NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brickworks Limited is a listed public company, incorporated and domiciled in Australia. These accounts were authorised for issue in accordance with a resolution of the directors on 24 September 2009.

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

(a) Basis of preparation and Statement of compliance

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

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

(b) Principles of consolidation

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

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

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

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

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

(c) Revenue

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

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

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

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

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

Rental revenue is recognised on an accruals basis.

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

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

(d) Finance costs

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

(e) Income tax

Current tax

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

NOTE 1: BASIS OF PREPARATION (cont.)

(e) Income tax (cont.)

Deferred tax

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

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

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

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

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

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

Tax consolidation

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

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

(f) Earnings per share

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

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

g) Cash and cash equivalents

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

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

Cash and cash equivalents are stated at nominal value.

(h) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. A provision for doubtful debts is established when there is existence of objective evidence that the Group may not be able to collect the debts. Bad debts are written off against the provision for doubtful debts as incurred, when there is objective evidence that the Group will not be able to recover the debt. Objective evidence of an impairment loss can include when a debtor is unable to be physically located, or when a report from a liquidator or administrator of a debtor indicates that recovery of any amounts outstanding is unlikely.

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

(i) Inventories

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

NOTE 1: BASIS OF PREPARATION (cont.)

(j) Land held for resale

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

(k) Property, plant and equipment

Land is carried at cost less any impairment losses.

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

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

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

Depreciation

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

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

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

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

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

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

(l) Leases

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

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

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

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

(m) Financial assets

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

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

Financial assets at fair value through profit and loss (held for trading)

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

Held-to-maturity investments

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

NOTE 1: BASIS OF PREPARATION (cont.)

(m) **Financial assets (cont.)**

Available-for-sale financial assets

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

The fair value of financial instruments traded in active markets is based on quoted market bid prices at the balance sheet date. Where shares are held in listed entities that are not actively traded on the market, quoted marked bid prices are used as the best information on the amount obtainable from an arms length transaction.

Loans and Receivables

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

Derecognition

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

Impairment

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

(n) **Investments in associates**

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

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

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

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

(o) **Investments in joint ventures**

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

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

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

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

(p) **Investment property**

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

(q) **Intangibles**

Goodwill

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

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

NOTE 1: BASIS OF PREPARATION (cont.)

(q) Intangibles (cont.)

Log licences

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

Brand names

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

(r) Acquisition of assets

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

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

(s) Impairment of assets

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

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

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

(t) Payables

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

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

(u) Provisions

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

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

(v) Employee benefits

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

Share-based payments

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

(w) Restoration and rehabilitation

The landfill opportunities created through the extraction of clay and shale is considered to be a valuable future resource. No provision is made for future rehabilitation costs when the rehabilitation process is expected to be cash flow positive.

NOTE 1: BASIS OF PREPARATION (cont.)

(w) Restoration and rehabilitation (cont.)

Where the relevant site is identified as being unable to be used for landfill purposes once the clay and shale reserves are exhausted, a provision is generated. This provision is raised based on the expected net present value of future cash flows associated with the total rehabilitation cost of the site, and charged to expenses on a tonnes extracted basis.

(x) Interest bearing liabilities

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

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

(y) Financial instruments issued by the Company

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

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

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

(z) Derivatives

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

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

Fair value hedge

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

Cash flow hedge

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

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

Derivatives that do not qualify for hedge accounting

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

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

(aa) Derecognition of financial liabilities

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

(ab) Government grants

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

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

(ac) Reserved shares

Own equity instruments which are acquired for later payment as employee share-based payment awards are deducted from equity. These shares are held in trust by the trustee of the Brickworks Deferred Employee Share Plan and vest in accordance with the conditions attached to the granting of the shares, as outlined in the Remuneration Report.

NOTE 1: BASIS OF PREPARATION (cont.)

(ac) Reserved shares (cont.)

The fair value of the shares (market value at purchase date) is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares. No gain or loss is recognised in profit or loss on the purchase, sale or issue of the Group's own equity instruments.

(ad) Goods and Services Tax (GST)

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

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

(ae) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

(af) Significant accounting estimates and assumptions

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

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

(ag) Accounting standards issued but not yet effective

Australian accounting standards that have been issued but have not been adopted for the financial year ended 31 July 2009 are as follows:

Amendments to financial statements – AASB 2007-3, 2007-6, 2007-8, 2007-10, 2008-1, 2008-2, 2008-3, 2008-5, 2008-6, 2008-7, 2008-8, 2009-2, 2009-4, 2009-5, 2009-7
AASB 3 (Revised): Business Combinations;
AASB 8: Operating Segments;
AASB 101(Revised): Presentation of Financial Statements;
AASB 123 (Revised): Borrowing Costs;
AASB 127 (Revised): Consolidated and Separate Financial Statements;
AASB Interpretation 15: Agreements for the Construction of Real Estate; and
AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation;
AASB Interpretation 17: Distributions of Non-cash Assets to Owners
AASB Interpretation 18: Transfers of Assets from Customers

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

The directors recognise that under some of these new or amended standards and interpretations there may be changes to accounting policies prospectively from the point of adoption, however the impact of these changes on the financial statements of the Group have not yet been determined.

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08
	$000	$000	$000	$000
NOTE 2: REVENUE				
Trading revenue				
Sale of goods	490,577	518,777	-	-
Sale of current investments	-	39	-	-
Sale of land held for resale	99,099	25,579	-	-
	589,676	544,395	-	-
Other operating revenue				
Interest received:				
- other corporations	2,240	3,771	1,260	625
Dividends received:				
- wholly owned subsidiaries	-	-	100,000	-
- associated companies	-	-	33,252	32,602
- other corporations	16	1	14	-
Rental revenue	830	729	-	-
Government grant revenue	-	240	-	-
Other	749	4,580	-	-
Total operating revenue	593,511	553,716	134,526	33,227
Other income				
Net gain on sale of:				
- property, plant and equipment	1,671	34,329	-	-
Other items	134	-	-	-
Total other income	1,805	34,329	-	-
NOTE 3: EXPENSES				
(a) Specific expense disclosures				
Depreciation and amortisation				
- Buildings	3,242	3,412	-	-
- Leasehold improvements	44	117	-	-
- Plant and equipment	24,078	26,487	-	-
Total depreciation	27,364	30,016	-	-
- Intangible assets	292	287	-	-
Total amortisation	292	287	-	-
Total depreciation and amortisation expense	27,656	30,303	-	-
Finance costs - other corporations	32,563	25,814	32,441	25,811
Finance costs - PAVERS interest	3,650	10,832	3,650	10,832
Finance costs - PAVERS amortisation	135	640	135	640
Total finance costs expensed	36,348	37,286	36,226	37,283
Finance costs capitalised	1,122	2,001	1,122	-
Total finance costs	37,470	39,287	37,348	37,283
Rental expense on operating leases				
- Minimum lease payments	8,782	2,331	-	-
Unrealised loss / (gain) on carrying value of held for trading financial assets	(7)	33	-	-

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000

NOTE 3: EXPENSES (cont.)

(a) Specific expense disclosures (cont.)

