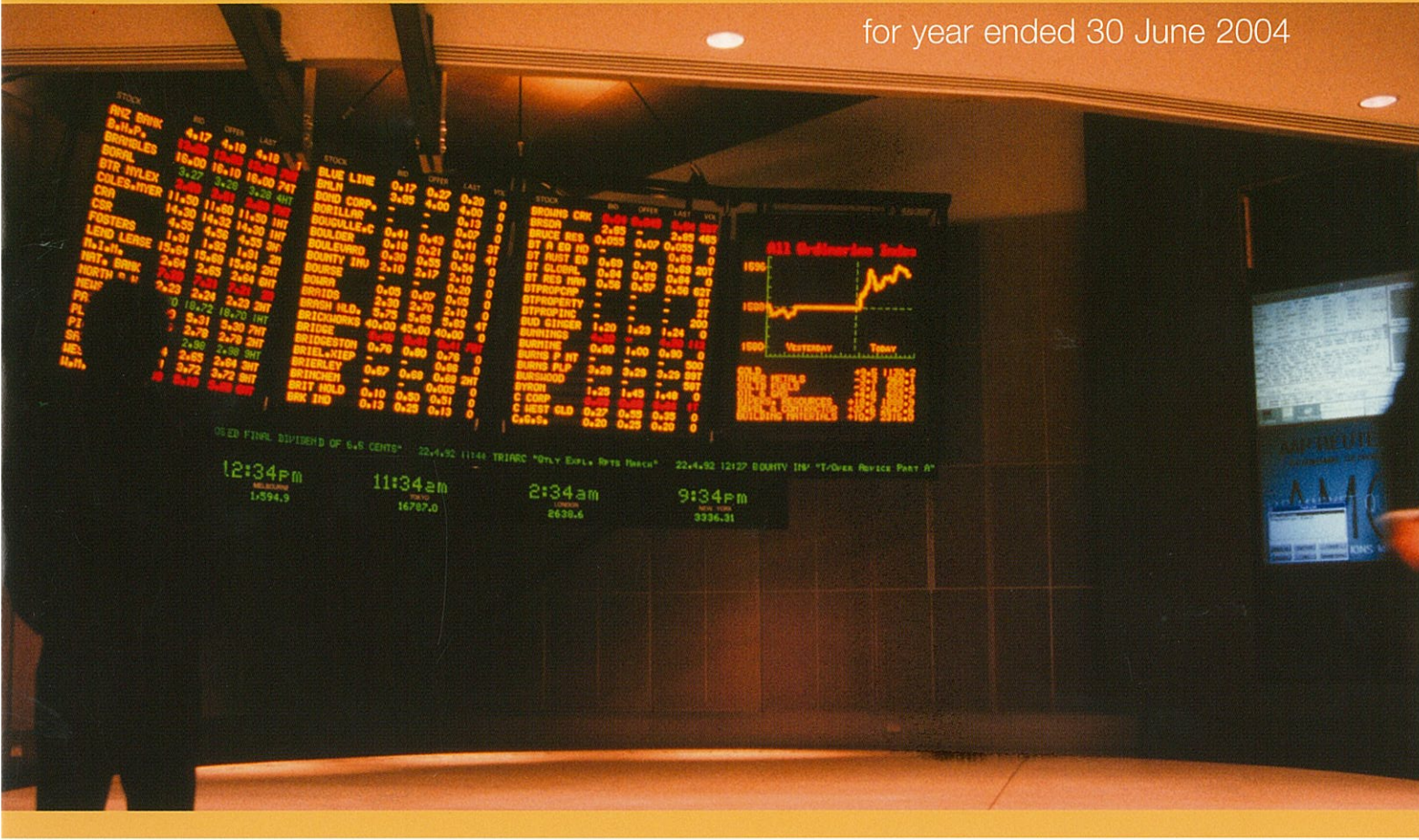


# Annual Report

for year ended 30 June 2004



## BRICKWORKS INVESTMENT COMPANY LIMITED

ABN 23 106 719 868

# BRICKWORKS INVESTMENT COMPANY LIMITED

Incorporated in Victoria  
ABN: 23 106 719 868

## **CORPORATE DIRECTORY**

### **Directors**

Robert Dobson Millner	Non-Executive Director and Chairman
David Capp Hall	Non-Executive Director
Alexander James Payne	Non Executive Director

### **Secretary**

John de Gouveia

### **Registered Office**

Level 2  
160 Pitt Street Mall  
Sydney 2000  
NSW  
Telephone: (02) 9210 7000  
Facsimile: (02) 9210 7099  
Postal Address:  
GPO Box 5015  
Sydney 2001

### **Auditors**

Travis & Travis  
1/114 Longueville Road  
Lane Cove 2066

### **Investment Manager**

Souls Funds Management Limited  
Level 2  
160 Pitt Street Mall  
Sydney 2000

### **Share Registry**

Computershare Investor Services Pty Limited  
60 Carrington Street  
Sydney 2000

### **Australian Stock Exchange Code**

Ordinary Shares                      BKI

## BRICKWORKS INVESTMENT COMPANY LIMITED

Contents	Page No.
Financial Highlights	4
Company Profile	5
Chairman's Address	6
List of Investments at 30 June 2004	7
Directors' Report	10
Corporate Governance	13
Statement of Financial Performance	22
Statement of Financial Position	23
Statement of Cash Flows	24
Notes to the Financial Statements	25
Directors' Declaration	38
Independent Audit Report	39
ASX Additional Information	40

# BRICKWORKS INVESTMENT COMPANY LIMITED

## FINANCIAL HIGHLIGHTS

- Profit after tax of \$3.59 million for the 7 months to 30 June 2004
- Earnings per share for the period of 2.10 cents
- Fully franked final dividend of 2 cents per share
- Net asset backing per share at 30 June 2004 of 105.7 cents per share
- Total portfolio value as at 30 June 2004 of \$183.8 million
- Composition of assets at 30 June 2004 using the Global Industry Classification Standard (GICS)

<u>CLASSIFICATION</u>	<u>% OF TOTAL ASSETS</u>
Banks	46.7
Capital Goods	3.2
Commercial Services and Supplies	1.5
Consumer Durables & Apparel	0.3
Diversified Financials	6.2
Energy	1.3
Food, Beverage & Tobacco	0.6
Food & Staples Retailing	1.8
Health Care Equipment & Services	0.1
Insurance	1.1
Materials	20.4
Media	2.3
Pharmaceuticals & Biotechnology	0.3
Retailing	0.9
Telecommunication Services	3.4
Transportation	1.9
Utilities	<u>1.0</u>
<b>Total Investments</b>	93.0
Bank Deposits	<u>7.0</u>
<b>Total Assets</b>	<u><b>100.0</b></u>

# BRICKWORKS INVESTMENT COMPANY LIMITED

## **COMPANY PROFILE**

Brickworks Investment Company Limited is a Listed Investment Company on the Australian Stock Exchange. The Company invests in a diversified portfolio of Australian shares, trusts and interest bearing securities.

The Company was formed on 17 October 2003 to take over the investment portfolio of Brickworks Limited.

Shares in the Company were listed on the Australian Stock Exchange Limited commencing 12 December 2003.

At 30 June 2004, market capitalisation of the Company was \$167.8 million.

