquisitions completed during financial year 2020 have strengthened our leadership position in the architecturally focussed Midwest and Northeast regions of the United States.

The COVID-19 pandemic has impacted short-term demand and may continue to cause rolling delays across the network for some time. However, the pandemic has also accelerated our plant rationalisation activities. The improved efficiency and cost reductions delivered by this rationalisation program, together with plant upgrades to enhance performance, is expected to deliver strong performance as building conditions normalise post the pandemic.

We also expect that construction and housing sectors will emerge as one of the stronger and more resilient sectors in both the United States and Australia and play an important role in the post COVID-19 recovery.

Turning to Property, activity within the Trust remains strong, with the completion of developments at Oakdale to drive growth in rent and asset value over the next few years.

The first stage of development at Oakdale East, including the construction of the \$75 million Austral Masonry plant, is expected to be completed during financial year 2021.

At Oakdale West, infrastructure works are well advanced, and construction of the Coles and Amazon facilities has commenced.

Post completion of these facilities, the gross assets held within the various JV Trust assets across Western Sydney and Brisbane is expected to exceed \$3 billion, with sufficient remaining land to provide at least a further five-year development pipeline.

Interest from potential new tenants is strong, with discussions well underway with a number of parties in relation to leasing opportunities within the Property Trust.

As always, Property earnings will depend on the timing of development activity and land sale transactions, and the extent of any revaluations.

We are confident that WHSP will continue to deliver a stable and growing stream of earnings and dividends over the long term.

Our People

The last six months has been an extremely challenging period, and we are fortunate to have a strong team of capable managers across Australia and North America to oversee our business during this time.

I would like to acknowledge all staff at Brickworks, who have remained positive and committed. We now have almost 2,000 employees, and it is their energy and dedication that will continue to drive our success. I am extremely proud to lead a team of such outstanding people.

I would also like to take this opportunity to thank the Board of Directors and the executive team who have provided steadfast support and guidance as we navigate these unprecedented times.



Lindsay Partridge AM
Managing Director

Financial Overview

Highlights

- ▶ **Statutory NPAT** including significant items, up 93% to \$299 million
- ▶ **Underlying NPAT from continuing operations** before significant items, down 38% to \$146 million
- ▶ **Underlying EBIT from continuing operations** before significant items, down 34% to \$206 million (EBITDA \$281 million)
 - ▶ **Building Products Australia EBIT** down 43% to \$33 million (EBITDA \$91 million)
 - ▶ **Building Products North America EBIT** up 63% to \$10 million (EBITDA \$27 million)
 - ▶ **Property EBIT** down 18% to \$129 million, net Property Trust assets up \$94 million
 - ▶ **Investments EBIT** down 51% to \$51 million, BKW share of WHSP market value \$1.844 billion at 31 July 2020
- ▶ **Operating cashflow** down 39% to \$75 million
- ▶ **Gearing** (net debt/equity) of 19%, net debt \$454 million
- ▶ **Total shareholder's equity** up \$237 million since 31 July 2019, to \$2.404 billion
- ▶ **Final dividend** of 39 cents fully franked, up 1 cent or 3% (Record date 15 October 2020, payment date 25 November 2020)
- ▶ **Total full year dividend** of 59 cents fully franked, up 2 cents or 4%
- ▶ **Dividend Reinvestment Plan** introduced (to be partially underwritten)

Earnings⁴

Brickworks posted a statutory Net Profit After Tax (**NPAT**) from continuing operations of \$299 million for the year ended 31 July 2020, up 93% on the prior year.

After excluding discontinued operations and the impact of significant items, **Underlying NPAT** was down 38% to \$146 million.

Underlying earnings before interest, tax and depreciation (**EBITDA**) from continuing operations was \$281 million, down 19% on the prior year. After depreciation, **EBIT** was \$206 million, down 34%.

On revenue of \$687 million, **Building Products Australia** EBIT was \$33 million, down 43% on the prior year (EBITDA was \$91 million). Demand was resilient throughout the year, despite the impact of the COVID-19 pandemic. In response to the uncertainty caused by the pandemic, several unplanned shutdowns across the plant network were implemented in March and April to prevent stock build. This followed planned shutdowns at major brick kilns in the first half in order to complete significant upgrades and maintenance work.

⁴ Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 Group EBIT is \$201 million, and Group EBITDA is \$247 million. There is no significant impact on NPAT.

Building Products North America contributed an EBIT of \$10 million⁵ (EBITDA \$27 million). Revenue more than doubled to \$230 million, with the initial entry into the United States having been completed part way through the prior year. In addition, two bolt-on acquisitions were completed during financial year 2020. Integration of the new businesses has been successfully completed over the past six months and operational performance of the business has been encouraging.

Property EBIT was \$129 million, driven by another strong performance from the 50/50 joint venture property trust with the Goodman Group ("Property Trust"). Brickworks share of the net asset value within the Property Trust increased by \$94 million during the year, and now stands at \$727 million. The increasing value of the Property Trust assets reflects a wider structural change across the economy, as companies modernise their supply chains in response to consumer preferences, such as online shopping.

Investments EBIT was down 51% to \$51 million, primarily due to the impact of lower coal prices on earnings from New Hope Corporation.

Total **borrowing costs** were up 10% to \$26 million, including \$4 million in interest costs on leases being recognised due to AASB 16. Excluding this impact, borrowing costs were marginally lower. Underlying **interest cover** finished the year at a conservative 8.1 times.

Underlying **income tax** from continuing operations decreased 35% to \$33 million for the year, due to the lower earnings from the combined Building Products and Property Groups.

Significant items increased NPAT from continuing operations by \$169 million for the year, and included the following:

- ▶ A \$317 million profit in relation to WHSP significant items. This primarily relates to a one-off profit triggered by the merger of its associate TPG with Vodafone, resulting in a change in accounting treatment of this investment.
- ▶ A \$73 million cost arising from the net impact of the income tax expense in respect of the equity accounted WHSP profit, offset by the impact of fully franked WHSP dividend income, adjusted for the movements in the franking account and the circular dividend impact.

Significant Items	Gross \$m	Tax \$m	Net \$m
Significant items relating to WHSP	317	-	317
Income tax from the carrying value of WHSP		(73)	(73)
Asset impairment	(46)	14	(32)
Restructuring activities	(41)	12	(29)
COVID-19 costs	(10)	-	(10)
Acquisition costs, net of "bargain purchase"	(9)	-	(9)
Tax benefit in relation to the CARES Act in the USA		5	5
Total (Continuing Operations)	211	(42)	169

⁵ All revenue and earnings figures for US operations are reported in A\$.



Dogwoodtrot House
Glen-Gery Vintage Black
Fayetteville, AR

- ▶ A non-cash impairment of \$32 million (net of tax), primarily in relation to property, plant and equipment in the Australian Building Products business, in accordance with AASB 136. This also includes an impairment of plant and equipment within Building Products North America, following the post-acquisition rationalisation activities.
- ▶ Restructuring costs of \$29 million (net of tax), primarily in relation to stock write-downs and redundancy costs associated with plant closures and rationalisation activities in the Australian and North American Building Products divisions. In North America, the plant closures reflect the post-acquisition rationalisation of facilities to deliver improved efficiency. In Australia, the closures are primarily in response to decreased building activity and also includes payments in relation to a take-or-pay gas contract in Western Australia.
- ▶ COVID-19 related costs of \$10 million, reflecting primarily the unabsorbed fixed costs related to the temporary closure of plants in response to the COVID-19 pandemic.
- ▶ Transaction costs of \$13 million, primarily in relation to the acquisitions of Sioux City Brick and Redland Brick assets. This is offset by a \$4 million gain on a “bargain purchase”, recognised upon the Sioux City Brick acquisition, representing the excess fair value of net assets compared to the purchase price.
- ▶ A \$5 million income tax benefit related to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in the United States.

Cash Flow

Total cash flow from operating activities

was \$75 million, down from \$123 million in the prior year. This decrease in cash generation is primarily due to the payment of \$54 million in tax on the December 2018 sale of 7.9 million WHSP shares and lower Building Products Australia earnings.

Capital expenditure was \$104 million during the year, significantly higher than previous years, with the Company midway through several major projects. These projects include the deployment of a new enterprise resource planning (ERP) system across Australia and the United States, a new masonry plant at Oakdale East in New South Wales, and upgrades to brick plants at Golden Grove in South Australia, Iberia in Ohio and Hanley in Pennsylvania.

Balance Sheet

Total interest-bearing debt was \$641 million at 31 July 2020. After including cash on hand, **net debt** at the end of the year was \$454 million, an increase of \$201 million for the 12-month period, but a decrease of \$8 million compared to 31 January 2020. The increase in debt over the year is due largely to a number of significant cash payments including the completion payment for the Sioux City Brick acquisition (A\$47 million), the up-front payment in relation to the Redland Brick acquisition (A\$51 million) and the \$54 million tax payment in relation to the WHSP share sale.

Gearing (net debt to equity) was 19% at 31 July 2020, up from 12% at 31 July 2019, but less than the 21% gearing recorded at the end of the first half.

Net **working capital** was \$405 million at 31 July 2020, including finished goods inventory of \$218 million, up significantly due to the Sioux City Brick and Redland Brick acquisitions (\$50 million impact). Excluding the impact of these acquisitions, finished goods inventory in continuing operations was down \$21 million during the year, with a significant number of plants offline for various periods to preserve cash.

Net tangible assets per share was \$14.08 at 31 July 2020, up from \$13.28 at 31 July 2019 and total shareholders' equity was up \$237 million to \$2.404 billion.

Dividends

Directors declared a fully franked final **dividend** of 39 cents per share for the year ended 31 July 2020, up 3% from 38 cents. Together with the interim dividend of 20 cents per share, this brings the total dividends paid for the year to 59 cents per share, up 2 cents or 4% on the prior year.

A Dividend Reinvestment Plan ("DRP") will be offered to shareholders for the first time. WHSP will not participate in the DRP.

The final dividend will be partially underwritten for an amount of \$20 million (representing approximately 34% of the total dividend). Brickworks has taken the decision to partially underwrite this dividend to help preserve liquidity as the Company moves through a period of significant capital investment and uncertainty around the global economic outlook.

Group Structure

Brickworks has a diversified corporate structure that has delivered stability of earnings over the long term. There are four divisions within the Brickworks Group structure:

Building Products Australia

Building Products Australia is a leading manufacturer and distributor of building products across all Australian states. Since 2002, the Building Products Group has grown from a two-state brick manufacturer, in New South Wales and Queensland, to a diversified national building products business.