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
Employee benefit expense		107,317	138,461	-	-
Defined contribution superannuation expense		7,213	7,940	-	-
Research and development expenditure		2,419	1,074	-	-
Bad and doubtful debts - trade debtors		1,417	1,554	-	-
Write down of inventories to net realisable value		8,611	985	-	-

(b) Significant Revenues and Expenses

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

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
Profit from sale of land held for resale		24,129	9,136	-	-
Development profits from joint ventures		3,501	15,368	-	-
Fair value adjustment on completion of developments		7,277	23,137	-	-
Fair value adjustment of properties		(32,244)	7,685	-	-
Property Trust rental profits		8,108	1,607	-	-
Total profits from Property Trusts	27	(13,358)	47,797	-	-
Share of associates profit from discontinued operations		(248)	(5,652)	-	-

(c) Non-regular items

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
Significant one-off transactions of associate (Washington H. Soul Pattinson & Co Ltd) [(1)]		392,882	(9,563)	-	-
Write down of assets to recoverable value					
- Property, plant & equipment [(2)]		(43,779)	-	-	-
- Investment property [(1)]		(24,716)	-	-	-
- Investment in associate (BKI) [(2)]		(13,674)	-	(10,808)	-
- Building products inventory [(3)]		(8,171)	-	-	-
Remediation provision recognised [(2)]		(12,039)	-	-	-
Borrowing costs [(4)]		(3,036)	-	(3,036)	-
Other non-regular items [(2)]		(3,489)	-	-	-
		283,978	(9,563)	(13,844)	-

(1) Disclosed in "Share of net profits of associates" line on Income Statement
(2) Disclosed in "Other expenses" line on Income Statement
(3) Disclosed in "Cost of Sales" line on Income Statement
(4) Disclosed in "Finance costs" line on Income Statement

NOTE 4: INCOME TAX EXPENSE

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
(a) Current Tax		18,360	32,429	(3,252)	(8,138)
Deferred Tax		108,403	795	(10,813)	87
Under / (over) provided in prior years		(15,493)	(3,489)	12	(3,622)
		111,270	29,735	(14,053)	(11,673)

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08
	$000	$000	$000	$000
NOTE 4: INCOME TAX EXPENSE (cont.)				
(b) Reconciliation of income tax expense to prima facie tax payable				
Prima facie tax payable on profit / (loss) before income tax at 30%	124,946	39,364	26,247	(1,214)
Adjust for tax effect of:				
difference in foreign tax rates	(34)	2	-	-
non-allowable PAVERS dividend	1,095	3,250	1,095	3,250
rebateable dividends	(9,976)	(9,781)	(39,975)	(9,781)
capital losses recognised during year	(1,432)	-	(1,432)	-
deferred tax items derecognised	9,182	-	-	-
share of net profits of associates	(6,136)	(1,010)	-	-
other non-allowable items	740	375	-	(306)
overprovision for income tax in prior year	(7,115)	(2,465)	12	(3,622)
Income tax expense / (benefit) attributable to profit / (loss)	111,270	29,735	(14,053)	(11,673)
(c) Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss				
Current tax - debited / (credited) directly to equity	-	(209)	-	-
Deferred tax - debited / (credited) directly to equity	(2,002)	(8,510)	(146)	(362)
	(2,002)	(8,719)	(146)	(362)

NOTE 5: AUDITORS' REMUNERATION

Auditor of the parent entity				
Audit of the financial report	471	380	471	369
Other regulatory audits	5	4	3	4
Other assurance services	139	85	139	85
	615	469	613	458

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

NOTE 6: DIVIDENDS

Final ordinary dividend (prior year) of 26.5 cents per share paid 10/12/08 (2007 - 26.0c paid 3/12/07)	35,212	34,500	35,212	34,500
Interim ordinary dividend of 12.5 cents per share paid 19/05/09 (2008 - 12.5c paid 12/05/08)	16,609	16,587	16,609	16,587
Group's share of dividend received by associated company	(10,970)	(10,830)	-	-
	40,851	40,257	51,821	51,087
Proposed final ordinary dividend of 26.5 cents per share not recognised as a liability at year end (2008 26.5c)	35,211	35,163	35,211	35,163

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

Balance of franking account at year end adjusted for franking credits arising from payment of income tax payable and dividends recognised as receivables	152,663	162,978	152,663	162,978
Impact on franking account balance of dividends not recognised	(15,090)	(15,070)	(15,090)	(15,070)

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

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08
	$000	$000	$000	$000

NOTE 7: EARNINGS PER SHARE

	31 JULY 09	31 JULY 08
(a) Reconciliation of earnings		
Net profit	305,215	101,478
Earnings used in the calculation of basic EPS	305,215	101,478
add: redeemable preference share interest	3,785	11,472
Earnings used in the calculation of diluted EPS	309,000	112,950
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	132,828,686	132,692,188
Number of potential ordinary shares from convertible redeemable preference shares (PAVERS) on issue	4,448,219	14,850,000
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	137,276,905	147,542,188
	cents	cents
Basic earnings per share	229.8	76.5
Diluted earnings per share	225.1	76.5

Diluted earnings per share is equal to basic earnings per share in 2008 as the effect of conversion of the redeemable preference shares (PAVERS) is accretive (ie EPS positive).

NOTE: There were no dilutive shares on issue at 31 July 2009 as PAVERS had been repurchased in December 2008 (refer note 18(d)).

NOTE 8: CASH ASSETS

	$000	$000	$000	$000
Cash on hand	16,633	21,698	78	233
Deposits at call	1,283	16,110	1,283	15,619
	17,916	37,808	1,361	15,852

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

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000

NOTE 9: RECEIVABLES

	NOTE	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08
(a) Current					
Trade receivables		68,344	70,579	-	-
Less: provision for doubtful debts		838	1,645	-	-
		67,506	68,934	-	-
Less: advance payments by customers		1,797	2,363	-	-
Net trade receivables				-	-
Add: other debtors		3,038	16,857	-	-
		68,747	83,428	-	-
(b) Non-Current					
Amount receivable from associated companies		200	200	-	-
Amount receivable from wholly owned subsidiaries	34	-	-	717,708	630,858
		200	200	717,708	630,858
(c) Movement in provision for doubtful debts					
Balance at the beginning of the year		1,645	686	-	-
Additional provisions recognised		1,562	1,632	-	-
Trade debts written off		(2,224)	(595)	-	-
Reversals of provisions not required		(145)	(78)	-	-
Balance at the end of the year		838	1,645	-	-
(d) Receivables past due					
Receivables past due but not impaired					
Past due 0 - 30 days		2,478	2,012	-	-
Past due 30+ days		982	412	-	-
		3,460	2,424	-	-

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

Before allowing new customers to trade on credit terms, an analysis of the potential customers credit quality is performed using external credit reporting agencies and internal reporting, to determine whether an account will be opened and the amount of the limit to be applied to that account. Various levels of management are required to approve progressively higher credit limits, with individual limits exceeding $1 million reported to the Board.

An analysis of trade receivable balances past due is performed constantly throughout the year, and an allowance is made for estimated irrecoverable trade receivables based on historical experience of default, and known information on individual debtors. In many instances security is held over individual debtors in the form of personal guarantees.

All receivables not impaired are expected to be collected in full.

NOTE 10: HELD FOR TRADING FINANCIAL ASSETS

Share trading portfolio at fair value	23	30	-	-

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

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
NOTE 11: OTHER FINANCIAL ASSETS					
Unlisted investments, at cost					
- Shares in controlled entities		-	-	165,438	165,438
Listed investments, at cost					
- Shares in associated companies		-	-	28,260	82,999
		-	-	193,698	248,437
Market values of listed investments					
- Shares in associated companies		-	-	1,124,836	1,134,798
NOTE 12: INVENTORIES					
(a) Current					
Raw materials and stores at cost		27,692	27,822	-	-
Work in progress at cost		8,970	9,855	-	-
Finished goods at cost		109,564	96,236	-	-
		146,226	133,913	-	-
Finished goods at net realisable value		1,066	4,022	-	-
		147,292	137,935	-	-
(b) Non-Current					
Raw materials and stores at cost		8,699	7,230	-	-
NOTE 13: LAND HELD FOR RESALE					
(a) Current		50,461	95,108	-	-
(b) Non-Current		30,722	34,649	-	-

Non-current land held for resale represents portions of properties which have been classified as ready for sale in accordance with the accounting policy note. Exact timing of these sales is unable to be reliably forecast, and the sale of these specific blocks is not expected to occur within the following 12 months from balance date. These properties are disclosed in the Property segment of note 28.