### **Corporate Objectives**

The Company aims to generate an increasing income stream for distribution to its shareholders in the form of franked dividends, to the extent of its available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

### **Investment Strategy**

The Company is a long-term investor in companies, trusts and interest bearing securities with a focus on Australian entities. It primarily seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth.

### **Dividend Policy**

The Company will pay the maximum amount of realised profits after tax to its shareholders in the form of franked dividends to the extent permitted by the Corporations Act, the Income Tax Assessment Act and prudent business practices from profits obtained through interest, dividends and other income it receives from its investments.

Dividends will be declared by the Board of Directors out of realised profit after tax, excluding realised capital profit from any disposals of long-term investments.

### **Portfolio Management**

The Company has appointed Souls Funds Management Limited to act as Portfolio Manager and provide investment advisory services to the Board of Directors and its Investment Committee, including the implementation and execution of investment decisions and the day to day administration of the investment portfolio.

The Company also engages Corporate and Administrative Services Pty Ltd to provide accounting and company secretarial services.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## CHAIRMAN'S ADDRESS

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Dear Shareholders,

I am pleased to enclose the 1<sup>st</sup> Annual Report of Brickworks Investment Company limited for the year ended 30 June 2004.

The Company Listed on the Australian Stock Exchange on 12 December 2003 and from that time until 30 June 2004 it has recorded a net profit after tax of \$ 3.59 million.

The strong performance result achieved by the company was also a feature of the S&P/ASX 200 index, which also reached record levels during the last six months.

During the period since listing on the ASX major investment purchases have included Australian Gas Light Company Limited, Alumina Limited, Alesco Limited (Entitlement Offer), Insurance Australia Group Limited, Graincorp Limited, Rural Press Limited preferred shares and Telstra Corporation Limited. In addition, share options held in Lindsay Australia Limited, New Hope Corporation Limited and SP Telecommunications Limited were exercised and converted to ordinary shares.

Total purchases during the period amounted to \$ 5.7 million against total sales of \$ 6.5 million represented by sales in Ammtec Limited, Crane Group Limited and National Bank of Australia Limited.

The outlook for calendar 2004 and beyond is positive and the directors are confident that the full year reporting season should result in a favourable reporting period with companies at least maintaining their dividends. In addition, Brickworks Investment Company Limited is in a strong financial position with sufficient cash reserves to enable it to continue to look at opportunities should they arise.

### **Earnings per Share, NTA and Dividends**

Earnings per share for the period was 2.10 cents and the Net Tangible Asset Backing (NTA) of the company at 30 June 2004 was 105.7 cents per share.

I am also pleased to report that based on the profits earned by the company during the period, the directors have declared the payment of a fully franked dividend of 2 cents per share which will be paid on 31<sup>st</sup> August 2004.

On behalf of my fellow directors I would like to thank shareholders for their support during the period and the Board, along with its Investment Manager look forward to delivering long term sustainable growth and performance to its shareholders.

Yours sincerely,

**Robert Millner**  
Chairman

**Sydney**  
**2 August 2004**

# BRICKWORKS INVESTMENT COMPANY LIMITED

List of securities held and their market value at 30 June 2004 were:

Stock	No. of Shares Held	Market Value (\$'000)	Portfolio Weight %
<b><u>Banks</u></b>			
Bendigo Bank Limited	349,942	3,296	1.8%
Bank of Queensland Limited	95,382	924	0.5%
Bank of Queensland Limited - REPS	5,000	535	0.3%
Commonwealth Bank	659,024	21,471	11.7%
National Australia Bank Limited	1,573,690	46,959	25.6%
National Income Securities	4,160	423	0.2%
St George Bank Limited	447,750	9,859	5.4%
St George Bank Limited - PRYMES	1,500	162	0.1%
Westpac Banking Corporation	123,872	<u>2,180</u>	<u>1.2%</u>
		<b>85,809</b>	<b>46.7%</b>
<b><u>Capital Goods</u></b>			
Alesco Corporation Limited	258,980	1,709	0.9%
Wesfarmers Limited	139,518	<u>4,102</u>	<u>2.2%</u>
		<b>5,811</b>	<b>3.2%</b>
<b><u>Commercial Services &amp; Supplies</u></b>			
Brambles Industries Limited	222,952	1,338	0.7%
Coates Hire Limited	255,303	863	0.5%
Spotless Group Limited	113,901	<u>538</u>	<u>0.3%</u>
		<b>2,739</b>	<b>1.5%</b>
<b><u>Consumer Durables &amp; Apparel</u></b>			
Gazal Corporation Limited	226,865	<b>599</b>	<b>0.3%</b>
<b><u>Diversified Financials</u></b>			
Choiseul Investments Limited	216,049	4,127	2.2%
Macquarie Bank Limited	109,693	3,716	2.0%
Milton Corp Limited	105,203	1,412	0.8%
Suncorp-Metway Limited	153,028	<u>2,173</u>	<u>1.2%</u>
		<b>11,428</b>	<b>6.2%</b>
<b><u>Energy</u></b>			
Santos Limited	70,000	485	0.3%
Woodside Petroleum Limited	110,000	<u>1,834</u>	<u>1.0%</u>
		<b>2,319</b>	<b>1.3%</b>

# BRICKWORKS INVESTMENT COMPANY LIMITED

List of securities (continued)

Stock	No. of Shares Held	Market Value (\$'000)	Portfolio Weight %
<b><u>Food, Beverages &amp; Tobacco</u></b>			
Graincorp Limited	90,535	<b>1,086</b>	<b>0.6%</b>
<b><u>Food &amp; Staples Retailing</u></b>			
Woolworths Limited	282,700	<b>3,223</b>	<b>1.8%</b>
<b><u>Health Care Equipment &amp; Services</u></b>			
Clover Corporation Limited	858,000	<b>257</b>	<b>0.1%</b>
<b><u>Insurance</u></b>			
Insurance Australia Group Limited	392,200	<b>1,961</b>	<b>1.1%</b>
<b><u>Materials</u></b>			
Alumina Limited	679,013	3,585	2.0%
BHP Billiton Limited	687,836	8,619	4.7%
Bluescope Steel Limited	137,568	927	0.5%
Campbell Bros Limited	198,000	1,307	0.7%
Illuka Resources Limited	140,000	633	0.3%
New Hope Corporation Limited	14,060,452	15,748	8.6%
Onesteel Limited	125,281	312	0.2%
PaperlinX Limited	175,000	849	0.5%
Smorgon Steel Group - Reset Preference	45,926	100	0.1%
Wattyl Limited	673,881	2,244	1.2%
WMC Resources Limited	661,313	<u>3,254</u>	<u>1.8%</u>
		<b>37,578</b>	<b>20.4%</b>
<b><u>Media</u></b>			
Fairfax (John) Holdings Limited	158,549	591	0.3%
Publishing & Broadcasting Limited	115,000	1,478	0.8%
Rural Press Limited	70,000	543	0.3%
Rural Press Limited - Preferred Shares	210,700	<u>1,648</u>	<u>0.9%</u>
		<b>4,260</b>	<b>2.3%</b>
<b><u>Pharmaceuticals &amp; Biotechnology</u></b>			
Australian Pharmaceutical Ind Limited	248,738	<b>639</b>	<b>0.3%</b>



## BRICKWORKS INVESTMENT COMPANY LIMITED

List of securities (continued)