In total Building Products Australia comprises 29 manufacturing sites and more than 40 design centres and design studios across the country. This is complemented by an extensive reseller network that includes over 100 additional displays.

The portfolio includes:

- ▶ **Austral Bricks:** Australia's largest clay brick manufacturer with significant market positions in every state
- ▶ **Austral Masonry:** Australia's second largest masonry manufacturer with operations in all major states
- ▶ **Bristle Roofing:** A "full service" roofing supplier with a strong presence in all major states, offering supply and install tiles (concrete or terracotta), metal roofing and fascia and guttering
- ▶ **Austral Precast:** A leading precast walling supplier, with a focus on high value, differentiated products.

Building Products North America

Building Products North America was established upon the acquisition of Glen-Gery in November 2018. This was followed by further bolt-on acquisitions of Sioux City Brick in August 2019 and Redland Brick assets in February 2020.

Brickworks North America now has a leading position in the Midwest, Northeast and Mid-Atlantic states, and has a strong focus on architectural and premium products.

It has 10 brick plants and one manufactured stone plant, 11 company operated distribution outlets and a vast reseller network.

Property

The Property division was established to maximise the value of land that is surplus to the Building Products business. Operational land that becomes surplus to the business needs is transferred to the Property division where it is assessed for optimum land use. In some cases, land is rezoned to residential and sold. Alternatively, the land is rezoned industrial and transferred into the Property Trust for development.

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

BRICKWORKS

LIMITED

Building Products
Australia

BRICKWORKS
BUILDING PRODUCTS

Building Products
North America

BRICKWORKS
BUILDING PRODUCTS

Property

BRICKWORKS
PROPERTY

Investments

BRICKWORKS
INVESTMENTS

The Property Trust was established in 2005, for the specific purpose of capturing the initial valuation uplift from re-zoning and then benefitting from the long-term value appreciation and the stable, growing annuity style income stream derived from the developed assets.

Given the prime location of Brickworks land assets, the value creation opportunity through rezoning, development, and ongoing capital gains was foreseen at the inception of the Trust and was a key strategic rationale for its creation.

Over the past decade it has grown significantly and now has a total asset value of over \$2 billion. After including debt, Brickworks 50% share of the Property Trust has an equity value of \$727 million.

In addition to the Property Trust, the Company holds around 3,600 hectares of operational land and 330 hectares of development land in Australia, and 3,200 hectares of operational land in the United States.

Investments

Investments consists primarily of a 39.4% interest in Washington H. Soul Pattinson, an ASX listed company (ASX: SOL) with market capitalisation of \$4.679 billion as at 31 July 2020 (market value of Brickworks share \$1.844 billion).

WHSP is a diversified investment house with a portfolio encompassing many industries including its traditional field of pharmaceuticals, as well as mining, building materials, property investment, telecommunications, financial services and other equity investments.

This strategic investment in WHSP dates back to 1969 and delivers a stable dividend stream that provides Brickworks with security to weather periods of weaker building products demand.

The investment has also delivered strong long-term returns to shareholders.

Building Products

Australia

Market conditions

Total dwelling commencements for Australia were down 12% to 173,037 for the twelve months ended 30 June 2020.

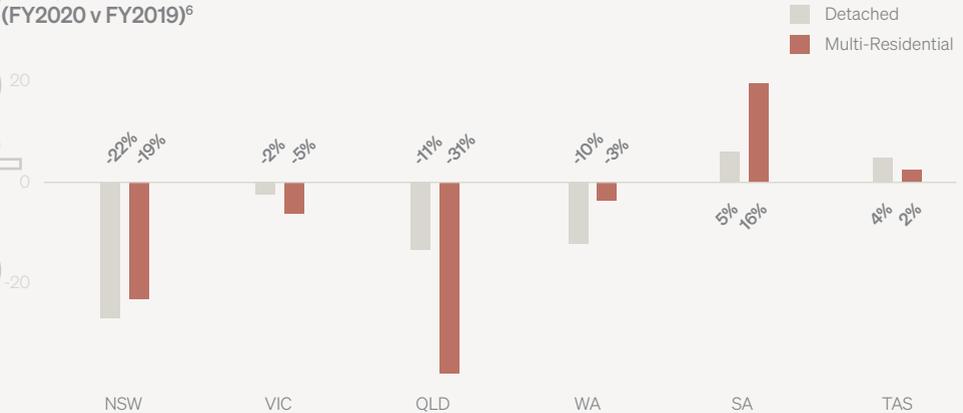
In detached housing, where Brickworks' products have the greatest exposure, commencements were down 9%.

The downturn continues to be more severe in the multi-residential segment, with a decline of 15% for the 12 months to June 2020 following a 23% decrease in the prior year.

New South Wales (including ACT) experienced the largest fall in detached house commencements, down 22%, with the multi-residential segment also falling by a similar amount.

Queensland also experienced a sharp fall in activity. The decline in the multi-residential segment has been particularly severe in recent times, having now fallen around 63% from the peak level just 4 years ago.

Change in Commencements (FY2020 v FY2019)⁶



⁶ Source: HIA Housing Forecast, August 2020. Figures shown are for the 12 months ended in June.

Overview of FY2020 Result

Year Ended July	2019 \$m	2020 ⁷ \$m	Change %
Revenue	755	687	(9%)
EBITDA	88	91	3%
EBIT	57	33	(43%)
EBITDA margin	12%	13%	13%
EBIT margin	8%	5%	(37%)

The decrease in **Victoria** was relatively modest, with a 2% reduction in detached houses and a 5% decline in multi-residential activity.

Weakness in **Western Australia** persisted during the year, with both detached houses and other residential activity continuing to decline. Building activity in this state is now down by over 55% in the past five years, and at the lowest level since 1991.

In contrast to the residential construction downturn, the value of approvals in the non-residential sector in Australia increased by 10% to \$50.9 billion for the twelve months to 31 July 2020. Within the non-residential sector, commercial building approvals increased by 5% to \$17.2 billion for the period and industrial building approvals decreased 3% to \$7.4 billion. The educational sub-sector, an important driver for bricks and masonry demand, was up 6% to \$8.1 billion.

Revenue from continuing operations for the year ended 31 July 2020 was down 9% to \$687 million, compared to \$755 million for the prior year. An increase in revenue in Austral Masonry was offset by lower revenue in Austral Bricks, Bristle Roofing and Austral Precast.

EBIT from continuing operations was \$33 million, down 43% on the prior year, and **EBITDA** was \$91 million. When compared to the prior year, the new accounting treatment for leases (AASB 16) resulted in \$4 million uplift to EBIT and a \$30 million uplift to EBITDA.

EBIT of \$23 million was achieved in the second half, despite the impact of the COVID-19 pandemic, that adversely impacted market activity and prompted a number of unplanned plant shutdowns during March and April to prevent stock build.

Offsetting these impacts, the transition to wholesale gas supply on the east coast from 1 January 2020 resulted in significant cost savings vs the prior corresponding period. Strong operational performance across most plants, and increasing prices, also supported higher margins in the second half.

Austral Bricks

Austral Bricks earnings declined 19% for the 12 months ended 31 July 2020, with sales revenue down 8% to \$396 million.

The performance of Austral Bricks on the east coast was resilient, considering the impact of plant shutdowns and the reduction in detached house building activity, which flowed through to similar declines in sales volume.

The plant shutdowns included significant periods offline for various works at major kilns such as Wollert West in Victoria, Plant 3 at Horsley Park in New South Wales and Rochedale in Queensland.

⁷ Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 EBIT is \$28 million, and EBITDA is \$61 million.

In New South Wales, work is well underway on the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East. This plant is expected to be commissioned late in financial year 2021 and will place Austral Masonry in a strong competitive position with an expanded product range and lower manufacturing cost than the current operation.

Bristle Roofing

Bristle Roofing earnings were down on the prior year, with a 14% decrease in revenue to \$113 million for the year.

This includes sales from the Fyshwick roof tile batten mill, operating as the newly branded "Capital Battens", following the sale of Auswest Timbers hardwood assets.

Sales across all major east coast markets were lower, on the back of the reduced detached house construction activity, and margins were impacted by strong competition, particularly in Queensland. In contrast to the overall trend, there was continued strong demand for imported terracotta tiles from La Escandella in Spain.

Despite the catastrophic impact of the summer bushfires and the subsequent disruption to supply of feedstock, Capital Battens revenue was relatively steady, with the mill operating at close to capacity for the year.

Austral Precast

Austral Precast earnings were down on the prior year, with revenue decreasing 33% to \$52 million.

The decrease in revenue was particularly severe in Queensland and Western Australia, where demand has rapidly deteriorated over the past 12 months. The impact of lower demand has been compounded by intense competition in these markets, as manufacturers compete for the limited work available.

Following a strategic review, management determined that continued operation in Queensland and Western Australia was unlikely to deliver satisfactory returns over the long term.

As such, an orderly exit from these operations was completed during the second half. Manufacturing operations in these states have ceased with the last remaining panels scheduled for supply to customers over the next few weeks.

By contrast, Austral Precast's prospects in New South Wales remain strong, benefitting from a more attractive market, and a highly automated manufacturing plant capable of efficiently producing differentiated products.

In this state demand was resilient throughout the year, despite the decrease in building activity. This is largely due to this market benefitting from the greater usage of precast panels in industrial projects (compared to markets such as Brisbane with a higher prevalence of tilt-up concrete) and demand from major government infrastructure projects.

"Double Wall" was also launched during the year, a cost effective permanent structural framework that offers significant advantages over alternative systems. The market response to this product has been extremely strong, with sales gathering momentum throughout the year as engineers, architects and builders became increasingly familiar with the applications and benefits of the product.

Austral Precast is the only supplier of this product in the market and is now taking orders for projects all along the eastern seaboard.

Southern Cross Cement

Southern Cross Cement is a Joint Venture company owned by Brickworks (33% interest), the Neilsen Group and the Neumann Group.

Southern Cross Cement is now providing quality, cost effective cement to Austral Masonry and Bristle Roofing operations in Brisbane, as well as to other Joint Venture shareholders. This follows the completion of construction and commissioning of the terminal during the second half.

Having now unloaded six ships, we are confident that Southern Cross Cement has the lowest cost position, and the lowest capital invested, of all south-east Queensland suppliers.