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Investment in associated entities - listed	26	1,004,863	602,619	-	-
Investment in associated entities - unlisted		758	758	-	-
Investment in jointly controlled entities	27	127,959	136,878	-	-
		1,133,580	740,255	-	-
Market value of listed associates		1,124,836	1,134,798	-	-
NOTE 15: PROPERTY, PLANT AND EQUIPMENT					
Land					
Freehold land at cost		149,823	151,777	-	645
Leasehold land at cost		235	235	-	-
		150,058	152,012	-	645
Buildings					
At cost		122,638	139,587	-	-
Accum depreciation and impairment writedowns		40,777	36,730	-	-
		81,861	102,857	-	-

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
NOTE 15: PROPERTY, PLANT AND EQUIPMENT (cont.)					
Plant and equipment					
At cost		374,366	444,210	-	-
Accum depreciation and impairment writedowns		216,678	214,202	-	-
		157,688	230,008	-	-
Add: capital works in progress		10,202	15,326	-	-
Total plant and equipment		167,890	245,334	-	-
		399,809	500,203	-	645

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

Buildings				
Assets subject to write-downs	2,784	-	-	-
Assets not subject to write-downs	79,077	102,857	-	-
	81,861	102,857	-	-
Plant and equipment				
Assets subject to write-downs	7,325	-	-	-
Assets not subject to write-downs	160,565	245,334	-	-
	167,890	245,334	-	-

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

The carrying amount of temporarily idle buildings, plant and equipment at 31 July 2009 was Nil (2008 $4.7 million).

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

Parent Entity

During the 2009 financial year, the sole block of land held by the parent entity valued at $645,000 was transferred to a wholly owned subsidiary at its book value.

Consolidated	**Land $000**	**Buildings $000**	**Plant & Equip. $000**	**Total $000**
At 1 August 2007				
Cost	205,912	130,364	449,924	786,200
Accumulated depreciation	-	(33,517)	(200,724)	(234,241)
Balance at 1 August 2007	205,912	96,847	249,200	551,959
Year ended 31 July 2008				
Additions	7,549	10,725	29,511	47,785
Assets acquired by purchase of subsidiary	3,627	-	9,878	13,505
Assets transferred to inventory	(57,324)	-	(15,634)	(72,958)
Disposals	(7,752)	(1,185)	(1,135)	(10,072)
Depreciation expense	-	(3,530)	(26,486)	(30,016)
Balance at 31 July 2008	152,012	102,857	245,334	500,203
Year ended 31 July 2009				
Additions	-	1,120	16,249	17,369
Assets transferred to inventory	165	(94)	191	262
Disposals	(2,119)	(968)	(43,795)	(46,882)
Impairment losses	-	(17,769)	(26,010)	(43,779)
Depreciation expense	-	(3,285)	(24,079)	(27,364)
Balance at 31 July 2009	150,058	81,861	167,890	399,809

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
NOTE 16: INTANGIBLE ASSETS					
Goodwill					
At cost		265,178	264,535	-	-
Less: impairment write-downs		-	-	-	-
		265,178	264,535	-	-
Timber access rights					
At cost		7,141	7,141	-	-
Less: accumulated amortisation		860	574	-	-
		6,281	6,567	-	-
Other intangibles					
At cost		5,946	5,711	-	-
Less: accumulated amortisation		5,306	5,300	-	-
		640	411	-	-
		272,099	271,513	-	-

(a) Reconciliations

Consolidated	Goodwill $000	Timber access rights $000	Other Intangibles $000	Total $000
At 1 August 2007				
Cost	261,454	7,141	5,300	273,895
Accumulated amortisation and impairment	-	(287)	(5,300)	(5,587)
Balance at 1 August 2007	261,454	6,854	-	268,308
Year ended 31 July 2008				
Additions	3,081	-	411	3,492
Amortisation / impairment charge	-	(287)	-	(287)
Balance at 31 July 2008	264,535	6,567	411	271,513
Year ended 31 July 2009				
Additions	643	-	235	878
Amortisation / impairment charge	-	(286)	(6)	(292)
Balance at 31 July 2009	265,178	6,281	640	272,099

(b) Intangible assets with indefinite useful lives

Timber access rights with a carrying value of $4.8 million (2008 $4.8 million) have been assessed as having an indefinite useful life. The main reason for this assessment is that although licences are subject to periodic renewal, the cost of the licence renewal is not significant compared to the future economic benefits obtainable under the licence, there is a history of renewals which are arranged by management as part of the normal operations of the business, there is a realistic expectation that all conditions for renewal will be successfully achieved, and if the licence was not renewed or substantially varied, the issuing authority would be liable to pay compensation to the Company.

The remaining timber access rights with an initial cost of $2.3 million are amortised over the life of the supply agreement, which was 8 years from acquisition.

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

(c) Impairment of Goodwill

Goodwill has been allocated for impairment testing purposes to the timber products CGU, and to a group of CGU’s comprising the clay and concrete products operations. Combined, these CGUs represent the building products segment. The carrying amount of goodwill allocated to the clay and concrete products group of CGUs is significant, representing $263.3 million of the total balance of $265.2 million.

NOTE 16: INTANGIBLE ASSETS (cont.)

(c) Impairment of Goodwill (cont.)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. These budgets use a combination of historical weighted average growth rates and externally sourced forecast housing approval data to project revenue. Costs are calculated taking into account historical gross margins, known cost increases (such as negotiated age increases) as well as estimated weighted average inflation rates over the period that are consistent with inflation rates applicable to the locations in which the segments operate. Estimates beyond five years are calculated with a growth rate of 2.5% (2008 3.5%). This growth rate is considered reasonable having regard to current inflation rates, and the position in the building materials and construction cycle. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment. For the 2009 financial year the discount rate was 14.36% (2008 12.84%).

Management's assessment of the appropriateness of the carrying value of goodwill is based on key assumptions which may vary. Specifically, these are the discount rate (WACC) and the long term growth rate (LTGR). Given current volatility within financial markets generally, and the state of the Australian building industry, it is difficult to predict how these variables may move. At balance date, if the WACC was to increase by 0.52%, or the LTGR was to reduce by 0.47%, the carrying amount would equal its recoverable value.

		CONSOLIDATED		PARENT ENTITY	
	NOTE	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08
		$000	$000	$000	$000
NOTE 17: PAYABLES					
(a) Current					
Trade payables and accruals		70,655	56,051	688	2,297
Deposits received on land sale agreements		17,600	17,019	-	-
		88,255	73,070	688	2,297
(b) Non-Current					
Deposits received on land sale agreements		-	2,047	-	-
Amounts owing to wholly owned subsidiaries	34	-	-	152,992	511
		-	2,047	152,992	511

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

NOTE 18: INTEREST BEARING LIABILITIES

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
(a) Current					
Commercial bills	29	67,000	98,000	67,000	98,000
Redeemable preference shares		-	164,865	-	164,865
		67,000	262,865	67,000	262,865
(b) Non-current					
Commercial bills	29	333,000	300,000	333,000	300,000

(c) Commercial bills

Commercial bills are drawn under either a 12 month facility expiring in August 2010 or a 3 year facility, expiring in July 2011. The individual bills are drawn for periods of up to three months. Interest is payable based on floating rates determined with reference to the BBSY bid rate at each maturity. The fair value of non-current commercial bills is approximately $303.9 million (2008 $275.2 million). A portion of the borrowings are hedged using a fixed interest rate swap contract, details of which can be found in notes 19 and 29.

(d) Redeemable preference shares (PAVERS)

The PAVERS were bought back from the holders on the reset date of 1 December 2008, at their face value of $100 per PAVERS. The total amount paid to PAVERS holders was $165.0 million.

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
NOTE 19: DERIVATIVE FINANCIAL INSTRUMENTS					
(a) Current					
Interest rate swap contract	29(h)	519	(486)	519	(486)
Forward exchange contracts		(8)	139	-	-
		511	(347)	519	(486)
(b) Non-Current					
Interest rate swap contract	29(h)	517	-	517	-

The interest rate swap is being used to hedge the exposure to changes in the interest rate payable on its commercial bills (refer note 18).

The forward exchange contracts are used to hedge exposure to changes in exchange rates on foreign currency purchases of goods and services.

NOTE 20: PROVISIONS

	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
(a) Current				
Employee benefits	15,565	14,976	-	300
Remediation	1,960	500	-	-
Product claims	478	613	-	-
Workers compensation	5,040	3,899	-	-
Other	2,305	2,107	-	-
	25,348	22,095	-	300
(b) Non-current				
Employee benefits	13,333	12,285	544	544
Remediation	11,726	1,275	-	-
	25,059	13,560	544	544

(c) Reconciliations

Consolidated	**Remediation**	**Product Claims**	**Workers Comp.**	**Other**
Year ended 31 July 2009				
Balance at the beginning of the year	1,775	613	3,899	2,107
Additional provisions recognised	12,041	384	3,517	198
Amounts used	(25)	(225)	(2,024)	-
Reversals of provisions	(105)	(294)	(352)	-
Balance at the end of the year	13,686	478	5,040	2,305
Current	1,960	478	5,040	2,305
Non-current	11,726	-	-	-
	13,686	478	5,040	2,305

(d) Descriptions

Provision for Remediation

A provision has been 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 like, 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. In some cases this may extend decades into the future.