Stock	No. of Shares Held	Market Value (\$'000)	Portfolio Weight %
<b><u>Retailing</u></b>			
Angus & Coote (Holdings) Limited	65,000	543	0.3%
Colorado Group Limited	200,000	<u>1,024</u>	<u>0.6%</u>
		<b>1,567</b>	<b>0.9%</b>
<b><u>Telecommunications Services</u></b>			
SP Telecommunications Limited	2,300,000	3,105	1.7%
SP Telecommunications Limited Rights	1,022,223	255	0.1%
Telstra	586,000	<u>2,948</u>	<u>1.6%</u>
		<b>6,308</b>	<b>3.4%</b>
<b><u>Transportation</u></b>			
Lindsay Australia Limited	1,868,000	588	0.3%
Macquarie Infrastructure Group	761,038	2,511	1.4%
Qantas Airways Limited	112,500	<u>396</u>	<u>0.2%</u>
		<b>3,495</b>	<b>1.9%</b>
<b><u>Utilities</u></b>			
Australian Gas Light Company	156,200	<b>1,895</b>	<b>1.0%</b>
<b>Bank Deposit</b>		<b>12,792</b>	<b>7.0%</b>
<b>TOTAL PORTFOLIO</b>		<b><u>183,766</u></b>	<b><u>100%</u></b>

The Company is not a substantial shareholder in any of the investee corporation in accordance with the Corporations Act 2001, as each equity investment represents less than 5% of issued capital of the investee corporation.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## **DIRECTORS' REPORT**

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The directors of Brickworks Investment Company Limited (the Company) present the following report for the period 17 October 2003 to 30 June 2004.

### **1. Directors**

The following persons were directors of the Company since incorporation and up to the date of this report:

#### **Robert Dobson Millner – Non-Executive Director and Chairman**

Mr Millner has over 20 years experience as a Company Director. Mr Millner is Chairman of Washington H Soul Pattinson and Company Limited and other listed public companies.

#### **David Capp Hall, FCA, FAICD – Independent Non-Executive Director**

Mr Hall is a Chartered Accountant with experience in corporate management and finance. He holds directorships in other companies and is the Chairman of the audit committee.

#### **Alexander James Payne, B.Comm, Dip Cm, FCPA, FCIS, FCIM - Non-Executive Director**

Mr Payne is chief financial officer of Brickworks Limited and has considerable experience in finance and investment.

### **2. Review of the Company's operations and results**

The Company was incorporated on 17 October 2003 with the objective to acquire and manage the investment portfolio of Brickworks Limited. Acquisition of the investment portfolio was complete at the close of business on 8 December 2003

During the period 17 October 2003 to 8 December 2003, the Company did not trade.

Shares in the Company were listed on the Australian Stock Exchange Limited commencing 12 December 2003.

The Company aims to hold long term investment in companies, trusts and interest bearing securities of well managed Australian businesses that would grow in value over time, while at the same time, generating an increasing income stream through dividends, distributions and interest payments.

#### **Portfolio Performance and Results**

The directors are pleased to report a profit after tax for the period of \$3,589,908.

The investment portfolio has also performed well and has increased in value by approximately \$15.1 million since acquired from Brickworks Limited, representing an increase of 9.74% which is comparable with the increase in the All Ordinaries Index of 9.88% during the period.

### **3. Significant changes in the state of affairs**

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Company during the reporting period.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## DIRECTORS' REPORT - Continued

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### **4. Likely Developments and Expected Results**

The operations of the Company will continue with planned investments in Australian equities and fixed interest securities. No information is included on the expected results of those operations and the strategy for particular investments, as it is the opinion of the directors that this information would prejudice the interests of the Company if included in this report.

### **5. Significant Events after Balance Date**

The directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may significantly affect:

- i. the operations of the Company and the entity that it controls
- ii. the results of those operations; or
- iii. the state of affairs of the Company in subsequent years

### **6. Environmental Regulations**

The Company's operations are not materially affected by environment regulations.

### **7. Dividends**

There were no dividend payments for the period ended 30 June 2004.

Since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$3,424,539 (2 cents per share fully franked) to be paid on 31 August 2004 out of retained profits at 30 June 2004.

### **8. Meetings of Directors**

The numbers of meetings of the Company's Board of Directors and each board committee held during the period to 30 June 2004, and the numbers of meetings attended by each Director were:

	Board		Investment		Audit	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	6	6	7	7	1	1
DC Hall	6	6	-	-	1	1
AJ Payne	6	6	7	7	1	1

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## DIRECTORS' REPORT - Continued

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### 9. Directors and other Officers' Emoluments

Payment to non-executive directors is fixed at \$150,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as they may determine.

These fees exclude any additional fee for any service based agreement which may be agreed from time to time, and also excludes statutory superannuation and the reimbursement of out of pocket expenses.

Details of the nature and amount of each Non – Executive Director's emoluments in respect of the period to 30 June 2004 were:

	Primary	Superannuation	Equity Compensation	Other Compensation	Total
	\$	\$	\$	\$	\$
RD Millner	20,000	1,800	-	-	21,800
DC Hall	15,000	1,350	-	-	16,350
AJ Payne	-	13,625	-	-	13,625

There were no retirement allowances provided for the retirement of non-executive directors.

### 10. Beneficial and relevant interest of Directors in Shares of the Company

As at the date of this report, details of Directors who hold shares in the Company for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

	No of Shares
RD Millner	914,000
DC Hall	50,001
AJ Payne	50,001

### 11. Directors and Officers' Indemnity

The Constitution of the Company provides indemnity against liability and legal costs incurred by Director and Officers to the extent permitted by Corporations Act.

During the period to 30 June 2004, the Company has paid premiums in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities.

This report is made in accordance with a resolution of the directors.

**Robert D Millner**  
**Director**

**Sydney**  
**2 August 2004**

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## CORPORATE GOVERNANCE

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Brickworks Investment Company Limited (the Company) was incorporated on 17 October 2003 and since that date the Board are committed to achieving and demonstrating the highest standards of corporate governance. Unless otherwise stated, the Company has followed best practice recommendations set by the ASX Corporate Governance Council during the reporting period

The Board of directors (hereinafter referred to as the Board) is responsible for the corporate governance of the Company and its controlled entities. The directors of the Company and its controlled entities are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The Company's main corporate governance practices in place throughout the year are discussed in this section.

### ***The Board of Directors***

The Board operates in accordance with the broad principles set out in its charter.

### ***Role of the Board***

The responsibilities of the board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business results, business plans, the annual budget and financial plans
- authorising and monitoring the investment portfolio
- ensuring regulatory compliance
- reviewing internal controls
- ensuring adequate risk management processes
- monitoring the Board composition, director selection and Board processes and performance
- overseeing and monitoring:
  - organisational performance and the achievement of the Company's strategic goals and objectives
  - compliance with the Company's code of conduct
- monitoring financial performance including approval of the annual report and half-year financial reports and liaison with the Company's auditors
- appointment and contributing to the performance assessment of the portfolio manager and other external service providers
- enhancing and protecting the reputation of the Company
- reporting to shareholders.