Building Products North America

Market Leading Position Established

In February, Brickworks completed the acquisition of assets from Redland Brick. This marked the Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

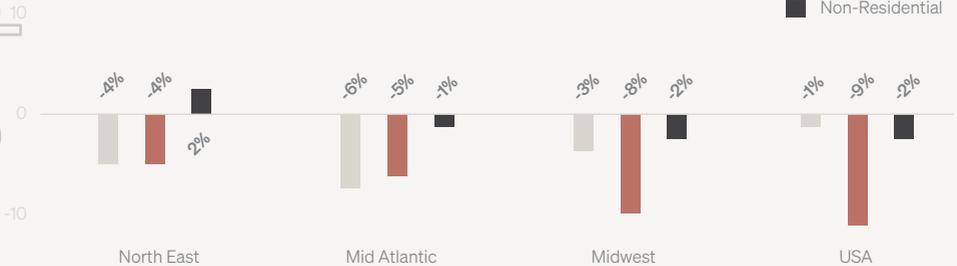
These acquisitions followed a thorough strategic review that identified the US brick industry as an attractive long-term growth opportunity for Brickworks. Importantly, the market entry into the US has been disciplined and methodical, with each acquisition being of appropriate scale, at a sensible price and undertaken in a staged manner to manage risk and resourcing requirements.

A business of significant scale has quickly been established, with Brickworks North America now having a portfolio of well recognised, premium brands and a market leadership position in key states across the Northeast, Midwest and Mid-Atlantic regions.

This region incorporates major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

In many cases, building covenants are in place, mandating the use of brick, in order to maintain

Change in Commencements (FY2020 v FY2019)⁸



⁸ Source: Dodge Analytics USA Building Starts Forecast – May 2020. Figures shown are for the 12 months ended in June.

the heritage of the region. In other cases, Glen-Gery bricks are specified, in the construction of buildings such as schools, hospitals and retail outlets. As an example, a large order was received during the year to refurbish the Chrysler Building in New York City, using bricks from the Hanley Plant. Bricks for this building were first supplied from the same plant in the 1930s.

Brickworks product mix reflects the traditional building styles of the region, with higher margin architectural products into the non-residential and multi-residential segments making up around 65% of sales. This compares to the wider US brick industry, where sales into these sectors make up less than 30% of the total.

Glen-Gery has a network of ten operational brick plants capable of producing specialty moulded, handmade and glazed bricks, in addition to a full range of the more common extruded bricks.

Market Conditions

After a relatively steady first half, construction activity in the United States was adversely impacted by the onset of the COVID-19 pandemic in the second half. For the full year, detached housing construction spend was down 1%, multi-residential spend down 9% and non-residential spend down 2%.

In the key Glen-Gery regions, non-residential and multi-residential spend fared better than the average across the United States, however detached housing spend was lower.

In the North-East region, non-residential spend was up slightly, however this was offset by residential spend, down 4%.

Across the Mid-Atlantic region, non-residential spend was relatively steady, and residential spend was down around 5%.

Multi-residential activity was down 8% in the Midwest, with the other building segments experiencing relatively mild declines.

Building Products North America delivered a strong result, considering the significant disruption caused by COVID-19 in the second half.

Sales revenue for the year was \$230 million. This includes around 6 months operation of the acquired Redland Brick plants and 11 months operation of the Sioux City Brick plants.

Prior to the onset of the COVID-19 pandemic, demand was particularly strong in the North-East region, underpinned by commercial and residential projects in New York City and surrounding areas such as Philadelphia, Cleveland, Baltimore and Washington.

From March onwards, demand was patchy across the various regions, as the severity of the pandemic hit regions at different times and various local and state government restrictions were intermittently imposed.

EBITDA for the year was \$27 million and EBIT was \$10 million. Second half EBITDA of \$14 million was achieved in spite of the significant disruption to sales and operations during this period.

The imposition of COVID-19 restrictions in Pennsylvania prompted the acceleration of already planned plant closures in this state. In March, the Bigler plant was permanently closed, and the York plant was reduced to one kiln, producing premium handmade bricks.

These closures were part of a methodical plant rationalisation program that has been implemented over the past 18 months, resulting in a current operating footprint of 10 brick plants, and an increase in plant utilisation to almost 80% (from around 50%). This smaller network of more efficient, modern plants also offers production flexibility, with three facilities having mothballed kilns with additional capacity. This production flexibility has long been an important competitive advantage in our Australian operations and is critical to meet market cycles and fluctuations in demand.

In addition to the benefits of increased utilisation, these plant rationalisation activities have allowed for a more focussed capital spend program.

The installation of a new extruder at Iberia (Ohio) was completed during the period and will support increased efficiency and an expanded product range going forward. In addition,

Overview of FY2020 Result

Year Ended July	2019 (~8 months) \$m	2020 ⁹ \$m	Change %
Revenue (US\$)	80	155	94%
EBITDA (US\$)	8	18	125%
EBIT (US\$)	4	7	75%
Revenue (A\$) ⁹	121	230	91%
EBITDA (A\$) ⁹	12	27	122%
EBIT (A\$)⁹	6	10	63%
EBITDA margin	10%	12%	17%
EBIT margin	5%	4%	(15%)

significant upgrade works are ongoing at the Hanley plant (Pennsylvania).

These initiatives contributed to significant unit cost reductions compared to the prior year. A particularly strong operational performance was achieved at Marseilles (Illinois) and Hanley, with these plants benefitting from an engineering team 'blitz', including a comprehensive review of operations and subsequent completion of a range of minor upgrades to plant and equipment. Unfortunately, with the mobility of the engineering team restricted in the second half due to COVID-19, similar initiatives at other plants have been delayed.

With finished goods stock at elevated levels upon the acquisitions, a strong focus on inventory reduction saw a destock of 33 million bricks during the year. Along with a reduction in debtor days, this drove strong cash generation from operating activities.

In addition to the pleasing operational performance, significant progress has been made on post-acquisition integration activities and other key strategic initiatives.

Acquired businesses have been fully integrated onto upgraded IT infrastructure, with systems enhanced to deliver improved management reporting. In addition, some changes to the organisational structure have been implemented as a result of the increasing size and scale of the business.

These changes include a dedicated pricing team to drive new revenue opportunities and roll-out new pricing policies and procedures. In addition, a new business development team and wall systems division has been established, both targeting the high value architectural segment.

Supporting this strategy, design studios in central Philadelphia and New York City are under construction and will open in financial year 2021.

⁹ An average exchange rate for each half year period is used to convert from US\$ to A\$. The conversion rates used are: 1H20 US\$0.68; 2H20 US\$0.66; 1H19 US\$0.72; 2H19 US\$0.70.

¹⁰ Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 EBIT is AU\$10 million (no significant change), and EBITDA is AU\$23 million.

Property

Property delivered an EBIT before significant items of \$129 million for the year ended 31 July 2020, down 18% from the record result in the prior year. The decrease in earnings is primarily due to lower contributions from land sales and revaluations within the Property Trust.

Overview of FY2020 Result

Year Ended July	2019 \$m	2020 \$m	Change %
Net Trust Income	26	30	15%
Revaluation of properties	70	53	(24%)
Development Profit	19	25	29%
Sale of assets	12	0	(100%)
Property Trust	127	108	(15%)
Land Sales	35	26	(26%)
Property Admin and Other	(4)	(4)	–
Total	158	129	(18%)

The Property Trust delivered another strong result, generating an EBIT of \$108 million.

Net Property Income was up by 15% to \$30 million for the year. This reflects the rental contribution from three new facilities at Oakdale South and rent increases across the balance of the portfolio. Whilst a small number of rental concessions were provided to tenants due to the COVID-19 pandemic, the portfolio proved resilient through this difficult period.

A revaluation profit of \$53 million was generated, reflecting a 25 to 50 basis point compression across the portfolio, as a result of the annual independent valuation process completed in the first half. This continued capitalisation rate compression over many years has crystallised the value that the Property Trust was specifically set-up to capture.

Property Trust – Leased Properties

Estate	Asset Value \$m	Gross Lettable Area '000m ²	Gross Rental \$/m/year	WALE ¹¹ years	Capitalisation Rate %
M7 Hub	162	64	8	1.4	5.1%
Interlink	441	192	24	2.4	5.0%
Oakdale Central	597	245	30	4.8	4.9%
Oakdale South	265	111	13	8.0	4.9%
Rochedale	198	96	10	11.3	5.3%
Total	1,663	708	85	5.0	5.0%

The current Property Trust value is well supported by comparable recent sales in the area, and reflects the strong demand for well-located prime industrial property.

A development profit on the completion of the Linfox facility at Oakdale South contributed an additional \$25 million in earnings.

In addition, a \$26 million profit was generated from land sales, with the major transaction during the period being the sale of Oakdale East into the Property Trust.

Property administration expenses totalled \$4 million, in line with the prior year. These expenses include holding costs such as rates and taxes on properties awaiting development.

Property Trust Asset Value

As at 31 July 2020, the total value of leased assets held within the Property Trust was \$1.663 billion.

The entire Property Trust portfolio consists of "A-grade" facilities, each less than 10 years old, with long lease terms and stable tenants. The annualised gross rent generated from the Property Trust is \$85 million, and the average capitalisation rate is 5.0%. There are currently two vacancies within the portfolio, the largest being 15,700m² at Oakdale South which is the balance of the facility constructed for Linfox.

Including a further \$397 million in land to be developed, the total value of assets held within the Property Trust was \$2.060 billion at the end of the year. The land to be developed increased as a result of the acquisition of Oakdale East Stage 1.

Borrowings of \$605 million are held within the Property Trust, giving a total net asset value of \$1.455 billion. Brickworks' 50% share of net asset value was \$727 million, up \$94 million during the year.

The continued growth in value allowed the Property Trust to release \$70 million in capital during the year (Brickworks share \$35 million), whilst maintaining gearing at a conservative 36%.

The total return on leased assets was 16% for the year, including a rental return of 6% and revaluation return of 10%.

Property Trust – Development Pipeline

The continuing strong demand for industrial land reflects structural changes across the industry, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

The COVID-19 pandemic has accelerated behavioural changes amongst the community, with an even greater uptake of on-line shopping, and this is likely to further accelerate current trends and the demand for industrial warehouse space.

¹¹ Weighted average lease expiry by income.

Progress on **Oakdale West, NSW**



Property Trust Asset Value

Year Ended July	2019 \$m	2020 \$m	Change %
Leased properties	1,411	1,663	18%
Land to be developed	345	397	15%
Total Property Trust assets	1,756	2,060	17%
Borrowings on leased assets	(490)	(606)	24%
Net Property Trust assets	1,266	1,455	15%
Brickworks 50% share	633	727	15%
Rental return on leased assets ¹²	6%	6%	–
Reval. return on leased assets ¹³	15%	10%	(33%)
Total return on leased assets	21%	16%	(24%)
Gearing on leased assets ¹⁴	35%	36%	3%

¹² Based on Net Trust Income, divided by Brickworks share of leased properties less associated borrowings.