Provision for product claims

A provision has been recognised for estimated claims in respect of products sold. The provision has been based upon product rectification or replacement requests made known to the Group as at the end of the financial year. It is expected that this provision will be satisfied during the next financial year.

NOTE 20: PROVISIONS (cont.)

(d) Descriptions (cont.)

Provision for workers compensation

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

Other provisions

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

NOTE 21: NET DEFERRED TAXES

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09 $000	31 JULY 08 $000	31 JULY 09 $000	31 JULY 08 $000
Net deferred taxes	215,514	109,107	899	11,858
The balance comprises temporary differences attributable to:				
Equity accounted associates	223,710	115,811	-	10,678
Property, plant and equipment	12,704	23,661	-	-
Timber access rights	622	516	-	-
Provisions	(13,776)	(10,942)	(163)	(253)
Deposits received on land sale agreements	(5,107)	(5,684)	-	-
Land held for development and resale	(1,984)	(6,401)	-	-
Equity accounted joint ventures	-	(8,752)	-	-
Other sundry items	(655)	898	1,062	1,433
	215,514	109,107	899	11,858

NOTE 22: CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09 $000	31 JULY 08 $000	31 JULY 09 $000	31 JULY 08 $000
Fully paid ordinary shares	151,095	149,046	151,095	149,046
Reserved shares	(4,574)	(4,154)	(4,574)	(4,154)
	146,521	144,892	146,521	144,892

(a) Ordinary shares

	2009		2008	
	No. of Shares	Value $000	No. of Shares	Value $000
Opening balance	132,692,188	149,046	132,692,188	149,046
Shares issued during the year	179,862	2,049	-	-
Balance at end of year	132,872,050	151,095	132,692,188	149,046

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder’s meetings each share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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

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

NOTE 22: CONTRIBUTED EQUITY (cont.)

(b) Reserved Shares

	2009		2008	
	No. of Shares	Value $000	No. of Shares	Value $000
Opening balance	332,279	4,154	314,961	3,620
add: bonus shares purchased by share plan	211,445	2,374	182,383	2,498
less: bonus shares vested or forfeited during period	(166,689)	(1,954)	(165,065)	(1,964)
Balance at end of period	377,035	4,574	332,279	4,154

Reserved shares are those shares held by the employee share plans that have not vested to the participant at balance date. More information on the employee share plans is contained in note 33 of these financial statements.

NOTE 23: RESERVES

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09 $000	31 JULY 08 $000	31 JULY 09 $000	31 JULY 08 $000
(a) Composition of reserves				
- capital profits	88,102	88,102	84,479	84,479
- cash flow hedge	8	254	-	301
- equity adjustment	(39,964)	(41,067)	-	(146)
- general	36,125	36,125	11,645	11,645
- foreign currency translation	(1,624)	(1,360)	-	-
- associates	270,925	277,496	-	-
	353,572	359,550	96,124	96,279
(b) Reconciliations				
Capital profits reserve				
Balance at beginning of year	88,102	88,102	84,479	84,479
Transfer from / (to) retained earnings	-	-	-	-
Balance at end of year	88,102	88,102	84,479	84,479
Cash flow hedge reserve				
Balance at beginning of year	254	546	301	546
Transfer to balance sheet / income statement	(246)	(384)	(301)	(245)
Transfer from / (to) other reserves	-	92	-	-
Balance at end of year	8	254	-	301
Equity adjustments reserve				
Balance at beginning of year	(41,067)	(49,786)	(146)	(508)
Write back to profit on disposal of investment	(899)	-	-	-
Net adjustment to tax directly through equity	2,002	8,719	146	362
Balance at end of year	(39,964)	(41,067)	-	(146)
General reserve				
Balance at beginning of year	36,125	36,125	11,645	11,645
Transfer from / (to) retained earnings	-	-	-	-
Balance at end of year	36,125	36,125	11,645	11,645
Foreign currency translation reserve				
Balance at beginning of year	(1,360)	155	-	-
Currency translation differences arising during the year	(264)	(1,515)	-	-
Balance at end of year	(1,624)	(1,360)	-	-

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000

NOTE 23: RESERVES (cont.)

(b) Reconciliations (cont.)

Associates reserve					
Balance at beginning of year		277,496	304,852	-	-
Share of associates transfer from / (to) retained earnings		(116)	454	-	-
Write back to profit on disposal of investment		(117)	-	-	-
Transfer from / (to) other reserves		-	(92)	-	-
Share of associates increment / (decrement) in reserve		(6,338)	(27,718)	-	-
Balance at end of year		270,925	277,496	-	-

(c) Descriptions

Capital profits reserve

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

Cash flow hedge reserve

The Cash flow hedge reserve includes the movements in fair values of derivatives.

Equity adjustments reserve

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

General reserve

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

Foreign currency translation reserve

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

Associates reserve

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

NOTE 24: RETAINED PROFITS

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
Retained profits at the beginning of the year		609,027	547,295	60,353	103,816
Net profit after related income tax expense		305,215	101,478	101,545	7,624
Dividends paid	6	(40,851)	(40,257)	(51,821)	(51,087)
Aggregate of amounts transferred to reserves		116	(454)	-	-
Share of associate's increase in equity interests of controlled entities		-	965	-	-
Share of associate's transfer to outside equity interests		(2,152)	-	-	-
Retained profits at the end of the year		871,355	609,027	110,077	60,353

NOTE 25: CASH FLOW INFORMATION

	Note	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
(a) Reconciliation of cash flow from operations to net profit after tax					
Net profit after tax		305,215	101,478	101,545	7,624
Non-cash flows in net profit					
Amortisation of intangible assets		292	287	-	-
Amortisation of borrowing costs		135	640	135	640
Depreciation of non-current assets		27,364	30,016	-	-
Write down of property, plant and equipment to recoverable value		43,779	-	-	-
(Profits) / losses on disposal of property, plant and equipment		(2,131)	(35,029)	-	-
(Profits) / losses on sale of investments		10,808	-	10,808	-
Non cash profit on sale of land held for resale		-	14,728	-	-
Share of profits of associates not received as dividends		(431,937)	(41,131)	-	-
Changes in assets and liabilities net of the effects of purchase of subsidiaries					
(Increase) / decrease in trade and sundry debtors		11,983	(638)	-	94
(Increase) / decrease in inventories		(10,827)	(3,857)	-	-
(Increase) / decrease in land held for resale		48,311	6,360	-	-
(Increase) / decrease in prepayments		567	(1,614)	828	(2,670)
(Increase) / decrease in share trading portfolio		7	58	-	-
(Increase) / decrease in treasury stock		(420)	(534)	(420)	(534)
Increase / (decrease) in creditors and accruals		14,001	(5,823)	(100,387)	(3,194)
Increase / (decrease) in taxes payable		(13,754)	10,446	(16,548)	(30,207)
Increase / (decrease) in other current provisions		3,254	(5,824)	(300)	300
Increase / (decrease) in other non-current provisions		11,499	(1,082)	-	(300)
Increase / (decrease) in other non-current liabilities		-	(240)	-	-
Increase / (decrease) in deferred tax liabilities		113,821	912	(10,813)	448
Net cash flows from / (used in) operating activities		131,967	69,153	(15,152)	(27,799)
(b) Reconciliation of cash					
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:					
Cash	8	17,916	37,808	1,361	15,852
Bank overdraft		-	-	-	-
		17,916	37,808	1,361	15,852

NOTE 26: ASSOCIATED COMPANIES

Information relating to significant associates:

Name	Ownership interest 2009 %	Ownership interest 2008 %	Carrying value 2009 $000	Carrying value 2008 $000	Profit contribution 2009 $000	Profit contribution 2008 $000
Washington H Soul Pattinson & Co Ltd	42.85	42.85	1,004,863	531,520	484,700	22,583
Brickworks Investment Company Ltd	-	17.78	-	71,099	(527)	4,100
			1,004,863	602,619	484,173	26,683

Washington H. Soul Pattinson & Co Ltd (WHSP) is involved in coal, pharmaceutical, telecommunications and investment. WHSP's balance date is 31 July annually. At balance date WHSP owned 49.40% (2008 49.47%) of issued ordinary shares of Brickworks Ltd. WHSP is incorporated in Australia.