The terms and conditions of appointment and retirement of new directors are set out in a formal letter of appointment that includes:

- term of the appointment
- powers and duties
- determination of remuneration
- dealings in the Company securities including notification requirements
- conflicts of interest and disclosure policies
- indemnity and insurance arrangements
- access to independent professional advice
- review of appointment

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## **CORPORATE GOVERNANCE - Continued**

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### ***Board Composition***

The key elements of the Board composition include:

- ensuring, where practicable to do so, that a majority of the Board are independent directors
- the Board of the Company currently comprises 1 independent non-executive director and 2 non-executive directors
- non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Company is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience
- the Board seeks to ensure that:
  - at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external perspective
  - the size of the Board is conducive to effective discussion and efficient decision making.
- in recognition of the importance placed on the investment experience of the directors and the Board's role in supervising the activities of the portfolio manager, the majority of the Board are not independent directors. Refer discussion detailed under "Directors' Independence" on page 15.

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the directors' report under the heading "Directors".

### ***Term of Office***

The company's Constitution specifies that all directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election in accordance with company's Constitution.

### ***Chairman***

The Chairman is a non-executive director who is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with external service providers.

### ***Board Meetings***

Details of directors' attendance at Board meetings are set out in the Directors' Report on page 11.

The Board meets formally at least 6 times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings.

Meeting agendas are established by the Chairman and Company Secretary to ensure adequate coverage of financial, strategic, compliance and other major areas throughout the year.

Copies of Board papers are circulated in advance of meetings. Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgment to bear on the issues and decisions at hand. The Board highly values its relationship with the portfolio manager which is based on openness and trust.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## CORPORATE GOVERNANCE - Continued

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### ***Performance Assessment***

The Board undertakes an annual self assessment of its collective performance. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. The self assessment:

- compares the performance of the Board with the requirements of its Charter
- sets forth the goals and objectives of the Board for the upcoming year
- effects any improvements to the Board charter deemed necessary or desirable.

The performance evaluation is conducted in such manner as the Board deems appropriate. In addition, each Board committee undertakes an annual self assessment on the performance of the committee and achievement of committee objectives.

The Chairman annually assesses the performance of individual directors and meets privately with each director to discuss this assessment. The Chairman's performance is reviewed by the Board.

### ***Directors' Independence***

Assessing the independence of directors is undertaken in accordance with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003.

When assessing the independence of directors and the Chairman under recommendation 2.1 and 2.1 of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council, both Mr Millner and Mr Payne, although meeting other criteria, and bringing independent judgement to bear on their respective roles, are both not defined as independent directors, primarily due to the fact that both Messrs Millner and Payne are officers of Brickworks Limited, who is a substantial shareholder of the company. The Company has not followed recommendation 2.1 and 2.2 due to the following reasons;

- The Board are of the opinion that all directors exercise and bring to bear an unfettered and independent judgement towards their duties. Brickworks Investment Company Limited listed on the Australian Stock exchange on 12 December 2003 to take over the investment portfolio of Brickworks Limited and the Board is satisfied that both Messrs Millner and Payne play an important role in the continued success and performance of the portfolio.

In relation to director independence, materiality is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.

### ***Avoidance of conflicts of interests of Directors***

In accordance with the Corporations Act 2001 (Cth), any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

### ***Independent Professional Advice***

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## **CORPORATE GOVERNANCE - Continued**

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### ***Corporate Reporting***

The portfolio manager and the administrative and company secretarial service provider, namely Souls Funds Management Ltd and Corporate & Administrative Services Pty Ltd have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and its consolidated entities in accordance with all mandatory professional reporting requirements
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating effectively and efficiently in all material respects.

The Company adopted this reporting structure for the year ended 30 June 2004.

### ***Board Committees***

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the investment committee, nomination committee and the remuneration and audit committees. The committee's structure and membership is reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

### ***Investment Committee***

The Company has established an Investment Committee effective from 12 December 2003.

The investment committee consists of the following members:

**RD Millner (Chairman)**  
**AJ Payne**

Details of these directors' qualifications, experience and attendance at investment committee meetings held during the year are set out in the Directors' Report on page 11.

The main responsibilities of the committee are to:

- assess the information and recommendation received by the portfolio manager regarding the present and future investment needs of the Company
- assess the performance of the portfolio manager
- evaluating investment performance.



# BRICKWORKS INVESTMENT COMPANY LIMITED

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## **CORPORATE GOVERNANCE - Continued**

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### ***Nomination Committee***

The Company has embraced the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 and established a Nominations Committee effective from 12 December 2003.

The nomination committee consists of the following members:

**RD Millner (Chairman)**  
**DC Hall**  
**AJ Payne**

Details of these directors' qualifications, experience and attendance at nomination committee meetings held during the year are set out in the Directors' Report on page 11.

The main responsibilities of the committee are to:

- assess the membership of the Board having regard to present and future needs of the Company
- assess the independence of directors to ensure the majority of the Board are independent directors
- propose candidates for Board vacancies in consideration of qualifications, experience and domicile
- oversee board succession
- evaluating Board performance.

New directors are provided with a letter of appointment setting out their responsibilities, rights and the terms and conditions of their employment.

The nominations committee charter provides guidance for the selection and appointment of new directors.

### ***Audit Committee***

The members of the audit committee at the date of this annual financial report are:

**DC Hall (Chairman)**  
**RD Millner**  
**AJ Payne**

Details of these directors' qualification, experience and attendance at audit committee meetings are set out in the Directors' Report on page 11.

The audit committee operates in accordance with a charter.

The Chairman of the audit committee is an independent, non-executive director. The Chairman of the Audit Committee is also required to have accounting or related financial expertise, which includes past employment, professional qualification or other comparable experience. The other members of the audit committee are all financially literate and have a strong understanding of the industry in which the Company operates.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## CORPORATE GOVERNANCE - Continued

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### ***Audit Committee - continued***

The audit committee's role and responsibilities, composition, structure and membership requirements are documented in an audit committee charter, which has been approved by the Board and is reviewed annually.

The main responsibilities of the committee are to:

- review, assess and approve the annual report, half-year financial report and all other financial information published by the Company or released to the market
- reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance and consider the independence and competence of the external auditor on an ongoing basis. The Audit Committee receives certified independence assurances from the external auditors
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence. The external auditor will not provide services to the Company where the auditor would have a mutual or conflicting interest with the Company; be in a position where they audit their own work; function as management of the Company; or have their independence impaired or perceived to be impaired in any way.
- review and monitor related party transactions and assess their priority
- report to the Board on matters relevant to the committee's role and responsibilities

In accordance with the audit committee charter, the Company requires that the external audit engagement partner and review partner be rotated every five years.

In fulfilling its responsibilities, the audit committee requires the portfolio manager and the administrative and company secretarial service provider, namely Souls Funds Management Ltd and Corporate & Administrative Services Pty Ltd to state in writing to the Board that the Company's financial reports presents a true and fair view, in all material respects, of the Company's and its consolidated entities financial condition, operational results and are in accordance with the relevant accounting standards.

The external auditors, the portfolio manager and the administrative and company secretarial service provider, namely Souls Funds Management Ltd and Corporate & Administrative Services Pty Ltd are invited to attend meetings at the discretion of the audit committee.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## CORPORATE GOVERNANCE - Continued

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### **Remuneration Committee & Policies**

The Company has embraced the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 and established a Remuneration Committee effective from 12 December 2003.

The remuneration committee consists of the following members:

**RD Millner (Chairman)**  
**DC Hall**  
**AJ Payne**

Details of these directors' qualifications, experience and attendance at remuneration committee meetings are set out in the Directors' Report on page 11.