¹³ As above, but using revaluation profit.

¹⁴ Borrowings on leased assets/total leased assets.

This is driving an evolution towards more sophisticated and specialised facilities, incorporating features such as robotics, automation, cold-storage and multi-storey warehousing. The development of these advanced facilities will become a critical competitive advantage for many businesses in the new economy and will continue to support the increasing value of prime industrial land.

The Property Trust is ideally placed to take advantage of these trends, with well-located prime industrial land on large lot sizes.

As a prime example, in July 2020 the Property Trust announced the pre-commitment of Amazon to a 53,500m² base floor area high bay facility at the **Oakdale West** Estate (total floor area of 190,000m²). This, together with the 66,000m² Coles facility, results in the Oakdale West Estate being 38% pre-committed. With infrastructure works expected to be completed in early 2021, the Estate will be ready to accommodate numerous new tenants with lease opportunities from 2,000m² to 60,000m².

At **Oakdale South**, following a busy period of development during financial year 2020, including the completion of DHL and Linfox facilities, focus has turned to securing a tenant for an approved 30,000m² facility ("Site 1C"). Strong interest has been received for this facility.

Following this, up to a further 80,000m² of gross lettable area will be available for development.

The purchase of 10 hectares at **Oakdale East** during the second half of financial year 2020, paved the way for the first stage of development at the site, which is currently underway. This includes the 11,470m² plant to be leased to Austral Masonry and a further 4,630m² display, distribution space and office, to be leased to Brickworks Building Products.

The balance of the Oakdale Estate will consist of 3 to 4 industrial units varying in size from 4,000m² to 8,000m². Practical completion on the Estate is expected in the final quarter of financial year 2021.

Operational and Development Land

Operational land is utilised in the day to day activities of Building Products Australia and North America. The total area of operational land is around 3,600 hectares in Australia and 3,200 hectares in North America.

The largest site held for development is at Craigieburn in Victoria. Brickworks is currently reviewing the option of a combined residential and industrial development on this land, given recent strong land growth in the Melbourne industrial market.



Briggs & Stratton Development, **Oakdale South**, NSW

Investments

The EBIT from total investments was down 51% to \$51 million in the year ended 31 July 2020.

Washington H. Soul Pattinson Limited

(WHSP) ASX Code: SOL

Brickworks holds 94.3 million WHSP shares, equivalent to a 39.4% interest in the Company. This shareholding in WHSP is an important source of earnings and cash flow diversification for the company and has been a key contributor to Brickworks' success for more than four decades.

WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation and Australian Pharmaceutical Industries.

This provides WHSP with a diversified end market exposure, as shown in the chart on the right. Over more than four decades, WHSP has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from Brickworks' Building Products and Property divisions.

The market value of Brickworks shareholding in WHSP was \$1.844 billion at 31 July 2020, down \$298 million from \$2.142 billion at 31 July 2019. As at 22 September the market value had recovered by \$306 million and stood at \$2.149 billion.

WHSP has delivered outstanding returns over the long term, with 20-year returns of 12.7% per annum to 31 July 2020 being 5.2% ahead of the All Ordinaries Accumulation Index.

Brickworks' investment in WHSP returned an underlying contribution of \$50 million for the year ended 31 July 2020, down 51% from \$103 million in the prior year. This was due primarily due to the impact of lower coal prices on earnings from New Hope Corporation.

In addition, a \$244 million profit (post tax) was recorded by Brickworks in relation to WHSP significant items. This primarily relates to a one-off profit triggered by the merger of its associate TPG with Vodafone, resulting in a change in accounting treatment of this investment.

During the year cash dividends of \$56 million were received, in line with the prior year. An increased dividend per share was offset by the impact of Brickworks selling 7.9 million WHSP shares during the prior financial year.

Telecom/IT



Financial Services



Mining & Energy



Health/Pharmaceutical



Investment Market Exposure

Telecom & IT	31%
Building Products	23%
Mining & Energy	17%
Other Diversified	17%
Financials	7%
Healthcare	5%
Property	2%

Barrack Place
Bowral Bricks Bowral 76 in Bowral Brown
Sydney, NSW

Health and Safety

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

Strategy

Brickworks is committed to minimising the risks to health and safety of its employees, contractors and the general public. Continual improvement in health and safety is a key requirement for a sustainable workplace.

Brickworks' strategy is to have high compliance to legislation, focussed safety leadership and a proactive generative culture that integrates safety into all business processes.

Performance (Australia)

The boundary of this report, and the associated assurance against the International Standard on Assurance Engagements (ISAE) 3000, extends to Brickworks' Australian and U.S. operations for the year ended 31 July 2020.

Safety performance is measured utilising lead and lag performance indicators to benchmark performance, both internally and externally, to drive progressive safety outcomes. Performance targets are set within the Brickworks Workplace Health and Safety Management System, with a 2025 target of reducing injury rates year on year.

In the current year, safety performance improved, recording one lost time injury (LTI), compared to five in the prior year. The lost time injury frequency rate (LTIFR) was 0.4. There were 29 medical treatment injuries, compared to 52 in the prior year. The total recordable injury

frequency rate (TRIFR) was 11.8, compared to 19.6 in the prior year.

The FY20 TRIFR in Australia reduced by 39.8% compared to FY19, exceeding the target of 10% reduction in injury rates.

Performance (North America)

During year ended 31 July 2020, there were six lost time injuries (LTI's) recorded. The lost time injury frequency rate (LTIFR) was 4.16 and there were 29 medical treatment injuries (MTI's) with a total recordable frequency rate (TRIFR) of 24.3.

In the current year, TRIFR in the U.S. reduced by 16.6% compared to the prior year, exceeding the target of 10% reduction in injury rates.

New initiatives to improve work health and safety at Brickworks Building Products North America are being introduced. The focus is on providing behavioural safety leadership training and incorporating Health and Safety programs into the business.

Key Initiatives

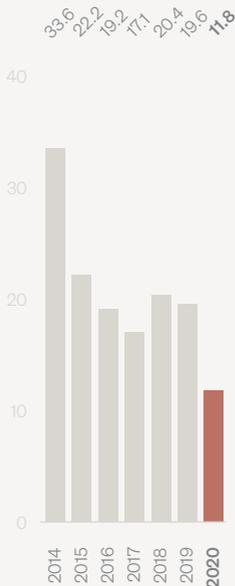
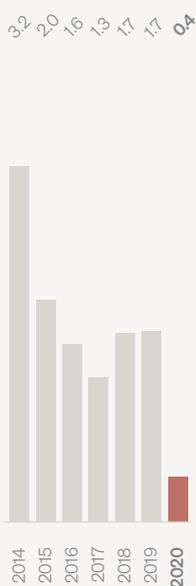
Brickworks' work health and safety initiatives are underpinned by a whole of Company work health and safety management system.

Employee education is a key safety initiative and a measured lead indicator at Brickworks.

Building Products Australia

Lost Time Injury Frequency Rate (LTIFR)

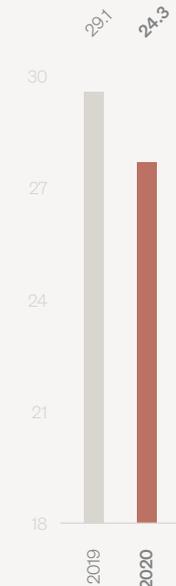
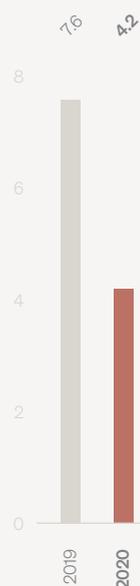
Total Recordable Injury Frequency Rate (TRIFR)



Building Products North America

Lost Time Injury Frequency Rate (LTIFR)

Total Recordable Injury Frequency Rate (TRIFR)



Online training is available 24/7 to all Brickworks employees, with courses specific to an employee's role. In year ended 31 July 2020, 34,423 courses were completed by employees and a behavioural safety leadership program for managers and supervisors was launched to improve the safety culture within Brickworks.

Employee Wellness

Employees are provided advice, education and professional assistance from the employee assistance program (EAP) to improve their personal health. The use of the EAP has increased across the Group with a broader scope of services being offered; including transition assistance, nutrition, financial, wellness and manager support.

These services are provided to all staff and immediate family members to ensure teams are supported in the broader aspects of their lives.

A mental health first-aid training program is underway, providing timely support. The current year target of 10% of Brickworks employees to undertake training and qualify in mental health first aid was achieved.

Brickworks is committed to a drug and alcohol-free workplace. With the support of employees and unions, mandatory random testing continues across all divisions and includes contractors. Drug and alcohol testing is undertaken for all new recruitment health assessments. During year ended 31 July 2020, 59% of staff were randomly tested, exceeding target of 25%.

Functional health assessments for new starters also ensure that new employees are fit for the physical requirements of their positions.

All visitors to Brickworks sites must follow the Company's induction and sign in rules prior to entering operational zones. Vehicle loading is undertaken in accordance with the National Heavy Vehicle Law, State legislation and Industry based Codes of Conduct, such as the "Think Brick Code of Conduct – Load Restraint". Austral Bricks has held WA Heavy Vehicle Accreditation for more than 10 years.