Brickworks Investment Co Ltd (BKI) is a listed investment company. It has a reporting date of 30 June, and information for this entity is based on the reported financial information for the year ended 30 June 2009 by that entity. Brickworks Ltd sold its shareholding in BKI on 17 February 2009.

	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000
(a) Summarised share of associates financial information		
Current assets	1,286,293	211,441
Non-current assets	698,833	712,320
	1,985,126	923,761
Current liabilities	361,375	39,933
Non-current liabilities	109,091	86,523
	470,466	126,456
Net assets	1,514,660	797,305
Outside equity interest	507,495	190,757
	1,007,165	606,548
Revenue	332,067	296,081
Profit before income tax	1,142,807	46,447
Income tax expense	(339,278)	(15,919)
Outside equity interest	(316,491)	(3,845)
Profit after income tax	487,038	26,683
(b) Share of associates' expenditure commitments		
Capital commitments	- *	7,415
Lease commitments	- *	31,858
	-	39,273

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

* Note: Associated company (WHSP) figures for 2009 were not publicly available at the time of preparation of this report.

(c) Contingent liabilities of associates		
Share of contingent liabilities incurred jointly with other investors	- *	6,827

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

* Note: Associated company (WHSP) figures for 2009 were not publicly available at the time of preparation of this report.

NOTE 27: JOINTLY CONTROLLED ENTITIES

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

	Ownership interest		Carrying value		Profit contribution	
Name	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	%	**%**	**$000**	**$000**	**$000**	**$000**
BGAI CDC Trust	50.00	50.00	18,440	27,799	(11,297)	13,492
BGAI Erskine Trust	50.00	50.00	47,077	54,347	(5,155)	9,639
BGAI TTP Trust	50.00	50.00	7,684	9,610	(2,358)	1,529
BGAI Capicure Trust	50.00	50.00	4,183	2,462	389	-
BGAI Heritage Trust	50.00	50.00	12,453	10,878	(960)	-
BGAI Oakdale Trust	50.00	50.00	30,978	30,978	-	-
BGAI Wacol Trust	50.00	n/a	6,158	n/a	(1,253)	-
Other jointly controlled entities			986	804	161	723
Fair value adjustments on completion of developments					7,277	23,137
			127,959	136,878	(13,196)	48,520

The principal activity of each of the above JV's is property management and leasing. They all have balance dates of 30 June, as the other partner in the JV has this balance date. Each of the above entities are incorporated in Australia.

The profit contribution includes all fair value adjustments (including impairments) to Investment properties totalling $32.2 million. Refer note 3(b) for more detail on these profits.

	CONSOLIDATED	
	31 JULY 09	**31 JULY 08**
	$000	**$000**
(a) Summarised share of JV's financial information		
Current assets	3,976	2,537
Non-current assets	319,187	316,589
	323,163	319,126
Current liabilities	2,244	23,776
Non-current liabilities	203,246	165,824
	205,490	189,600
Net assets	117,673	129,526
Revenues	4,143	4,143
Profit before income tax	(20,472)	25,383
Income tax expense	-	-
Profit after income tax	(20,472)	25,383
(b) Share of JV's expenditure commitments		
Capital commitments	694	34,353
Lease commitments	-	-
	694	34,353

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

(c) Contingent liabilities of JV's		
Share of contingent liabilities incurred jointly with other investors	-	-

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

NOTE 28: SEGMENT INFORMATION

(a) Business segments

The business segments are the primary reporting segments.

	Building Products		Property		Investments		Consolidated	
	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08
	$000	$000	$000	$000	$000	$000	$000	$000
REVENUE								
Segment revenue from sales to external customers	489,253	519,986	102,982	32,983	1,276	747	593,511	553,716
RESULT								
Segment EBITDA	64,682	83,913	40,639	93,659	95,425	36,928	200,746	214,500
Less depreciation and amortisation	(27,656)	(30,303)	-	-	-	-	(27,656)	(30,303)
Segment EBIT	37,026	53,610	40,639	93,659	95,425	36,928	173,090	184,197
(Less) / add non-regular items	(67,478)	-	(24,716)	-	379,208	(9,563)	287,014	(9,563)
Segment result	(30,452)	53,610	15,923	93,659	474,633	27,365	460,104	174,634
Unallocated expenses								
Finance costs							(36,348)	(37,286)
Other unallocated expenses							(7,271)	(6,135)
Profit before income tax							416,485	131,213
Income tax expense							(111,270)	(29,735)
Profit after income tax							305,215	101,478
ASSETS								
Segment assets	918,135	1,013,636	209,048	279,697	1,006,248	618,506	2,133,431	1,911,839
Unallocated assets							1,841	3,156
Total assets							2,135,272	1,914,995
LIABILITIES								
Segment liabilities	117,517	87,093	19,904	20,540	-	-	137,421	107,633
Unallocated liabilities							626,403	693,893
Total liabilities							763,824	801,526
OTHER								
Aggregate share of the profit of investments accounted for using the equity method	164	185	(13,360)	48,335	484,173	26,683	470,977	75,203
Aggregate carrying amount of investments accounted for using the equity method	1,744	1,562	126,973	136,074	1,004,863	602,619	1,133,580	740,255
Acquisition of non-current segment assets	18,012	64,373	1,920	2,166	-	-	19,932	66,539
Non-cash expenses other than depreciation & amortisation	90,447	17,733	-	-	-	-	90,447	17,733

NOTE 28: SEGMENT INFORMATION (cont.)

(a) Business Segments (cont.)

The economic entity has the following three business segments:

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

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

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

Geographical Segments

The Group has one geographical business segment, Australia, with some product manufactured by the clay products division exported to countries within South-East Asia and New Zealand. Total revenue from sales outside of Australia in the 12 months ended 31 July 2009 was $10.7 million (2008 $17.1 million).

NOTE 29: FINANCIAL INSTRUMENTS

(a) Capital Management

The Brickworks Group manages its capital to ensure that all entities in the Group can continue as going concerns, while striving to maximise returns to shareholders through an appropriate balance of net debt and total equity. The balance of capital can be influenced by the level of dividends paid, the issuance of new shares, returns of capital to shareholders, or adjustments in the level of borrowings through the acquisition or sale of assets.

Brickworks capital structure is regularly measured using the gearing ratio, calculated as net debt divided by (net debt plus total equity). Net debt is calculated as total borrowings (note 18) less cash and cash equivalents (note 8), and total equity of the parent entity includes issued capital (note 22), reserves (note 23) and retained earnings (note 24).

The Group's strategy during the year was to maintain the gearing ratio (at the consolidated level) within a target range of 20% to 45%. These targets are the same as in prior years.

	CONSOLIDATED	
	31 JULY 09	**31 JULY 08**
	$000	**$000**
Gearing ration calculation		
Net debt	382,084	525,057
Total equity	1,371,448	1,113,469
Gearing Ratio	21.8%	32.0%

The group is not subject to any externally imposed capital requirements.

(b) Financial Risk Management

The Group's activities expose it to a variety of financial risks, primarily to the risk of changes in interest rates, but also, to a lesser extent, credit risk of third parties with which the group trades and fluctuations in foreign currency exchange rates. The Group's overall risk management program seeks to minimise any significant potential adverse effects on the financial performance of the Group. Where approved by the Board, certain derivative financial instruments such as interest rate swaps or foreign exchange contracts may be used to hedge certain risk exposures. The Brickworks Group derivative policy prohibits the use of derivative financial instruments for speculative purposes.

(c) Terms, conditions and accounting policies

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

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000

NOTE 29: FINANCIAL INSTRUMENTS (cont.)