The Remuneration Committee oversees and review remuneration packages and other terms of employment for executive management. In undertaking their roles the Committee members consider reports from external remuneration experts on recent developments on remuneration and related matters.

The Company does not have any employees due to the nature of its business and the use of external service providers. If the use of external service providers was to change in the future, any person engaged in an executive capacity would be required sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities, and any entitlements on termination. In such circumstances, executive remuneration and other terms of employment would also be reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration in such circumstances could be expected to include superannuation, performance-related bonuses and fringe benefits.

Fees for non-executive directors reflect the demands on and responsibilities of our directors. Non-executive directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-executive directors do not receive any options, bonus payments or nor are provided with retirement benefits other than statutory superannuation.

Further information on directors' and executives' remuneration is set out in the directors' report and notes 15 to 18 to the financial statements.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

The remuneration committee operates in accordance with a charter.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## CORPORATE GOVERNANCE - Continued

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### ***Corporate Governance Framework***

The Board is committed to the highest standards of corporate governance, which it requires as fundamental to all its activities.

External service providers are required to provide a Corporate Governance Declaration (the Declaration) to the Board on an annual basis.

External service providers are required to confirm in the annual Statements that to the best of their knowledge and belief and having made appropriate inquiries of their own staff and consultants regarding the Company and its controlled entities (the Group) that, in the interests of directors, shareholders and other key stakeholders the service provider has applied corporate governance practices mandated by the Board at all times.

The Declaration covers the following:

- disclosure of the Groups' operations in the Board meeting papers.
- satisfaction of all matters arising from prior Board meetings
- the maintenance of financial records that correctly record and explain the Group's transactions and financial position and performance to enable true and fair financial statements to be prepared and audited or reviewed in accordance with all applicable Accounting Standards and other mandatory professional reporting requirements
- compliance with statutory and prudential obligations and details of all lodgments in accordance with these obligations
- maintenance of ethical conduct by execution of duties with the utmost integrity, objectivity and professionalism at all times
- notification to the Company Secretary of all purchases and sales of Company securities, directly and indirectly and disclosure in the Board papers.

### ***Risk Management***

The Board is committed to the identification and quantification of risk throughout the Company's operations.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Management of investment risk is fundamental to the business of the Company being an investor in Australian listed securities. Details of investment risk management policies are held by the portfolio manager.

The Board operates to minimise its exposure to investment risk, in part, by the appointment of an external portfolio manager who has proprietary systems, processes and procedures in place to effectively manage investment risk.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## **CORPORATE GOVERNANCE - Continued**

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### ***Code of Conduct***

The company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and external service providers and their employees. The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

### ***Share Trading Policy***

The company has developed a Share Trading Policy which has been fully endorsed by the Board and applies to all directors and employees.

Directors, executives and employees may deal in Company securities, however they may not do so if in possession of information which is price sensitive or likely to be price sensitive to the security's market price. Changes in a Director's interest is required to be advised to the Company within 3 days for notification to the ASX"

### ***Continuous Disclosure and Shareholder Communication***

The Chairman and Company Secretary have been nominated as being person responsible for communications with the Australian Stock Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to ASX. The Chairman is responsible for disclosure to analysts, brokers and shareholders, the media and the public.

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

All information disclosed to the ASX is available on the ASXs website within 24 hours of the release to the ASX. Procedures have been established for reviewing whether price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

All shareholders receive a copy of the Company's full annual report. Shareholders also are updated with the Company's operations via monthly ASX announcements of the net tangible asset (NTA) backing of the portfolio and other disclosure information. All recent ASX announcements and annual reports are available on the ASX website, or alternatively, by request via email, facsimile or post.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD TO 30 JUNE 2004

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	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	10,976	-	479	-
Expenses from ordinary activities	2	<u>(7,366)</u>	-	<u>(649)</u>	-
Profit from ordinary activities before income tax expense		3,610	-	(170)	-
Income tax expense relating to ordinary activities	3	<u>(20)</u>	-	<u>51</u>	-
Operating profit after income tax attributable to members of Brickworks Investment Company Limited	13	3,590	-	(119)	-
Increase in asset revaluation reserve	12	<u>10,784</u>	-	<u>-</u>	-
Total changes in equity other than those resulting from transactions with owners as owners		<u>14,374</u>	-	<u>(119)</u>	-
Basic earnings per share (cents per share)	15	2.10	-		

The accompanying notes form part of these financial statements

# BRICKWORKS INVESTMENT COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>CURRENT ASSETS</b>					
Cash Assets	5	12,792	-	5,835	-
Receivables	6(a)	1,989	-	4,926	-
Prepayments		<u>23</u>	<u>-</u>	<u>23</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>14,804</u></b>	<b><u>-</u></b>	<b><u>10,784</u></b>	<b><u>-</u></b>
<b>NON-CURRENT ASSETS</b>					
Other Financial Assets	7	170,974	-	73,501	-
Receivables	6(b)	-	-	87,000	-
Deferred Tax Assets	8	<u>1,355</u>	<u>-</u>	<u>1,355</u>	<u>-</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>172,329</u></b>	<b><u>-</u></b>	<b><u>161,856</u></b>	<b><u>-</u></b>
<b>TOTAL ASSETS</b>		<b><u>187,133</u></b>	<b><u>-</u></b>	<b><u>172,640</u></b>	<b><u>-</u></b>
<b>CURRENT LIABILITIES</b>					
Payables	9	<u>92</u>	<u>-</u>	<u>92</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>92</u></b>	<b><u>-</u></b>	<b><u>92</u></b>	<b><u>-</u></b>
<b>NON CURRENT LIABILITIES</b>					
Deferred Tax Liabilities	10	<u>4,630</u>	<u>-</u>	<u>4,630</u>	<u>-</u>
<b>TOTAL NON CURRENT LIABILITIES</b>		<b><u>4,630</u></b>	<b><u>-</u></b>	<b><u>4,630</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>4,722</u></b>	<b><u>-</u></b>	<b><u>4,722</u></b>	<b><u>-</u></b>
<b>NET ASSETS</b>		<b><u>182,411</u></b>	<b><u>-</u></b>	<b><u>167,918</u></b>	<b><u>-</u></b>
<b>SHAREHOLDERS' EQUITY</b>					
Contributed Equity	11	168,037	-	168,037	-
Reserves	12	10,784	-	-	-
Retained Profits	13	<u>3,590</u>	<u>-</u>	<u>(119)</u>	<u>-</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>182,411</u></b>	<b><u>-</u></b>	<b><u>167,918</u></b>	<b><u>-</u></b>

The accompanying notes form part of these financial statements

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## STATEMENT OF CASH FLOWS FOR THE PERIOD TO 30 JUNE 2004

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	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(615)	-	(612)	-
Income Tax paid		(12)	-	-	-
Other receipts in the course of operation		20	-	19	-
Dividends received		3,612	-	-	-
Interest Received		<u>597</u>	<u>-</u>	<u>479</u>	<u>-</u>
Net Cash Inflow/(Outflow) from operating activities	14	<u>3,602</u>	<u>-</u>	<u>(114)</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Payment for purchasing subsidiary entity	14	(34,888)	-	(35,000)	-
Payment for investments		(5,746)	-	-	-
Proceeds on sale of investments		<u>6,656</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Inflow/(Outflow) from investing activities		<u>(33,978)</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		128,168	-	128,168	-
Repayment of borrowings		(85,000)	-	-	-
Loan to subsidiary entity		<u>-</u>	<u>-</u>	<u>(87,219)</u>	<u>-</u>
Net Cash Inflow/(Outflow) from financing activities		<u>43,168</u>	<u>-</u>	<u>40,949</u>	<u>-</u>
Net increase / (decrease) in cash held		12,792	-	5,835	-
Cash at the beginning of the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash at the end of the period</b>	5	<u>12,792</u>	<u>-</u>	<u>5,835</u>	<u>-</u>

The accompanying notes form part of these financial statements



# BRICKWORKS INVESTMENT COMPANY LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 JUNE 2004

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

Except for equity investments, which are at market value, the financial report has been prepared in accordance with the historical cost convention. Where a choice exists between two or more acceptable accounting methods, the notes fully explain the method adopted. The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the purchase consideration at the date of acquisition plus costs incidental to the acquisition.