During the prior year, a review of National Transport systems was undertaken and an audit completed of the Company's Australian fleet of heavy vehicles in response to a serious vehicle accident that occurred in December 2018. Recommendations for improvements were made to ensure that all sites are complying with the National Heavy Vehicle Laws and regulations, including:

- ▶ Chain of Responsibility (COR)
- ▶ Fatigue Management

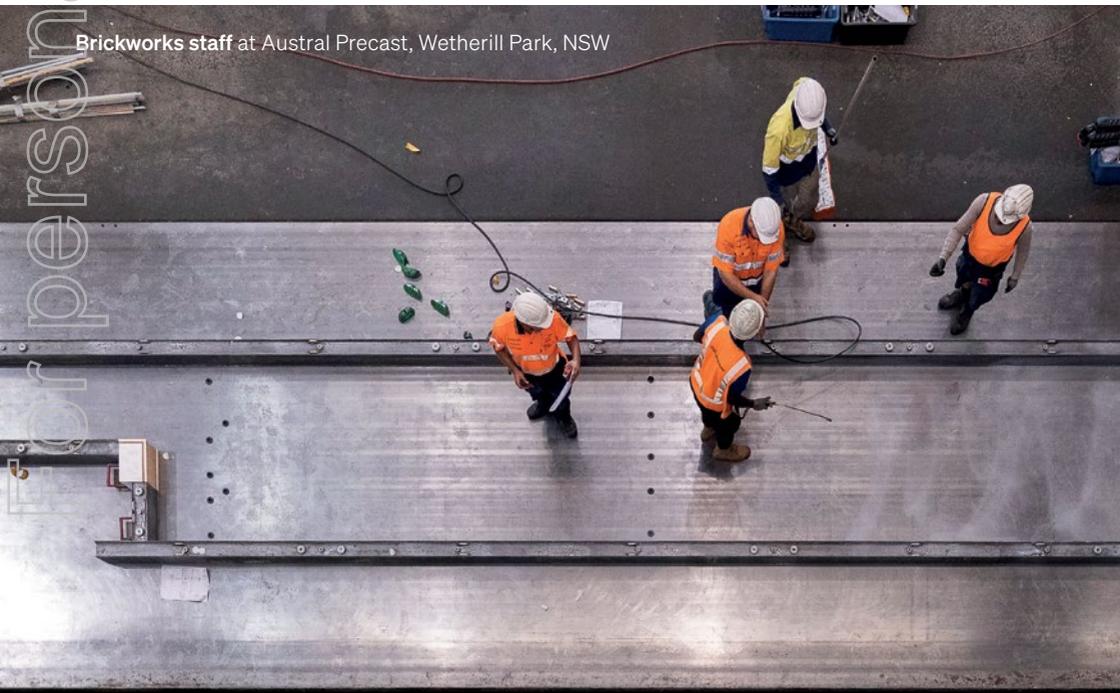
- ▶ Speed Management
- ▶ Mass and Dimension
- ▶ Load Restraint.

Chain of Responsibility (COR) implementation is progressing well, with a range of COR documents being developed for integration with the Health and Safety System.

Following on from the prior year initiative to conduct medical tests for all heavy vehicle drivers, to ensure they are certified fit to operate a heavy vehicle on a public road, over 90% of heavy vehicle drivers were medically assessed in the current year.

Brickworks actively encourages employees and contractors to identify physical hazards and effective controls to reduce workplace risk. Any new plant installed has an independent risk assessment undertaken to validate its risk-free operation. Open hazards are continually monitored, with minimum monthly closure targets in place.

Brickworks staff at Austral Precast, Wetherill Park, NSW



Overview of

Sustainability

The built environment is the fabric of our cities and our lives and Brickworks' products form part of this ever-changing fabric. Brickworks products are integrated into thousands of homes, apartments, commercial buildings, landscapes and infrastructure projects built each year.

Build for Living: Towards 2025, Brickworks Sustainability Strategy

Brickworks' sustainability strategy, "Build for Living: Towards 2025", recognises the substantial environmental and social impacts of the built environment, and the role its products play in creating sustainable developments. Brickworks understands its responsibilities, and the impact and influence it has on the environment, customers, employees, communities, and shareholders.

The sustainability strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable. Design that incorporates sustainability brings greater energy and resource efficiency over the operational lifetime of a building.

The sustainability strategy sets a clear pathway from the prior year, with measurable commitments, to ensure Brickworks continues to have a positive environmental and social impact, with strong governance and a culture of care for the community.

At the heart of the strategy is Brickworks' sustainability framework, with three pillars: Responsible Business, Environment and Our People and Community. Within these pillars, Brickworks focuses on three core objectives to deliver positive outcomes for stakeholders:

- ▶ Responsible Business: Leading Building Design – Safe, Resilient, Sustainable
- ▶ Environment: Sustainable Manufacturing
- ▶ Our People and Community: Diversity and Strong Culture of Care for Community.

Under these objectives, Brickworks is committed to delivering on 15 targets by 2025 with the baseline year of FY19, except where otherwise noted. Build for Living: Towards 2025 can be downloaded from Brickworks website www.brickworks.com.au

Sustainability Reporting

Brickworks understands its long-term responsibilities, and the impact and influence the business has on the environment, customers, employees, communities and shareholders. Brickworks takes great pride in manufacturing building products in a sustainable way, creating sustainable developments and beautiful products that last forever. Sustainability and innovation is integrated into product design to create greater energy and resource efficiency over the operational lifetime of a building.

Brickworks 2020 Sustainability Report provides a chance to cover these issues in depth, informed by international standards such as the Global Reporting Initiative.

TOWARDS 2025

Brickworks Sustainability Strategy

Brickworks is one of the world's leading manufacturers of quality building products. Our purpose has sustainability at our core – to create beautiful products that last forever.

The built environment is the fabric of our cities and our lives and Brickworks' products form part of this ever-changing fabric. Our sustainability strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable. It demonstrates our approach to sustainable manufacturing, incorporating sustainability into buildings to create greater efficiency during their operation. We do this with strong governance and a culture of care for our community.



THERMAL DESIGN

We will provide leading research on passive solar thermal design, enabling reduced lifetime energy use.

LIFE CYCLE EDUCATION

We will support design tools, guidance and information to incorporate life cycle thinking into building design.

SUSTAINABLE PRODUCTS

By 2025, we will double our volume of products sold in Australia that hold leading sustainable qualities.

The Sustainability Report for the year ended 31 July 2020 shares Brickworks sustainability journey with an overview of the 2025 sustainability strategy, progress against targets and case studies. The Sustainability Report can be found at www.brickworks.com.au

Sustainability Governance

Sustainability is embedded into the Brickworks business strategy. The Brickworks Audit and Risk Committee (ARC) is responsible for the oversight of sustainability governance, with day-to-day management of the Group governance arrangements delegated to the Managing Director and Chief Financial Officer. Annually, management make presentations to the Board on safety, human resources, risk, environment and sustainability issues and targets. In the current year, sustainability was formally incorporated into the charter of the ARC.

Sustainability risk management is integrated through key performance indicators (KPIs) which are set at business level. This year several sustainability KPIs were linked to the divisional bonus structure, for items including: health and safety performance; environmental management training and systems development; completion of monthly inspections and outstanding hazards, and the implementation of community engagement plans and natural gas efficiency plans.

Anti-Bribery and Corruption and Whistleblower Policies

The Anti-Bribery and Corruption, and Whistleblower Policies were introduced in May 2019. All staff are required to undertake annual on-line training to demonstrate their understanding of the policies. The Whistleblower Policy provides a mechanism which encourages concerns to be raised about misconduct or any improper state of affairs or behaviour that is inconsistent with the Group's culture, values or policies.

Risk Management

To ensure robust and effective risk management systems are in place and operating effectively, the Board, through the Audit and Risk Committee, determines the risk profile for the Company, ensures that business initiatives are consistent with its risk appetite, reviews the controls and systems in place to continually mitigate risk, and oversees reporting and compliance requirements. A Risk Management Framework has been implemented, consistent with each element of the Australian Risk Management Standard AS/NZS3100:2018. The framework covers sustainability related risks including human resources, environmental, climate and health and safety.

Risk management is a priority for senior management. Details of risk management and the significant risks that may impact the achievement of the Group's business strategies and financial prospects are included in the Annual Report and the Corporate Governance Statement which can be downloaded from www.brickworks.com.au/investors/group-overview#corporate-governance

Modern Slavery and Supply Chain

Brickworks is committed to working collaboratively with its partners and suppliers to ensure business is conducted in an honest and ethical manner. This includes identifying and addressing modern slavery and human rights risks throughout the business and supply chain.

During the current year, Brickworks formed a sustainable supply chain group, launched a Modern Slavery Policy and the Board approved a Supplier Code of Conduct. The Group's first Modern Slavery Statement will be released during year ended 31 July 2021.

Cyber Security

Cyber threats are becoming more prevalent against the construction and manufacturing industry, such as ransomware and denial of

service attacks against Information Technology and Operational Technology environments.

In response, Brickworks has developed a cyber delivery plan aligned to the National Institute of Standards and Technology Cyber Security Framework. Security Awareness Training and Phishing Simulation technology has been introduced and Brickworks has seen an 80% reduction in click rates and a 50% increase in reporting of potential threats to the Security Team.

Brickworks continues to invest in solutions to protect its critical assets and maintain a high level of security. Brickworks is proud to rank amongst the top 6% of Global 2000 organisations to achieve the highest level of email security.

Public Policy

Brickworks Political Donations Policy prohibits the making of Political Donations at any time on behalf of the Brickworks Group or otherwise using funds of the Brickworks Group. No political donations were made during the year ended 31 July 2020.

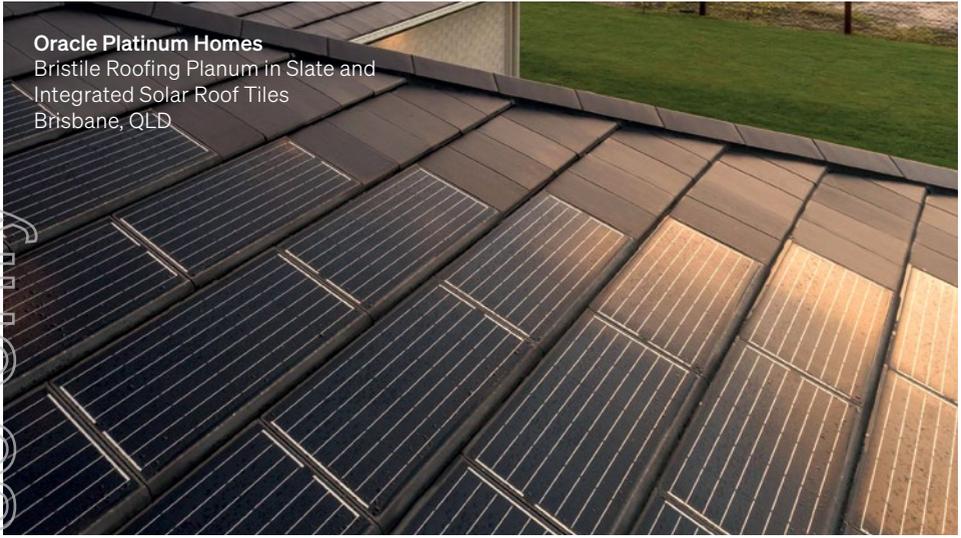
Sustainable Partnerships

As one of the world's leading and most diverse building products manufacturers, Brickworks Building Products takes its position of industry leadership seriously. The Brickworks Group and its member companies have a responsibility not only to shareholders and employees, but also to the industry, the environment, and the wider community. It is for this reason Brickworks considers partnerships carefully and endeavours to align with other organisations who share the Company's vision and values for a more sustainable future.