(d) Financial assets and liabilities by category

Details of financial assets and liabilities as contained in the annual report are as follows:

	NOTE	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
Financial Assets					
Cash and cash equivalents	8	17,916	37,808	1,361	15,852
Loans and receivables - current	9(a)	68,747	83,428	-	-
Loans and receivables - non-current	9(b)	200	200	717,708	630,858
Total Loans and receivables		68,947	83,628	717,708	630,858
Held for trading assets at fair value through profit and loss	10	23	30	-	-
Other financial assets	11	-	-	193,698	248,437
Derivative financial assets	19	1,028	(347)	1,036	(486)
Total financial assets		87,914	121,119	913,803	894,661
Financial Liabilities					
Other financial liabilities					
Payables - current	17(a)	88,255	73,070	688	2,297
Payables - non-current	17(b)	-	2,047	152,992	511
Interest bearing liabilities - current	18(a)	67,000	262,865	67,000	262,865
Interest bearing liabilities - non-current	18(b)	333,000	300,000	333,000	300,000
Total other financial liabilities		488,255	637,982	553,680	565,673
Total financial liabilities		488,255	637,982	553,680	565,673

Fair values of financial assets and liabilities are disclosed in the notes to the accounts where those items are listed.

(e) 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 balance sheet and notes to the financial statements. The Brickworks Group debtors are based in the building and construction industry, however the Group minimises its concentration of credit risk by undertaking transactions with a large number of customers. The Group ensures there is not a material credit risk exposure to any single debtor.

The Group holds no significant collateral as security, and there are no other 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.

(f) Liquidity risk

The Brickworks 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.

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

	CONSOLIDATED 31 JULY 09 $000	CONSOLIDATED 31 JULY 08 $000	PARENT ENTITY 31 JULY 09 $000	PARENT ENTITY 31 JULY 08 $000
Unused credit facilities				
Credit facilities	483,000	600,000	483,000	600,000
Amount utilised	400,000	398,000	400,000	398.000
Unused credit facility	83,000	202,000	83,000	202,000

The Group has a $483.0 million (2008 $600.0 million) unsecured variable interest rate facility in place with a syndicate of Australian and overseas banks. The facility is made up of three tranches: a $150.0 million 364 day revolving tranche (classified as current on the balance sheet); a $300.0 million term tranche (fully drawn) which expires in July 2011; and a $33.0 million tranche (fully drawn) which expires in July 2011 (2008 $150.0 million expiring July 2009 not drawn). The $300.0 million tranche and $33.0 million tranche are both classified as non-current on the balance sheet.

NOTE 29: FINANCIAL INSTRUMENTS (cont.)

(f) Liquidity risk (cont.)

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. Accordingly, the tranche expiry in July 2011 is classified as non-current in the balance sheet.

An analysis of the maturity profiles of the Group's undiscounted financial liabilities, based on contractual maturity and obligated payments, is as follows:

		CONSOLIDATED		PARENT ENTITY	
	NOTE	31 JULY 09 $000	31 JULY 08 $000	31 JULY 09 $000	31 JULY 08 $000
Liquidity risk maturity analysis					
1 year or less					
Trade and other payables	17(a)	88,255	73,070	688	2,297
Commercial bills	18(a)	69,131	105,605	69,131	105,605
Redeemable preference shares	18(a)	-	170,461	-	170,461
Total 1 year or less		157,386	349,136	69,819	278,363
1 to 5 years					
Trade and other payables	17(b)	-	2,047	152,992	511
Commercial bills	18(b)	354,179	369,840	354,179	369,840
Total 1 to 5 years		354,179	371,887	507,171	370,351

(g) Currency risk

The Brickworks group does not have any material exposure to unhedged foreign currency receivables. Export sales are all made through Australian agents or direct to overseas customers using Australian Dollars or letters of credit denominated in Australian Dollars. The trading of the Group's foreign subsidiary, 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 the NZD would not have a material impact on either profit after tax or equity of the Brickworks group.

The group has a limited exposure to foreign currency fluctuations due to its importation of goods. The main exposure is to US dollars (USD). 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 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 would not have a material impact on either profit after tax or equity of the Brickworks group.

(h) Interest rate risk

Brickworks' significant interest rate risk arises from fluctuations in the BBSY bid rate relating to Brickworks long and short term borrowings. Primarily, the exposure to interest rate risk is on the variable interest rate facility referred to in note 29 (f) above.

The Brickworks Group manages its exposure to interest rate risk within the Group's derivative policy. The Group uses interest rate derivatives, where appropriate, to eliminate some of the risk of movements in interest rates on borrowings, and increase certainty around the cost of borrowed funds. The policy has target ranges for fixed interest rate borrowings.

At balance date, approximately 12.5% ($50.0 million) of Brickworks total bank borrowings was at risk from fluctuations in interest rates (2008 84.9%, $338.0 million).

The Brickworks group variable interest rate facility currently drawn to $400.0 million (2008 $398.0 million) is a floating rate facility determined with reference to the BBSY bid rate at each bill maturity date. The effective weighted interest rate current on the bills borrowed under this facility at balance date is 4.66% (2008 7.71%).

At 31 July 2009, if interest rates had been +/- 1% per annum throughout the year, with all other variables being held constant, the operating profit after income tax for the year would have been $2.4 million higher or lower respectively (2008 $3.1 million higher / lower). There would not have been any other significant impacts on equity. As all borrowings in the Group are held by the Parent Entity, the impact would be the same for Brickworks Ltd as for the Group.

Cash flow hedge

The Brickworks group has entered into interest rate swaps contracts which allow the Group to raise borrowings at floating rates and effectively swap them into a fixed rate (average rate 4.54%, 2008 6.16%). The contracts require settlement of net interest receivable or payable usually around 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying long term debt and are brought to account as an adjustment to borrowing costs.

NOTE 29: FINANCIAL INSTRUMENTS (cont.)

(h) Interest rate risk (cont.)

The notional principal amounts reduce from $350.0 million over the next five years (2008 $60.0 million over one year) as detailed below:

Settlement	2009 Avg %	2008 Avg %	2009 $000	2008 $000
Less than 1 year	4.54	6.16	75,000	60,000
1 to 3 years	5.28	-	175,000	-
3 to 5 years	5.20	-	50,000	-
Over 5 years	6.10	-	50,000	-
Total notional principal at balance date			350,000	60,000

The hedge at 31 July 2008 was designated as an effective cash flow hedge, and as a result the fair value of the hedge was recognised directly in equity through the cash flow hedge reserve. The hedges in place at 31 July 2009 are not hedge accounted, and the fair value of the hedges is recognised in profit.

Financial Assets

Interest rates on money market instruments (deposits) vary with current short term bank bill rate movements. At balance date, the effective weighted interest rates on these financial assets was 2.77% (2008 7.08%).

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

(i) Other price risk

The Brickworks group does not have material direct exposure to equity price risk, as the value of the share trading portfolio is insignificant, and hence any fluctuation in equity prices would not be material to either profit after tax or equity of the Brickworks group.

Brickworks has significant indirect exposure to equity price risk through its investment in WHSP. Although 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 Brickworks 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 2009.