#### (a) **Principles of consolidation**

The consolidated financial statements include the financial statements of Brickworks Investment Company Limited ("the Company"), being the parent entity, and its controlled entities. The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated.

Where controlled entities are acquired during the year, their results are included only from the date control was obtained.

#### (b) **Investments**

##### Listed Shares Held for Investment

Investments are initially recorded at cost and are re-valued to their fair value at the reporting date. Fair value is determined by reference to the last quoted sale price on the Australian Stock Exchange at the close of the business on the reporting date. Costs in acquiring investments, such as brokerage are capitalised in the initial cost of the investment.

Revaluation increments and decrements are taken to the Asset Revaluation Reserve after deducting a provision for potential deferred capital gains tax to the extent that they are able to be offset by credits in the Asset Revaluation Reserve, otherwise they are included in the Profit from ordinary activities. On the disposal of investments, the balance in the Asset Revaluation Reserve relating to the disposed asset is transferred to the Capital Profit Reserve.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 JUNE 2004 (continued)

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### (c) Taxes

#### Income Tax

Current tax for the period is calculated on profit from ordinary activities adjusted for non-assessable and non-deductible items and is based on tax rates and tax laws that have been enacted or substantively enacted, at the reporting date.

Deferred tax is accounted for using the comprehensive balance sheet liability method whereby deferred tax assets and liabilities are recognised on all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax base.

Deferred tax relates to the movement in the net deferred tax asset/liability for the period and is recognised as an expense or revenue in profit from ordinary activities, unless the deferred tax relates to an amount that is credited or debited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset or liability is recovered or settled.

Deferred tax liabilities have not been recognised on assessable temporary differences arising from investments in controlled entity where the parent entity can control the timing of distributions and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only if it is probable that future taxable amounts will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii) receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 JUNE 2004 (continued)

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### Tax Consolidation

The Company has formed an income tax consolidated group under the Tax Consolidation Regime with its wholly owned subsidiary for the financial year ending 30 June 2004. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense between the Company and its subsidiary on a pro-rata basis. In addition, the agreement also provides for the allocation of income tax liabilities should the head entity default on its tax payment obligation. Brickworks Investment Company Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

(d) **Cash**

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(e) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Investments

Control of the right to equity has passed to the buyer.

Interest

Control of the right to receive the interest proceeds. Interest from cash on deposit is recognised in accordance with the terms and conditions that apply to the deposit.

Dividend

Control of the right to receive the dividend proceeds. Dividends from listed entities is recognised as income on the date the shares are traded "ex-dividend". De-merger dividends arising from company de-consolidations are treated as a return of capital and not as a dividend.

Realised Gain/Loss

Realised gains or losses on investments are calculated as the difference between sale proceeds and carrying value of investments determined on a first-in-first-out (FIFO) basis.

Cost of Investment

Cost of investment is solely related to the costs incurred in acquiring the equities, including incidental costs.

(f) **Receivables**

Receivables are recognised as amounts to be received in the future for goods and services rendered, whether or not billed by the consolidated entity. Assets are commonly settled within 30 days for other debtors. Related party receivables are payable at call.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 JUNE 2004 (continued)

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- (g) **Trade Creditors and accruals**  
Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.
- Liabilities are commonly settled:
- (i) Within 3 days ( transaction date + 3 days) for equity purchases ; and
  - (ii) Within 30 days for other creditors and accruals.
- (h) **Earnings per share**  
Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.
- Diluted EPS is calculated as net profit attributable to members, adjusted for:
- i) Costs of servicing equity (other than dividends);
  - ii) The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
  - iii) Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive ordinary shares, adjusted for any bonus element.
- (i) **Contributed Equity**  
Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising from the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.
- (j) **Rounding**  
The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.
- (k) **Adoption of International Financial Reporting Standards**  
The Company commenced its operation from 12 December 2003 and has since adopted Australian Equivalents to International Financial Reporting Standards. There are no key differences in the entity's accounting policies which will arise from the adoption of IFRS.

# BRICKWORKS INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

### 2. PROFIT FROM ORDINARY ACTIVITIES

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:				
(i) Revenue from ordinary activities				
Proceeds from sale of investments	6,656	-	-	-
Rebateable dividends	3,499	-	-	-
Rebateable dividends – special	43	-	-	-
Non – rebateable dividends	181	-	-	-
Interest received - notes	55	-	-	-
Interest received – bank deposits	542	-	479	-
	<u>10,976</u>	<u>-</u>	<u>479</u>	<u>-</u>
(ii) Expenses				
Carrying costs of investments disposed	6,717	-	-	-
Directors fees and related expenses	52	-	52	-
Management expenses	360	-	360	-
Professional costs	87	-	87	-
General expenses	150	-	150	-
	<u>7,366</u>	<u>-</u>	<u>649</u>	<u>-</u>

### 3. INCOME TAX

The aggregate amount of income tax expense attributable to the year differs from the amount prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

Income tax calculated at 30%	1,083	-	(51)	-
Tax effect of permanent differences which (reduce)/increase tax payable:				
- Franked dividends received	(1,063)	-	-	-
Income tax expense	<u>20</u>	<u>-</u>	<u>(51)</u>	<u>-</u>

# BRICKWORKS INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

### 4. FRANKING ACCOUNT BALANCE

Balance of franking account after allowing for payment of income tax provided for in the financial statements and receipt of dividends recognised as receivables and deducting franking credits used in the payment of dividends recognised as a liability at the reporting date.