Product Safety and Compliance

Brickworks places the utmost importance on consumer health and safety. Brickworks products are tested to meet quality standards, which are key in the prevention of involvement with

Oracle Platinum Homes
Bristle Roofing Planum in Slate and
Integrated Solar Roof Tiles
Brisbane, QLD



defective building materials. Bricks have been proven over centuries as a superior material choice which is why Brickworks provide a 100-year warranty.

Product Sustainability

Brickworks bricks and concrete products are manufactured to provide resilience. They are durable, fire-proof, contain thermal mass for energy efficient design, excellent acoustic properties and no indoor air emissions (VOCs); and Brickworks clay bricks hold a 100-year guarantee.

These attributes help cities contribute to goals such as the United Nations' Sustainable Development Goal 11: "Make cities and human settlements inclusive, safe, resilient and sustainable".

Brickworks most significant range of sustainable products consists of carbon neutral bricks manufactured in Tasmania. During the next financial year, Brickworks will have an additional focus of providing an expanded range of carbon neutral, locally-made products to projects which demonstrate sustainability attributes.

Brickworks will be working on project-specific requirements with selected architects and commercial builders, to deliver low carbon buildings.

Brickworks will continue to drive innovation in sustainable buildings with three key 2025 sustainability targets:



THERMAL DESIGN

We will provide leading research on passive solar thermal design, enabling reduced lifetime energy use.



LIFE CYCLE EDUCATION

We will support design tools, guidance and information to incorporate life cycle thinking into building design.



SUSTAINABLE PRODUCTS

By 2025, we will double our volume of products sold in Australia that hold leading sustainable qualities.

Environment

Brickworks is committed to managing its operations in an environmentally sustainable manner, whilst considering economic and social influences.

Brickworks' aim is to reduce the environmental impact of its operations. This section contains a snapshot of key results for the current year and 2021 targets. For further detail, analysis and achievements please refer to the 2020 Brickworks Sustainability Report.

Resource Efficiency and Waste

Brickworks is progressing towards a 'circular economy' by 'closing the loop', thus minimising production waste and re-using and recovering resources in the value chain.

During the year ended 31 July 2020 over 94,718t of recycled clay material (Virgin Excavated Natural Materials) was recycled into bricks. Fly ash, bottom ash and glass was recycled into some masonry products. 100% of damaged or rejected clay products are returned into the raw material mix for reprocessing across Australian and North American operations. A representative waste management study undertaken in the current year indicates 89% of waste by weight is diverted from landfill and 54% by volume.

The next year's target is to identify further opportunities to reduce, reuse and recycle waste.

Water (Australia)

Water is a limited resource across Australia and critical to Brickworks production process and operations. Water restrictions have been in place

to varying degrees across Australian states. Brickworks understands the importance of water efficiency.

During the year ended 31 July 2020, 128.8 ML usage of potable mains water was recorded at Brickworks Australian operations. During the next year, ongoing water efficiency initiatives to reduce potable water use will be measured against this baseline.

Brickworks is committed to minimising its potable water usage at all manufacturing sites. During the current year, water management plans identified further opportunities to reduce mains water.

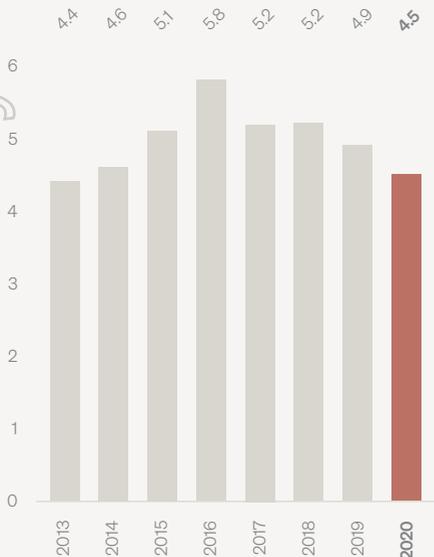
Energy

In the current year, Brickworks Building Products Australia's (BBP) total energy usage was 4.5 PJ, an 8.85% reduction from 4.9 PJ the previous year.

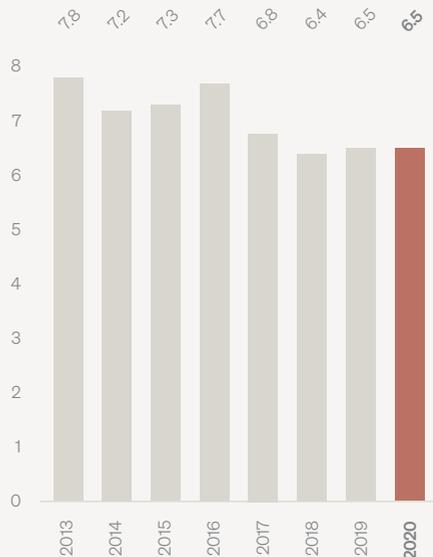
Energy intensity (energy consumption vs revenue) was 6.5 TJ per million dollars of revenue across BBP Australia, a 0.23% increase, reflecting fluctuations in revenue between the prior and current year.

The majority (73%, 3.3 PJ) of the Company's Australian energy requirements comes from natural gas, largely used at Austral Bricks' manufacturing facilities. Gas efficiency is measured at a factory level and results are reported to the Managing Director weekly.

**Building Products Australia
Total Energy Consumption¹⁵**
(PJ)

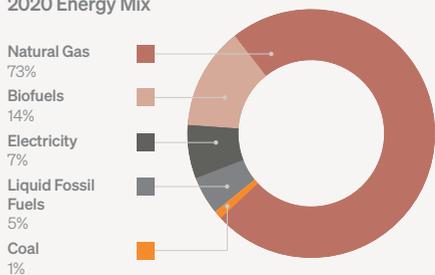


**Building Products Australia
Energy Intensity**
(TJ/\$ million revenue)



Alternative biofuels made up 14% of Brickworks Australian energy requirements, up from 11% in the prior year. Biofuel sources include Plant landfill gas and sawdust. Austral Bricks Horsley Park Plant 1 and Plant 3 both continue to substitute natural gas with landfill gas, sourced from neighbouring landfills. The increased percentage of biofuels is attributable to resolving previous interruptions in landfill gas supply at the Austral Bricks Horsley Park Plant 3 during the prior year. Sawdust is the primary fuel used to fire the kiln at Austral Bricks plant in Longford, Tasmania and is acquired from various Tasmanian sawmills.

**Building Products Australia
2020 Energy Mix**



¹⁵ Total energy use is for Australian operations only. Energy consumption associated with recently acquired US operations will continue to be monitored and reported if material to the Group.

Investing in Energy Efficiency Towards 2030

FY18 marked the start of a strategic 10-year reinvestment vision to drive energy efficiency across Australia. By 2030, major plant upgrades will improve total gas efficiency across Austral Bricks Australia by 10%, based on 2018 levels.

During FY19, the Austral Bricks Horsley Park Plant 2 kiln was prepared to be shut down, in preparation for an upgrade to a state-of-the-art brick manufacturing facility. Plant 2 received Development Approval for the upgrade in FY20, and work will commence during FY21. The graph below depicts Austral Bricks Gas efficiency trend. Total Gas (including landfill gas at Horsley Park and sawdust at Longford) efficiency has improved by 2.7% since 2018. Natural gas efficiency has improved by 5.5% since 2018.

Brickworks is planning for investments into the latest manufacturing technologies in the U.S. business. Upgrades will provide improvements in productivity, product quality and energy efficiency. Improvements in kiln gas efficiency across the U.S. will be tracked and reported annually.

Efficiencies through Leading Manufacturing – Horsley Park Plant 2 Upgrade

Austral Bricks Horsley Park Plant 2 received DA approval to upgrade the site into a state-of-the-art brick manufacturing facility.

At the heart of the new Plant 2 operation will be a JC Steele, 120 extruder, a world first, exclusively built for Brickworks. The new kiln will push the limits of brick production efficiency. It will include automatic gas burners and a convective heat exchange system, linked to a computer supervision system. With best in its class fuel efficiency, product quality, the new Plant 2 operation will be a technical revolution that will set a new standard for brick manufacturing.

Brickworks Building Products – North American Natural Gas Usage

During the year ended 31 July 2020, 12 clay brick factories owned by Brickworks were in operation in the U.S., all fuelled by natural gas. Six of these factories operated for part of the year, and six operated for the full year. Natural gas consumption of Building Products North America, across 12 sites was 1.5 PJ in current year. During the next year, the U.S. business will collect and report electricity consumption data.

Carbon (Australia)

Australian greenhouse gas emissions are reported and audited for the Australian National Greenhouse and Energy Reporting Scheme (NGERS). Scope 1 and Scope 2 carbon emissions are determined using the methodology and factors outlined within NGERS. Reported carbon emissions include those associated with Building Products Australia operations only. In FY20, emissions were 205,527 tCO₂-e (Scope 1) and 75,500 tCO₂-e (Scope 2). Carbon emissions continue a downward trend with a 12.07% decrease on the previous year.

Carbon intensity is 3.31% lower than the previous year, attributable to a full year of landfill gas supply to Plant 3, and the closure of Horsley Park Plant 2 in preparation for the Plant 2 upgrade to a state-of-the-art brickmaking facility.

Carbon emissions have followed a general downward trend, with a 35.8% decrease compared to the base year 2005/06 (Scope 1 & 2). The decrease can be attributed to efficiencies gained from alternate fuels, manufacturing consolidation, equipment upgrades and operational improvements. Brickworks will explore further carbon management strategies, greenhouse gas metrics and setting targets during the next year as part of the Taskforce on Climate-related Financial Disclosures (TCFD) review.

Brickworks is investing in the transition to the hydrogen fuel economy, through desktop and lab-scale trials, in partnership with Murdoch University. The purpose of this investment is to understand the use of hydrogen in the manufacturing of clay bricks.

Carbon (North America)

Alongside Brickworks goal to report carbon informed by the GRI Standards, carbon emissions inventory will be built by 2022 to enable a full estimate of emissions. Although Brickworks' North American operations are not required to report carbon emissions to the U.S. regulator, this information will supplement ongoing carbon reporting for Australian operations.