NOTE 30: CONTROLLED ENTITIES

(a) List of significant controlled entities

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

Controlled entities incorporated in Australia	ABN / ACN	Parent Entity's Interest 2009 %	2008 %
A.C.N. 125 934 938 Pty Ltd	81 125 934 938	100.0	100.0
A.C.N. 125 934 947 Pty Ltd	83 125 934 947	100.0	100.0
Austral Bricks (NSW) Pty Ltd	60 125 934 849	100.0	100.0
Austral Bricks (QLD) Pty Ltd	62 125 934 858	100.0	100.0
Austral Bricks (SA) Pty Ltd	66 125 934 876	100.0	100.0
Austral Bricks (Tasmania) Pty Ltd	14 009 501 053	100.0	100.0
Austral Bricks (VIC) Pty Ltd	64 125 934 867	100.0	100.0
Austral Bricks (WA) Pty Ltd	34 079 711 603	100.0	100.0
Austral Bricks Holdings Pty Ltd	55 120 364 365	100.0	100.0
Austral Masonry (QLD) Pty Ltd	30 000 646 695	100.0	100.0
Auswest Timbers (ACT) Pty Ltd	34 087 808 811	100.0	100.0
Auswest Timbers Finance Pty Ltd	53 108 239 925	100.0	100.0
Auswest Timbers Holdings Pty Ltd	51 120 364 347	100.0	100.0
Auswest Timbers Pty Ltd	28 071 093 591	100.0	100.0
Bowral Brickworks Pty Ltd	39 000 165 579	100.0	100.0
Brickworks Building Products Pty Ltd	63 119 059 513	100.0	100.0
Brickworks Building Products (NZ) Pty Ltd	64 076 976 880	100.0	100.0
Brickworks Head Holding Co Pty Ltd	95 120 360 036	100.0	100.0
Brickworks Industrial Developments Pty Ltd	47 120 364 329	100.0	100.0
Brickworks Properties Pty Ltd	12 094 905 996	100.0	100.0
Brickworks Sub Holding Co No. 1 Pty Ltd	89 120 360 009	100.0	100.0
Brickworks Sub Holding Co No. 2 Pty Ltd	61 120 364 392	100.0	100.0
Brickworks Sub Holding Co No. 3 Pty Ltd	59 120 364 383	100.0	100.0

NOTE 30: CONTROLLED ENTITIES (cont.)

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

Controlled entities incorporated in Australia	ABN / ACN	Parent Entity's Interest 2009 %	2008 %
Brickworks Sub Holding Co No. 4 Pty Ltd	57 120 364 374	100.0	100.0
Brickworks Sub Holding Co No. 5 Pty Ltd	16 125 922 821	100.0	100.0
Brickworks Sub Holding Co No. 6 Pty Ltd	18 125 922 830	100.0	100.0
Brickworks Sub Holding Co No. 7 Pty Ltd	97 125 922 849	100.0	100.0
Brickworks Sub Holding Co No. 8 Pty Ltd	99 125 922 858	100.0	100.0
Bristile Guardians Pty Ltd	40 079 711 630	100.0	100.0
Bristile Holdings Pty Ltd	32 008 668 540	100.0	100.0
Bristile Pty Ltd	19 056 541 096	100.0	100.0
Bristile Roofing (East Coast) Pty Ltd	77 090 775 634	100.0	100.0
Bristile Roofing Holdings Pty Ltd	49 120 364 338	100.0	100.0
Christies Sands Pty Ltd	63 007 635 529	100.0	100.0
Clifton Brick (Queanbeyan) Pty Ltd	52 000 602 531	100.0	100.0
Clifton Brick Holdings Pty Ltd	83 004 493 181	100.0	100.0
Clifton Brick Manufacturers Pty Ltd	63 004 529 104	100.0	100.0
Davman Builders Pty Ltd	66 004 434 342	100.0	100.0
Dry Press Publishing Pty Ltd	93 000 002 979	100.0	100.0
Eureka Tiles Australia Pty Ltd	38 000 012 340	100.0	100.0
Eureka Tiles Holdings Pty Ltd	53 120 364 356	100.0	100.0
Eureka Tiles Pty Ltd	82 074 202 592	100.0	100.0
Evans Brothers (Bricks) Pty Ltd	76 004 372 454	100.0	100.0
Evans Brothers Pty Ltd	51 004 096 137	100.0	100.0
Hallett Brick Pty Ltd	20 007 622 317	100.0	100.0
Hallett Roofing Services Pty Ltd	93 007 880 220	100.0	100.0
Horsley Park Holdings Pty Ltd	65 008 392 014	100.0	100.0
Hutton's Bricks (Manufacturers) Pty Ltd	58 009 477 463	100.0	100.0
International Brick & Tile Pty Ltd	31 003 281 123	100.0	100.0
J. Hallett & Son Pty Ltd	40 007 870 779	100.0	100.0
Metropolitan Brick Company Pty Ltd	13 008 666 840	100.0	100.0
N.R.T. Pty Ltd	22 004 047 849	100.0	100.0
Newthorpe Pty Ltd	34 111 744 640	100.0	100.0
Nubrik (NRT) Pty Ltd	18 000 041 485	100.0	100.0
Nubrik Concrete Masonry Pty Ltd	29 004 767 113	100.0	100.0
Nubrik Pty Ltd	59 004 028 559	100.0	100.0
Pilsley Investments Pty Ltd	70 008 768 330	100.0	100.0
Prestige Brick Pty Ltd	24 009 266 273	100.0	100.0
Prestige Equipment Pty Ltd	68 006 727 920	100.0	100.0
Ralph Brittain & Company Pty Ltd	61 009 687 709	100.0	100.0
Southern Bricks Pty Ltd	83 007 749 840	100.0	100.0
Team Securities Pty Ltd	65 005 079 167	100.0	100.0
Terra Timbers Pty Ltd	93 091 183 050	100.0	100.0
The Austral Brick Co Pty Ltd	52 000 005 550	100.0	100.0
The Warren Brick Co Pty Ltd	24 000 006 682	100.0	100.0
Triffid Investments Pty Ltd	41 065 439 045	100.0	100.0
Visigoth Pty Ltd	72 076 286 710	100.0	100.0
Vitclay Pipes Pty Ltd	98 004 209 732	100.0	100.0

NOTE 30: CONTROLLED ENTITIES (cont.)

(b) Controlled entities acquired

There were no entities acquired during the 2009 financial year.

During the year to 31 July 2008 the Brickworks Group acquired the net assets and operations of Bundaberg Clean Sands (November 2007), NQ Blox (January 2008), and Smart State Blocks (July 2008), independent concrete masonry businesses located in Queensland. Details of the net assets acquired under these transactions are set out below.

	2008
	$000
Cost of acquisition	
Cash paid	16,093
Direct costs relating to the acquisition	816
Total payments made on acquisition	16,909
Value of investments surrendered	356
Total cost of acquisition	17,265
Net assets acquired	
Inventory	756
Purchased intangibles	285
Property, plant & equipment	13,505
Goodwill	2,740
Employee entitlements assumed	(21)
Fair value of net assets acquired	17,265
Contribution to net profit before tax for the year ended 31 July 2008	510

(c) Controlled entities disposed of

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

(d) Closed group

A deed of cross-guarantee between Brickworks Ltd and a number of its subsidiaries (the "closed group") was enacted during the 2007 financial year and relief was obtained from preparing a financial report for those subsidiaries under an ASIC instrument of relief under subsection 340(i) of the Corporations Act 2001. Under the deed, Brickworks guarantees to support the liabilities and obligations of those subsidiaries. The controlled entities have also given a similar guarantee. For details of those entities covered under the deed, refer to note 30 (a). The members of the closed group and the parties to the deed of cross guarantee are identical. The following are the aggregate totals, for each category, relieved under the deed.

	CLOSED GROUP	
	31 JULY 09	**31 JULY 08**
	$000	**$000**
CONSOLIDATED INCOME STATEMENT		
Profit before income tax expense	432,872	108,024
Income tax expense	(110,282)	(22,777)
Profit after income tax expense	322,590	85,247
RETAINED PROFITS		
Retained profits at the beginning of the year	598,746	553,245
Profit after income tax expense	322,590	85,247
Dividends paid	(40,850)	(40,257)
Share of associate's increase in equity interests of controlled entities	-	965
Share of associate's transfer to outside equity interests	(2,152)	-
Aggregate of amounts transferred to reserves	116	(454)
Retained profits at the end of the year	878,450	598,746

NOTE 30: CONTROLLED ENTITIES (cont.)

(d) Closed group (cont.)