	Consolidated		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
30% Class C franking credits	<u>2,305</u>	—	<u>2,305</u>	—

### 5. CASH ASSETS

Cash at bank	12,792	-	5,835	-
Deposits at call	—	—	—	—
	<u>12,792</u>	—	<u>5,835</u>	—

### 6. RECEIVABLES

#### (a) Current

Dividends receivable	1,973	-	-	-
Interest receivable	-	-	-	-
Receivable from related entity	-	-	4,912	-
Sundry Debtors	16	—	14	—
	<u>1,989</u>	—	<u>4,926</u>	—

#### (b) Non-current

Loans to related entity – unsecured	—	—	87,000	—
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### 7. OTHER FINANCIAL ASSETS

#### Listed securities at fair value:

- Shares in other corporations	169,754	-	-	-
- Converting and convertible notes and other interest bearing securities	1,220	-	-	-
Shares in subsidiary entity at cost	—	—	73,501	—
	<u>170,974</u>	—	<u>73,501</u>	—

# BRICKWORKS INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

### 8. DEFERRED TAX ASSETS

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The deferred tax asset balance comprises the following timing differences and unused tax losses:				
Share issuing costs	1,094	-	1,094	-
Formation expenses	2	-	2	-
Current year capital losses	18	-	18	-
Current year income losses	<u>241</u>	<u>-</u>	<u>241</u>	<u>-</u>
	<b>1,355</b>	<b>-</b>	<b>1,355</b>	<b>-</b>
Deferred tax asset recognised directly in equity	<u>1,367</u>	<u>-</u>	<u>1,367</u>	<u>-</u>

### 9. PAYABLES

Creditors and accruals	<u>92</u>	<u>-</u>	<u>92</u>	<u>-</u>
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### 10. DEFERRED TAX LIABILITIES

The deferred tax liability balance comprises the following timing differences:				
Revaluation of investments held by controlled entity	4,622	-	4,622	-
Non rebateable dividend receivable by controlled entity	<u>8</u>	<u>-</u>	<u>8</u>	<u>-</u>
	<b>4,630</b>	<b>-</b>	<b>4,630</b>	<b>-</b>
Deferred tax liability recognised directly in equity	<u>4,622</u>	<u>-</u>	<u>4,622</u>	<u>-</u>

### 11. CONTRIBUTED EQUITY

#### (a) Issued and Paid-Up Capital

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
171,226,981 Ordinary shares fully paid	<u>168,037</u>	<u>-</u>	<u>168,037</u>	<u>-</u>

#### (b) Movement in Ordinary Shares

There were 171,226,981 ordinary shares issued since the Company was incorporated on 17 October 2003 to 30 June 2004.

# BRICKWORKS INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

### 12. ASSET REVALUATION RESERVE

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the period	-	-	-	-
Revaluation of investments	<u>10,784</u>	-	-	-
Balance at the end of the year	<u>10,784</u>	-	-	-

### 13. RETAINED PROFITS

Retained profits at the beginning of the period	-	-	-	-
Net profit attributable to members of the Company	<u>3,590</u>	-	<u>(119)</u>	-
Dividends provided for or paid	-	-	-	-
Retained profits at the end of the year	<u>3,590</u>	-	<u>(119)</u>	-

### 14. CASH FLOW RECONCILIATION

(a) Reconciliation of cash flow from operations with profits from ordinary activities after income tax

Net profit / (loss) after income tax	<u>3,590</u>	-	<u>(119)</u>	-
(Profit) / loss on disposal of investment	<u>61</u>	-	-	-
(Increase) / Decrease in receivables and prepayments	<u>(150)</u>	-	<u>(36)</u>	-
Increase / (Decrease) in creditors and accruals	<u>92</u>	-	<u>92</u>	-
Increase / (Decrease) in deferred tax liabilities	<u>9</u>	-	-	-
Increase / (Decrease) in provision for tax	<u>(12)</u>	-	-	-
(Increase) / Decrease in future tax benefit	<u>12</u>	-	<u>(51)</u>	-
Net cash (outflow) / inflow from operating activities	<u>3,602</u>	-	<u>(114)</u>	-

(b) Acquisition of subsidiary entity

During the period to 30 June 2004, the Company acquired 100% of the controlled entity, Brickworks Securities Pty Ltd.

Details of the transaction are:

Purchase consideration net of cash acquired	<u>73,389</u>	-	<u>73,501</u>	-
Cash consideration	<u>34,888</u>	-	<u>35,000</u>	-
Assets and liabilities held at acquisition date:				
Receivables	<u>1,862</u>	-	-	-
Listed securities	<u>156,539</u>	-	-	-
Creditors	<u>(85,012)</u>	-	-	-
	<u>73,389</u>	-	-	-



# BRICKWORKS INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

### 14. CASH FLOW RECONCILIATION (continued)

(c) Non-cash financing and investing activities

(i) Share issue

38,501,479 ordinary shares were issued at \$1 each as part of the consideration for the purchase of Brickworks Securities Pty Limited.

### 15. EARNINGS PER SHARE

	Consolidated	
	2004	2003
	\$'000	\$'000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net Profit / (Loss)	<b>3,590</b>	—
Earnings used in calculating basic and diluted earnings per share	<b>3,590</b>	—
	No.	
	('000)	
Weighted average number of ordinary shares used in the calculation of basic & diluted earnings per share	<b>171,227</b>	-
Basic earnings per share (cents)	<b>2.10</b>	-
Diluted earnings per share (cents)	<b>2.10</b>	-

### 16. AUDITORS' REMUNERATION

	Consolidated		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Amounts received, or due and receivable by the auditors for:				
(a) Auditing the financial report of the Company and the controlled entity	<b>26</b>	-	<b>26</b>	-
(b) Other services	—	—	—	—
	<b>26</b>	—	<b>26</b>	—

# BRICKWORKS INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

### 17. DIRECTORS REMUNERATION

	<u>2004</u>	<u>2003</u>
Income paid or payable, or otherwise made available to Non-Executive Directors by the Company in connection with managing the affairs of the Company		
	\$	\$
Fees	35,000	-
Superannuation Guarantee amounts	<u>16,775</u>	-
	<u>51,775</u>	-

The number of Directors whose total remuneration from the Company was within the following bands:

	Number of Directors	
\$10,000 - \$19,999	2	-
\$20,000 - \$29,999	1	-

The Company had no employees during the period to 30 June 2004.

### 18. SUPERANNUATION COMMITMENTS

The Company contributes superannuation payments on behalf of directors of the consolidated entity in accordance with relevant legislation. Superannuation funds are nominated by the individual directors and are independent of the Company.

### 19. RELATED PARTY TRANSACTIONS

Related parties of the Company fall into the following categories:

#### (i) Controlled Entity

Brickworks Securities Pty Limited is 100% owned by the Company and is incorporated in Australia.

Transactions between the Company and its controlled entity consist of loan balance from the Company to its controlled entity. No interest is charged on the loan balance to the controlled entity and no repayment period is fixed for the loan.

#### (ii) Directors/Officers Related Entities

Persons who were Directors/Officers of Brickworks Investment Company Limited for part or all of the period ended 30 June 2003 were:

Directors: RD Millner  
DC Hall  
AJ Payne

Company Secretary: JP de Gouveia

#### Pitt Capital Partners Limited

The Company has appointed Pitt Capital Partners Limited, an entity in which Mr. RD Millner has an indirect interest, to act as financial adviser in respect of the listing of the Company's shares. Total fees paid to Pitt Capital Partners Limited were \$788,811 including GST.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

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### 19. RELATED PARTY TRANSACTIONS (continued)

#### Souls Funds Management Limited

The Company has appointed Souls Funds Management Limited, an entity in which Mr. RD Millner has an indirect interest, to act as investment manager for a period of 5 years from 24 October 2003. Under the agreement between the two parties, the Company agrees to pay Souls Funds Management Limited a monthly management fee equal to one-twelfth of 0.35% of the total assets of the Company in the preceding month.

The management fee paid for the period to 30 June 2004 was \$ 359,549, and the management fee owed by the Company to Souls Funds Management Limited at 30 June 2004 was \$59,950.

#### Corporate and Administrative Services Pty Limited

The Company has appointed Corporate & Administrative Services Pty Limited, an entity in which Mr RD Millner has an indirect interest and Mr JP de Gouveia has a direct interest, to provide the Company with administration, company secretarial services and preparation of all financial accounts.