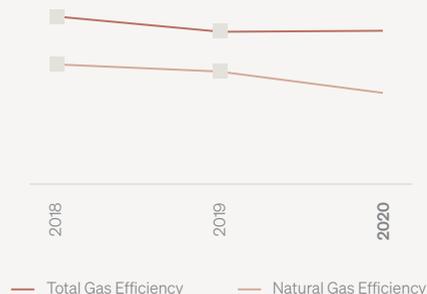
Natural gas is the predominant energy and carbon emissions source for the U.S. operations. Carbon emissions from natural gas combustion were 80 ktCO₂-e during the year ended 31 July 2020.

Environmental Compliance¹⁶

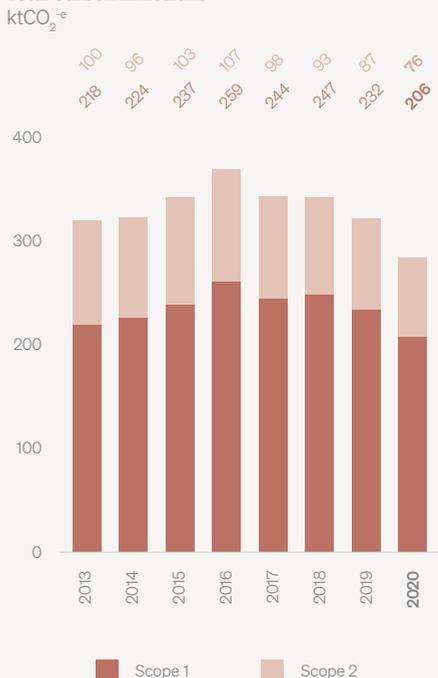
Brickworks treats all non-compliance instances with the utmost importance. Details of incidents, notices and complaints are raised at the weekly General Manager's meeting, which the Managing Director attends. Each non-compliance incident is investigated and tracked to ensure corrective actions are undertaken within deadlines.

Reporting incidents raises awareness and identifies corrective and preventative actions. Incident reporting procedures and training are a central part of the Environmental Management System (EMS). 26 reportable incidents were recorded during the year ended 31 July 2020, compared to 19 in the prior year. Brickworks is committed to minimising its impact on the environment, such as through Air and Water Environmental Programs. During the current year, seven reportable incidents related to stack emission exceedances at at Austral Bricks Horsley Park plants. Significant investments are

Austral Bricks Gas Efficiency
(GJ/'000 Standard Brick Equivalent)



Building Products Australia Total Carbon Emissions
ktCO₂-e



¹⁶ Reported environmental fines and penalties include those received and paid during the reporting year (ending 31 July). Penalties received regarding property and penalty notices are excluded. All figures reported in Australian dollars.

**Building Products Australia
Carbon Intensity**
(ktCO₂^{-e} / \$ million revenue)



**Building Products Australia
Carbon Emissions since 2005**
(ktCO₂^{-e})



allocated to implement the Horsley Park Scrubber Installation Program to install emissions abatement equipment.

The total number of incidents recorded in current year was 47, compared to 51 in the prior year. During current year, zero penalty notices and prosecutions were received. The next year's target remains at zero environmental fines and continued risk reduction.

Air Environmental Program

Brickworks is committed to minimising its impact on the environment and complies with environmental law and community standards as they evolve.

All brick factories hold licences issued by the state environmental regulator, and are required to meet emissions limits that have been assessed by the regulator as acceptable to the environment and human health. To monitor

compliance with emissions limits, qualified air monitoring consultants are engaged to undertake air emissions testing for parameters specified in licences. Should an exceedance of the emissions limits occur, the matter is reported in line with licence or regulatory requirements. An investigation and corrective actions are undertaken in accordance with Brickworks' EMS.

Investments are made into upgrading kilns, plant, control systems and emission control technologies. Limestone scrubbers are committed for installation at the Austral Bricks Horsley Park brick manufacturing facilities, through a staged rollout program, commencing in FY20 with a scrubber installed at Plant 3.

The Air Environmental Program will continue identifying investments in leading environmental initiatives. During the last two years, over \$2 million was invested in emissions abatement scrubber equipment installations at Austral Bricks Horsley Park Plant 3. Having achieved significant specific

environmental investments in recent years, further contribution to the Air Environmental Program requires complex connections between capital expenditure, technical projects and stakeholder collaboration. By 2025, over \$2 million additional investment in emissions abatement is scheduled.

Community Engagement

Maintaining positive relationships with stakeholders is paramount to business success. Brickworks is embedded in local communities where the business operates, with many employees living in the local area. With a reliance on local goods, services, markets and natural resources, developing mutually beneficial relationships helps business and communities.

Brickworks has strong attendance at community forums, such as consultation for development applications and community group meetings. Company representatives maintain strong relationships with legislative and regulatory authorities and are involved with industry groups to promote issues, such as sustainable building products.

In the prior year, community engagement plans were developed for relevant sites. The plans have improved the Company's socio-political knowledge of the area, ability to identify community concerns and expectations, knowing when to engage and methods of engagement. During the current year, the plans were implemented across these sites, with engagement activities including stakeholder meetings, site visits, investigating and resolving complaints, as well as donations and other forms of support for community members and projects. Community engagement plans are now expanding for use across sites around Australia. Next year's target is to undertake 100 events that relate to maintaining community relationships.

Rehabilitation

As a large-scale landholder, Brickworks' approach to rehabilitation is to establish, operate and rehabilitate Brickworks sites in a manner that promotes optimum environmental and social outcomes.

At the end of their productive lives, Brickworks rehabilitates its quarries for use by future generations. Final land-use varies from pasture, landfill and bush, to built-up areas. For sites that are filled, the sites can be capped with topsoil and planted with flora native to the area. Frequently today, these quarries are clean filled in highly compacted layers (to eliminate settlement) and can be reused as residential and industrial estates and beautiful public spaces.

Rehabilitation and land-use planning is an essential aspect of managing Brickworks quarries, with a focus on meeting legislative requirements and community expectations. Within the Environmental Management System, progress of rehabilitation projects is monitored across the Group, to ensure the protection and enhancement of biodiversity.

Progressive rehabilitation is a key strategy for minimising environmental risk, end-of-life closure costs and achieving increased efficiency through reduction of double handling of rehabilitation materials.

Progressive rehabilitation of 40,840m² was completed at sites across Australia, and an additional 41,500m² was completed during the current year for the closure of quarries. Progressive rehabilitation will be driven across the business by adding available land review to annual rehabilitation planning.

Our

People

COVID-19 Response

Brickworks has monitored the Coronavirus disease (COVID-19) since January 2020, acting with caution and following stringent health advice. Brickworks implemented a COVID-19 business continuity plan to minimise the chance of COVID-19 spreading throughout the business, and published a set of regularly updated COVID-19 Guidelines on the Brickworks website, for both customers and employees.

On 21 January 2020, the Australian Government took precautions to limit the spread from the source City of Wuhan, China. On the same day, Brickworks prohibited Company travel to any part of Asia and implemented a 14-day isolation period for any staff member who had been in contact with a person that had been to Asia. On 5 March, Brickworks prohibited all domestic and international travel.

The health and well-being of employees and customers is of the upmost importance to the Company. The following initiatives are in place throughout the duration of the pandemic:

- ▶ National doctor network with Occupational Physician adviser to Brickworks
- ▶ Deep cleaning between shifts
- ▶ Activity register of pandemic related absences and single point of triage
- ▶ Temperature testing all people (including customers) at all sites
- ▶ Unwell workers, contractors and customers with fevers are not permitted on-site
- ▶ Brickworks hygiene program

- ▶ Sanitation caddies and PPE provided at all work stations
- ▶ Limitation of Company travel
- ▶ Providing alternatives to ensure that employees are not travelling to and from work using public transport
- ▶ Regular communications to all staff through emails, providing the latest health advice with a focus on mental health and personal wellbeing
- ▶ Leaders are empowered to have regular check in and connections with their teams, checking on wellbeing, connectiveness etc.
- ▶ IT infrastructure and an upgrade to video communications enabled a quick transition for staff to work from home
- ▶ Compliance with Government Guidelines
- ▶ Regular General Manager COVID-19 meetings
- ▶ Daily World Health Organisation (WHO) situation reports
- ▶ Information training for all Brickworks personnel through the E-Learning platform
- ▶ Training reports to ensure assigned training is completed
- ▶ Physical separation of work teams
- ▶ Individual flexibility to help staff who have caring responsibilities (especially during home schooling)

Remote working in response to COVID-19 has been effective across the business. A survey

was sent out to employees following the remote working experience, with positive feedback. Business planning and scenario modelling tools have been developed to support decision making.

COVID-19 has changed the way that Brickworks does business; accelerating digital sales and marketing, offering contact-free sample deliveries, virtual colour consultations and the business does not currently accept cash payments.

Culture

Brickworks recognises that sustaining a strong culture driven by the diversity of employees is critical to long-term business success. During the current year, the integration continued of the 'WE ARE BRICKWORKS' Values and Behaviours to drive unity, focus and success across the organisation. Recruitment and selection criteria includes values screening to ensure people joining the business demonstrate the culture and behaviours.

Values Awards

Brickworks holds a variety of initiatives to celebrate staff that demonstrate the Company values, with many divisions holding Quarterly and Annual Value Awards. Employees success in undertaking their day-to-day roles, according

to the Company values, is measured through annual performance reviews.

Employee Engagement

Positive employee engagement is driven through a strong employee value proposition, with multiple benefits offered to permanent employees; including paid parental leave, support for further education and employee share schemes. Brickworks hosts frequent social, networking and celebratory events for all employees (impacted by COVID-19 restrictions), including Company update evenings.

In the current year, a pilot Values Survey was deployed to identify areas of focus and alignment to values, and levers to help improve engagement. On an ongoing basis exit interviews are conducted and reviewed to also understand areas requiring attention.

Employees and other workers

Brickworks Australia reports details of its workplace profile annually to the Workplace Gender Equality Agency (WGEA), and the U.S. operations tracks its workplace profile. Data taken from the WGEA report and U.S. records for the year ended 31 July 2020 includes:

Key Employment Data	Australia	North America
Total Workforce	1181	777
Total female breakdown	20.9% (up from 19.9% in FY19)	17%
Female Senior Executives	27.3% (up from 26.7% last year)	15%
Average age of employees	43.1	46.5
Employees aged 50 and over	32.3%	46.1%
Average length of service	9.1 years	13.5 years

Workplace Profile	Australia		North America	
	Total	Female*	Total	Female*
Management	8%	15%	19%	21%
Professionals	9%	36%	3%	38%
Tech/Trades	18%	2%	2%	5%
Administration	10%	73%	3%	65%
Sales	18%	48%	11%	4%
Operators/Labourers	37%	1%	62%	7%

* Female % is a fraction of each profile type.