	CLOSED GROUP	
	31 JULY 09	**31 JULY 08**
	$000	**$000**
CONSOLIDATED BALANCE SHEET		
CURRENT ASSETS		
Cash assets	17,916	37,808
Receivables	66,933	80,781
Held for trading financial assets	23	30
Inventories	142,519	134,573
Land held for resale	50,461	95,108
Prepayments	4,737	4,314
TOTAL CURRENT ASSETS	282,589	352,614
NON-CURRENT ASSETS		
Receivables	150,487	144,425
Other financial assets	10,000	10,000
Inventories	8,699	7,230
Land held for resale	30,722	34,649
Investments accounted for using the equity method	1,006,607	603,412
Property, plant and equipment	386,549	481,945
Intangibles	272,099	271,514
Other	704	1,792
TOTAL NON-CURRENT ASSETS	1,865,867	1,554,967
TOTAL ASSETS	2,148,456	1,907,581
CURRENT LIABILITIES		
Payables	85,848	70,550
Interest-bearing liabilities	67,000	262,865
Derivative financial instruments	511	-
Current tax liabilities	5,728	18,526
Provisions	25,160	21,837
TOTAL CURRENT LIABILITIES	184,247	373,778
NON-CURRENT LIABILITIES		
Payables	-	2,047
Interest-bearing liabilities	333,000	300,000
Derivative financial instruments	517	(347)
Provisions	25,059	13,314
Deferred tax liabilities	225,910	117,656
TOTAL NON-CURRENT LIABILITIES	584,486	432,670
TOTAL LIABILITIES	768,733	806,448
NET ASSETS	1,379,723	1,101,133
EQUITY		
Contributed equity	146,521	144,892
Reserves	354,752	357,495
Retained profits	878,450	598,746
TOTAL EQUITY	1,379,723	1,101,133

NOTE 31: CONTINGENT LIABILITIES

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

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09	31 JULY 08	31 JULY 09	31 JULY 08
	$000	$000	$000	$000
Bank guarantees issued in the ordinary course of business	16,906	16,971	6,834	10,824

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

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

NOTE 32: CAPITAL AND LEASING EXPENDITURE COMMITMENTS

Capital projects contracted for but not provided for at balance date				
Payable not later than one year	5,977	17,043	-	-

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

Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements	67,438	10,780	-	-
Payable				
- not later than one year	14,459	3,095	-	-
- later than one year but not later than five years	30,061	6,273	-	-
- later than five years	22,918	1,412	-	-
	67,438	10,780	-	-

Operating leases are for the rental of land (used for sales and display centres), manufacturing equipment and motor vehicles. The leases are non-cancellable with rent payable monthly in advance.

Leases for properties are on terms of between 3 and 10 years, with renewal options of similar lengths. Some of the operating leases contain contingent rental provisions that state the minimum lease payments shall be increased by the higher of CPI or a given percentage per annum. The highest such percentage increase is 5%.

NOTE 33: EMPLOYEE SHARE PLANS

(a) Salary sacrifice arrangements

Brickworks Ltd has an employee share ownership plan, which allows all employees who have achieved 3 months service with the Group to purchase Brickworks Ltd shares, using their own funds plus a contribution of up to $500 from the Company. Following the changes to the taxing of Employee Share Plans announced in the May 2009 Federal Budget, monthly contributions to the Brickworks Employee Share Plan were suspended. As legislative changes have become more certain, Brickworks is considering the reinstatement of the salary sacrifice portions of the Employee Share Plans. All shares acquired under salary sacrifice arrangements are fully paid ordinary shares, purchased on-market under an independent trust deed.

At 31 July 2009, the Brickworks Employee Share Plans had 474 members taking part who owned a combined 904,945 shares or 0.68% of issued ordinary capital (2008 469 members, 817,744 shares, 0.55%). This represented shares purchased under the salary sacrifice arrangements described above, as well as shares held as part of the Brickworks equity based compensation plans shown below.

NOTE 33 EMPLOYEE SHARE PLANS (cont.)

(b) Equity-based compensation plans

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

	Opening Balance	Granted	Vested	Forfeited / Withdrawn	Closing Balance
Unvested					
Granted Sept 04	16,212	-	(15,747)	(465)	-
Granted Sept 05	56,939	-	(27,483)	(1,864)	27,592
Granted Sept 06	111,235	-	(32,650)	(8,489)	70,096
Granted Sept 07	143,641	-	(34,966)	(3,679)	104,996
Granted Sept 08	-	211,445	(42,170)	(394)	168,881
Total unvested	328,027	211,445	(153,016)	(14,891)	371,565
Vested	263,981	-	153,016	(139,331)	277,666
Total	592,008	211,445	-	(154,222)	649,231

The amount recognised in the Income Statement in relation to equity based compensation arrangements for the year ended 31 July 2009 was $1,953,897 (2008 $1,964,380).

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

The fair value of vested shares held by the share plan at 31 July 2009 was $5,270,350 (2008 $3,141,374), based on the closing share price at 31 July 2009 ($12.85 per share) (2008 $11.90 per share). The fair value of shares granted during the period was $2,423,844 (2008 $2,503,713), based on the price paid for these shares when they were acquired on market.

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

More information regarding the Brickworks Employee Share Plans is outlined in the Remuneration Report included in the Director's Report.

NOTE 34: RELATED PARTIES

(a) Key management personnel shareholdings

Directors

	Held 31 July 2008	Granted as Remuneration	Net change Other	Shares Disposed of	Held 31 July 2009
ORDINARY SHARES					
Mr R. Millner	5,161,520	-	30,000	-	5,191,520
Mr M. Millner	5,136,771	-	30,000	-	5,166,771
Mr L. Partridge	133,126	42,893		(16,000)	160,019
Mr B. Crotty	-	-	5,000	-	5,000
Mr D. Gilham	99,850	-		-	99,850
The Hon. R. Webster	14,713	-		-	14,713
Mr A. Bentley	22,840	-	(22,840) (1)	-	-
Mr T. Fairfax	42,000	-	(42,000) (1)	-	-
PREFERENCE SHARES (2)					
Mr M. Millner	300	-	(300)	-	-
Mr T. Fairfax	174	-	(174) (1)	-	-
Mr D. Gilham	40,000	-	(40,000)	-	-

(1) Derecognition of shareholding on retirement of Director

(2) Preference shares (PAVERS) were bought back by the Company during the year. Refer note 18(d)

NOTE 34 RELATED PARTIES (cont.)

(a) Key management personnel shareholdings (cont.)

Other Key Management Personnel

	Held 31 July 2008	Granted as Remuneration	Net change Other	Shares Disposed of	Held 31 July 2009
ORDINARY SHARES					
Mr A. Payne	122,973	26,739	967	(20,000)	130,679
Ms M. Kublins	51,806	18,001	271	(19,932)	50,146
Mr D. Fitzharris	57,153	6,585	193	-	63,931
Mr P. Scott	51,443	8,781	-	(24,000)	36,224
Mr P. Caughey	18,869	4,390	232	-	23,491
Mr M. Ellenor	14,014	2,195	426	-	16,635
Mr D. Millington	14,369	8,781	5,462	(5,066)	23,546
Mr I. Thompson	7,756	3,073	193	(2,435)	8,587

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

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

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

(b) Summary of key management personnel remuneration

	CONSOLIDATED		PARENT ENTITY	
	31 JULY 09 $000	31 JULY 08 $000	31 JULY 09 $000	31 JULY 08 $000
Short term employee benefits	3,908	4,794	1,999	2,863
Post-employment benefits	298	276	161	168
Other long-term employee benefits	-	-	-	-
Termination benefits	300	246	300	-
Share based payment benefits	1,214	982	681	570
	5,720	6,298	3,141	3,601

(c) Other related party transactions

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

Various intercompany loans are in existence between the Parent entity and some of its wholly owned subsidiaries. The carrying value of these loans in the Parent is identified in note 9 (Receivables) and note 17 (Payables). The loans are unsecured, interest free and have no fixed terms for repayment.

Property transactions with various trusts (listed in note 27) which are jointly owned by the Brickworks Group and Goodman Australia Industrial Fund, an unlisted property trust. The sale of land held for resale by the Brickworks Group to these trusts resulted in revenue of $4.1 million and profit of $3.0 million. All transactions were at arms length values.

Purchase of telecommunications services from SP Telemedia Ltd (SOT), an associated entity of Washington H Soul Pattinson & Co. Ltd, on terms no more favourable than to unrelated parties, totalling $1.2 million (2008 $1.3 million). Mr R.D. Millner is a director of SOT.

Directors and their director-related entities are able, with all staff members, to purchase goods produced by the Brickworks group on terms and conditions no more favourable than those available to other customers.

NOTE 35: EVENTS OCCURING AFTER BALANCE DATE

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