Administration fees paid for the period to 30 June 2004 were \$60,866 including GST and are at standard market rates.

No administration fees were owed by the Company to Corporate & Administrative Services Pty Limited at 30 June 2004.

#### (iii) Transactions in securities of the Company

Aggregate number of securities of the Company acquired or disposed of by Directors or their Director-related entities:

	2004 Units
Acquisition - Shares	1,014,002
Disposal - Shares	-

During the period ended 30 June 2004, entities related to Directors acquired, under normal commercial terms, shares in the Company as follows:

- (i) Entities related to Mr RD Millner: 914,000 shares
- (ii) Entities related to Mr DC Hall: 50,001 shares
- (iii) Entities related to Mr AJ Payne: 50,001 shares

Directors acquired shares through initial public offering or on-market purchase.

There has been no other change to Directors' shareholdings in the Company during the period ended 30 June 2004.

Messrs RD Millner, DC Hall and AJ Payne, or their associated entities, being shareholders of the Company are entitled to receive dividends from the Company.

### 20. FINANCIAL REPORTING BY SEGMENTS

The Company operates predominately in the securities industry in Australia.

# BRICKWORKS INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)

### 21. FINANCIAL INSTRUMENTS

#### a) Interest Rate Risk

The Company's exposure to interest rate risk as at the reporting date is as follows:

	Weighted Average Interest Rate %		Variable Interest Rate \$'000		Non-Interest Bearing \$'000		Total \$'000	
	2004	2003	2004	2003	2004	2003	2004	2003
<u>Financial Assets</u>								
Cash	3.95	-	12,792	-	-	-	12,792	-
Converting preference shares	7.27	-	797	-	-	-	797	-
Notes	6.75	-	423	-	-	-	423	-
Listed securities	-	-	-	-	169,754	-	169,754	-
Receivables and prepayments	-	-	-	-	2,012	-	2,012	-
			<u>14,012</u>	<u>-</u>	<u>171,766</u>	<u>-</u>	<u>185,778</u>	<u>-</u>
<u>Financial Liabilities</u>								
Payables	-	-	-	-	92	-	92	-

#### b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

#### c) Concentration of investment risk

The Company minimises concentration of risk in relation to investments by spreading across different sectors.

Spread of investments in the following sectors:

Sector	Percentage of total investment		Amount	
	2004 %	2003 %	2004 (\$'000)	2003 (\$'000)
Banks	46.7	-	85,809	-
Capital goods	3.2	-	5,811	-
Diversified Financials	6.2	-	11,428	-
Materials	20.5	-	37,578	-
Telecommunication Services	3.4	-	6,308	-
Other non concentrated	13.0	-	24,040	-
Bank deposits	<u>7.0</u>	-	<u>12,792</u>	-
	<u>100.0</u>	-	<u>183,766</u>	-

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD TO 30 June 2004 (continued)**

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### **21. FINANCIAL INSTRUMENTS (continued)**

The Company traded all investment transactions through a number of major broking firms with trades evenly placed amongst those firms.

#### d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the accounts.

### **22. COMPARATIVE INFORMATION**

The Company was incorporated on 17 October 2003 and as such no comparative information is available for the previous corresponding period.

# BRICKWORKS INVESTMENT COMPANY LIMITED

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## **DIRECTORS' DECLARATION**

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The directors of Brickworks Investment Company Limited declare that:

1. the financial statements and notes of the Company and consolidated entity as set out on pages 21 to 36, are in accordance with the Corporations Act 2001:
  - (a) give a true and fair view of the financial position as at 30 June 2004 and the performance for the period ended on that date of the Company and consolidated entity; and
  - (b) comply with Accounting Standards and the Corporations Regulations 2001;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**Robert D Millner**  
**Director**

**Sydney**  
**2 August 2004**

# TRAVIS & TRAVIS CHARTERED ACCOUNTANTS

P.O. BOX 429  
LANE COVE, AUSTRALIA  
TELEPHONE: +61 2 9427 6555  
FACSIMILE: +61 2 9427 5127  
EMAIL: info@travisntravis.com.au

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BRICKWORKS INVESTMENT COMPANY LIMITED

### SCOPE

#### The Financial Report and Director's Responsibility

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

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Audit Approach

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

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

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

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

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

### INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### AUDIT OPINION

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

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

### TRAVIS & TRAVIS

**A.J. FAIRALL**  
Partner  
Dated: 2 August 2004

1/114 Longueville Road  
LANE COVE NSW 2066

# BRICKWORKS INVESTMENT COMPANY LIMITED

## Stock Exchange Information

### 1) Equity Holders

At 30/07/2004, there were 7,731 holders of ordinary shares in the capital of the company. These holders were distributed as follow:

<u>No. of Shares held</u>	<u>No. of Shareholders</u>
1 – 1,000	103
1,001 – 5,000	3,286
5,001 – 10,000	1,977
10,001 – 100,000	2,275
100,001 and over	90
Holding less than a marketable parcel of 521 shares	24

### Votes of Members

Article 5.12 of the Company's Constitution provides

- a) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a show of hands at a meeting of Members, every Eligible Member present has one vote.
- b) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a poll at a meeting of Members, every Eligible Member present has :
  - (i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and
  - (ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds. The fraction is equal to the proportion which the amount paid up on that Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited on that Share.



## BRICKWORKS INVESTMENT COMPANY LIMITED

The 20 largest holdings of the Company's share as at 30 July 2004 are listed below:

<u>Name</u>	<u>Shares Held</u>	<u>%</u>
Brickworks Limited	43,101,479	25.17
Bougainville Copper Limited	5,000,000	2.92
Bougainville Copper Limited	2,100,000	1.23
Invia Custodian Pty Ltd <Best Superannuation P/L A/C>	1,500,000	0.88
Westpac Custodian Nominees Limited	1,442,262	0.84
Invia Custodian Pty Ltd <RISF A/C>	1,250,000	0.73
Argo Investments Limited	976,763	0.57
Mr. Victor J Plummer	800,000	0.47
Tower Trust Limited	741,000	0.43
Mr. Peter Edward Goodeve	500,000	0.29
Gullane Holdings Pty Ltd	500,000	0.29
Janivan Investments Pty Ltd	450,000	0.26
Glenshera Pty Ltd <Pirie St A/C>	449,600	0.26
Mr. James Sinclair Millner	440,667	0.26
Mr. Robert M King & Mrs Vera E King	392,377	0.23
Impala Superannuation Nominees Pty Ltd	375,000	0.22
Mrs. Jean Plummer	300,000	0.18
Trephant Pty Ltd	300,000	0.18
RBC Global Services Australia Nominees Pty Ltd	281,850	0.16
Millane Pty Ltd	280,000	0.16
Total top 20 security holders	61,180,998	35.7
Total number of shares on Issue	171,226,981	100.0

### 2) Substantial Shareholders

As at 30 July 2004 the name and holding of substantial shareholder as disclosed in a notice received by the company is:

<u>Substantial Shareholders</u>	<u>No. of Shares</u>	<u>% of Total</u>
Brickworks Limited	43,101,479	25.17

### 3) Other Information:

- There is no current on-market buy-back in place.
- There were 41 transactions in securities undertaken by the Company and the total brokerage paid or accrued during the year was \$46,335.

### 4) Management Fees

Management fees paid and accrued during the year ended 30 June 2004 was \$359,549.