Brickworks' commitment to developing internal talent, saw 71 internal promotions in the year ended 31 July 2020 and numerous international promotions or mobility opportunities between Australia and the U.S.

- ▶ 31% of employees awarded promotions in Australia were female.
- ▶ 26.8% of all manager promotions and 36.7% of non-manager promotions were awarded to women.
- ▶ 19.3% of employees who resigned were women, down from 21.8% in the prior year.

Employee voluntary turnover (resignations and retirements) sits at 13.5% for the previous rolling 12 months.

Learning and Development

Brickworks aims to provide an employee experience that aids in staff growth and development. Brickworks offers formalised graduate, apprentice, mentoring and succession planning programs.

All employees and managers are encouraged to undertake two hours of learning every week, and to further their professional development by accessing a learning allowance and development programs. The online e-learning platform and open learning sessions provide accessible learning opportunities. During the COVID-19

working from home period, online learning sessions increased substantially, particularly in Sales, Leadership and Mental Health.

Graduate Program

Brickworks' 24-month structured graduate program is available across all business divisions. Following induction, all graduates participate in business rotations, gaining technical and professional skills. In their second year, they choose a specialist rotation into a nominated area, where they are assigned business projects to work on.

They participate in 'Smart Seeds', an external project-based development program run by GHD (postponed due to COVID-19). Individuals participate from a cross section of industry to co-create solutions to complex local problems. Graduates work collaboratively in teams and pitch their proposals to industry leaders.

During the graduate program, participants have access to a support network, a career coach and structured mentoring. Brickworks facilitates networking opportunities for the graduates to aid interactions with their cohort, share experiences and elevate their profile with senior leaders.

Mentoring Program

Launched in April 2018, 60 employees have now completed Brickworks' Mentoring program. For the year ended 31 July 2020, the focus was



Horsley Park Design Centre,
Sydney NSW

on developing internal mentoring capability and an inhouse program. There were no new participants to the mentoring program in the current year, therefore the 2020 target for 30 staff to join the mentoring program was not achieved. During the next year, a self-directed informal program will be launched to help grow a mentoring culture.

Diversity and Inclusion

Brickworks recognises that everyone is unique and different, by way of gender, ethnicity, age, sexual orientation, physical abilities, family status, and religious beliefs. Brickworks is committed to a diverse and inclusive culture where all employees are treated with dignity and respect, valued for their contributions and diverse backgrounds, experiences and perspectives. By valuing diversity, the business will:

- ▶ Deliver improved customer service, business performance and strengthen corporate reputation.
- ▶ Gain competitive advantage by understanding and reflecting customers and local communities.
- ▶ Engage employees by providing an open, fair and diverse work environment.

Brickworks is committed to eliminating all forms of unlawful discrimination, harassment, bullying and victimisation in the workplace. This commitment is supported by the Company's Diversity and Equal Employment Opportunity Policies, that also guide the recruitment process. A Diversity Council was established in the prior year, and is led by the Managing Director.

In the next year, a Diversity and Inclusion Strategy with long-term targets and an

implementation plan will be developed and presented to the Board. The Strategy, driven by the Diversity Council, will facilitate a collaborative, supportive and respectful working environment, providing psychological safety by valuing people's differences.

Gender Diversity

During the current year, focus was on a range of initiatives to increase the gender diversity across the leadership of the Company, predominately focusing on attracting and retaining female leaders.

Female leadership of Australian operations (managers level and above) has increased from 11% in 2015 to 15.4% in 2020, and female representation in the Senior Executive team has increased from 7% in 2015 to 27.3% in 2020. The U.S. business consists of 21% females in Management and 15% in the Senior Executive team.

During the current year, the objective was to develop targets for gender diversity. This was achieved and the 2025 Sustainability Strategy, includes a stretch target to increase female representation in the Executive team to 35%. The Diversity and Inclusion Strategy and implementation plan will ensure achievement of this ambitious target and provide additional diversity targets for other areas of the workforce. Brickworks' Executive leaders are tasked with driving diversity and inclusion and have KPI's directly linked to their annual bonus payments.

Collective Bargaining Agreements

Brickworks Australian operations include 14 non-union enterprise agreements (excluding Auswest Timbers) and six union enterprise agreements. In addition, some sites have individual agreements and a number of sites are covered by the respective modern awards.

During the current year, two non-union site-based enterprise agreements were negotiated and executed, reflecting the strong working

relationship between wages staff and local management teams. Brickworks North America has four non-union plants and seven union plants. During the current year, two union plants collective bargaining agreements were successfully negotiated and executed at Marseilles and Pittsburg.

Percentage of Employees Covered by Collective Bargaining Agreements

Key Employment Data	Australia	North America
Collective Bargaining Agreement	61%	44%
Union Based	38%	100%
Non-Union Based	62%	0%
No Agreement	39%	56%

A number of Fairwork conciliations have resulted in settlements, with no fines or non-monetary sanctions received in the current year.



Austral Bricks Colour Lab
Horsley Park Plant 3, NSW

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Review of Results

Consolidated Income Statement

	2020 \$'000	2019 \$'000
Continuing operations		
Revenue	953,404	918,695
Cost of sales	(680,530)	(623,573)
Gross profit	272,874	295,122
Gain on bargain purchase	3,776	-
Other income	469	111,736
Distribution expenses	(65,485)	(72,189)
Administration expenses	(47,713)	(37,549)
Selling expenses	(101,746)	(89,615)
Impairment of non-current assets	(46,042)	(55,558)
Restructuring costs	(41,536)	(7,886)
Business acquisition costs	(12,792)	(15,072)
Other expenses	(20,327)	(15,814)
Share of net profits of associates and joint ventures	475,639	201,300
Profit from continuing operations before finance cost and income tax	417,117	314,475
Finance costs	(26,452)	(23,883)
Profit from continuing operations before income tax	390,665	290,592
Income tax expense	(75,274)	(93,697)
Profit from continuing operations after tax	315,391	196,895
Discontinued operations		
Loss from discontinued operations, net of income tax benefit	(16,508)	(42,253)
Profit after tax	298,883	154,642
Profit after tax attributable to:		
Shareholders of Brickworks Limited	298,883	154,642
	Cents	Cents
Earnings per share attributable to the shareholders of Brickworks Limited		
Basic (cents per share)	199.4	103.3
Diluted (cents per share)	199.2	103.3
Basic (cents per share) from continuing operations	210.4	131.6
Diluted (cents per share) from continuing operations	210.2	131.6

Consolidated Balance Sheet

	2020 \$000	2019 \$000
Cash and cash equivalents	187,109	74,881
Receivables	129,024	133,319
Inventories	278,148	247,106
Prepayments	8,510	10,588
Contract assets	8,001	12,781
Current income tax asset	26,624	991
Assets classified held for sale	-	15,358
Total current assets	637,416	495,024
Inventories	7,029	7,248
Financial assets at fair value through other comprehensive income	1,792	1,462
Investments accounted for using the equity method	2,244,629	1,813,027
Property, plant and equipment	657,328	597,571
Right-of-use assets	106,216	-
Intangible assets	178,523	178,652
Total non-current assets	3,195,517	2,597,960
TOTAL ASSETS	3,832,933	3,092,984
Payables	128,466	128,276
Derivative financial liabilities	134	644
Current income tax liability	-	68,335
Post-employment liabilities	696	679
Contract liabilities	6,712	7,067
Lease liabilities	29,535	-
Other financial liabilities	1,698	-
Liabilities held for sale	-	3,302
Provisions	65,641	53,495
Total current liabilities	232,882	261,798
Borrowings	638,688	324,241
Derivative financial liabilities	9,633	8,198
Post-employment liabilities	18,606	19,277
Lease liabilities	82,984	-
Other financial liabilities	13,761	-
Provisions	14,881	12,153
Deferred income tax liability	417,487	299,959
Total non-current liability	1,196,040	663,828
TOTAL LIABILITIES	1,428,922	925,626
NET ASSETS	2,404,011	2,167,358
Issued capital	356,015	351,229
Reserves	293,344	283,357
Retained profits	1,754,652	1,532,772
TOTAL EQUITY	2,404,011	2,167,358

Consolidated Statement of Cash Flows

	2020 \$'000	2019 \$'000
Cash flows from operating activities		
Receipts from customers	999,521	944,999
Payments to suppliers and employees	(926,802)	(901,838)
Proceeds from land held for resale	–	41,000
Interest received	404	1,023
Interest and other finance costs paid	(24,509)	(20,050)
Dividends and distributions received	84,764	81,824
Income tax paid	(58,119)	(23,878)
Net cash from operating activities	75,259	123,080
Cash flows from investing activities		
Purchases of property, plant and equipment	(104,161)	(49,099)
Proceeds from sale of property, plant and equipment	9,607	3,055
Purchase of investments in joint ventures	(14,715)	(17,055)
Proceeds from sale or return of investments	35,140	223,014
Proceeds from sale of subsidiary	3,543	–
Purchase of controlled entities, net of cash acquired	(102,027)	(142,804)
Net cash from/(used in) investing activities	(172,613)	17,111
Cash flows from financing activities		
Proceeds from borrowings	439,302	543,642
Repayments of borrowings	(112,001)	(550,371)
Payment of principal portion of lease liabilities	(28,175)	–
Dividends paid	(86,964)	(82,374)
Net cash provided by/(used in) financing activities	212,162	(89,103)
Net increase in cash held	114,808	51,088
Effects of exchange rate changes on cash	(2,580)	2,626
Cash at the beginning of the financial year	74,881	21,167
Cash at the end of the financial year	187,109	74,881

Corporate Information

Registered Office

738–780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Website: www.brickworks.com.au
Email: info@brickworks.com.au

Auditors

EY

Bankers

National Australia Bank

Share Register

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne Victoria 3001
Telephone: 1300 855 080 (within Australia)
+61 3 9415 4000 (International)

Principal Administrative Office

738–780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Email: info@brickworks.com.au

Important Dates

2020 annual result released	24 September 2020
Record date for final ordinary dividend	15 October 2020
Annual General Meeting	24 November 2020
Payment date for final ordinary dividend	25 November 2020
2021 half-year end	31 January 2021
2021 half-year result announced	25 March 2021
Record date for interim ordinary dividend	13 April 2021
Payment date for interim ordinary dividend	4 May 2021
2021 financial year end	31 July 2021
2021 annual result released	23 September 2021

The above dates are indicative only and are subject to change

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