

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

**ASX APPENDIX 4D
HALF YEAR REPORT****RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE PERIOD ENDED 31 DECEMBER 2004**

RESULTS	PERCENTAGE MOVEMENT		CURRENT PERIOD 31 DEC 2004	PREVIOUS PERIOD 31 DEC 2003
Building products segment revenue (\$000's)	UP	1% TO	251,662	249,973
Building products EBITA (\$000's)	DOWN	2% TO	48,309	49,501
Revenues from ordinary activities (\$000's)	DOWN	36% TO	272,994	429,573
Profit (loss) from ordinary activities after tax attributable to members (\$000's)	DOWN	64% TO	38,265	105,013
Net profit (loss) for the period attributable to members (\$000's)	DOWN	64% TO	38,265	105,013
Basic earnings per share (cents per share)	DOWN	69% TO	24.9	79.7
Net tangible assets per share (cents per share)	UP	15% TO	533.5	462.1

HIGHLIGHTS**NPAT \$38.3 million, eighth consecutive increase in first half profit excluding non-regular items.**

Prior year result included one-off profit from the sale of the investment portfolio (\$70.7 million) and one-off funding costs (\$1.8 million).

Interim dividend up 11% to 10 cents per share.

Refer to the attached Review of Operations and financial statements for a detailed explanation of the results of the period.

This information should be read in conjunction with the most recent annual report.

DIVIDENDS

	Amount per security (cents)	Franked amount per security (cents)	Total amount paid / payable (\$000's)	Foreign source dividend per security (cents)
ORDINARY SHARES				
Proposed interim ordinary dividend (payable 12 April 2005)	10.0	10.0	13,172	0.0
Record date for determining entitlements to the dividend	29 MARCH 2005			
Previous corresponding period (paid 16 April 2004)	9.0	9.0	11,855	0.0

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

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ASX APPENDIX 4D HALF YEAR REPORT

PREFERENCE SHARES (PAVERS)	Percentage paid per security	Franking percentage per security	Total amount paid / payable
Proposed half yearly dividend (payable 1 June 2005)	6.565%	100%	5,401
Record date for determining entitlements to the dividend		18 MAY 2005	
Previous corresponding period (paid 1 June 2004)	6.565%	100%	6,766

This report is based on accounts which have been subject to review. There was no dispute or qualification in relation to these accounts or report.

All the documents comprise the information required by ASX listing rule 4.2A

BRICKWORKS

LIMITED

BRICKWORKS LIMITED
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INTERIM FINANCIAL REPORT

PERIOD ENDED 31 DECEMBER 2004

BRICKWORKS LIMITED
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INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

The directors of Brickworks Limited present their report and the financial report of Brickworks Limited and its controlled entities (referred to as the Brickworks Group) for the half year ended 31 December 2004.

Directors

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

Robert D. Millner FAICD (Chairman)
Michael J. Millner
Lindsay R. Partridge BSc. Hons. Ceramic Eng; SFCDA; Dip. CD
Alan J. Bentley FAICD
Timothy V. Fairfax FAICD
David N. Gilham FCIT; FAIM; FAICD
The Hon. Robert J. Webster

All directors have been in office since the start of the half year to the date of this report.

Review of operations

The six months to 31 December 2004 was a solid trading period for Brickworks. Normalised Net Profit After Tax was \$38.3 million, up \$2.2 million or 6.0% on the normalised previous corresponding period (\$36.1 million). The normalised NPAT result was the eighth consecutive first half increase.

The previous corresponding periods' ("pcp") result of \$105.0 million included the share market portfolio disposal of \$70.7 million and one-off funding costs of \$1.8 million.

The profit was struck on flat trading revenue of \$251.7 million in the Building Products business and increased equity accounted contributions from our investments in Washington H. Soul Pattinson (WHSP) and Brickworks Investment Company.

The normalised fully diluted EPS increased to 26.4 cents up 10.9% on the pcp (23.8 cents per share).

Directors have declared an increased ordinary dividend of 10 cents per share fully franked, up 11.1% from last year, the sixth consecutive increase in dividend payout. The dividend is payable on 12 April with a record date of 29 March.

FINANCE

The strong cash flow from operating activities of \$50.7 million allowed \$19.6 million of net debt to be retired with net debt excluding PAVERS standing at \$249.9 million at the end of the period compared to \$269.5 million at 30 June 2004.

The reduction in debt over the period was after paying the final dividend of \$19.8 million on ordinary shares and a PAVERS dividend of \$5.4 million. The reduction was assisted by the receipt of \$10.2 million for the Eastwood property and \$8.9 million for land resumption by the RTA at Horsley Park, New South Wales.

The Net Debt to Capital Employed was 21.0% at 31 December 2004 compared to 23.2% at June 2004 and 34.7% if the reset preference shares ("PAVERS") are included as debt, as will likely be the case under new International Financial Reporting Standards.

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The interest cover ratio improved to 6.8 times for the December 2004 half year compared to 4.6 times in the pcp. A 36.3% increase in operating cash flow to \$50.7 million for the 6 months to December 2004 was assisted by increased dividends from WHSP, increased cash flow from the Building Products divisions, and reduced interest payments.

BUILDING PRODUCTS

During the period, EBITA fell 2.4% to \$48.3 million (\$49.5 million pcp) on revenue of \$251.7 million (\$250.0 million pcp). The EBITA:sales ratio maintained a healthy rate of 19.2%, slightly down due to significant redundancy costs and higher contract roof tiling rates. The EBITDA performance was slightly stronger increasing 0.3% to \$61.1 million (\$60.9 million pcp).

This result reflected the inclusion of Bristile for the full period and was posted against a backdrop of the softening housing market. Dwelling approvals as at December 2004 nationally stand 28% down from their peak in October 2003 (based on original monthly data) and commencements for the September 2004 quarter are down 12% from their peak in the December 2003 quarter (based on the original quarterly data). The decline in approvals outpaced the decline in commencements suggesting that the previously discussed backlog or "pipeline" of work is being absorbed.

Sales volumes reduced in the East Coast divisions while increased volumes in Western Australia partially offset the East Coast decline.

Price momentum was maintained with nearly every division achieving price rises at least equivalent to inflation.

With the lower sales volumes following the exceptionally strong trading conditions of previous periods, production was reduced over Christmas to avoid excessive stock build up and allow maintenance and delayed capital works. In the brick division 10 of the 20 operating kilns were temporarily taken off line over the Christmas/New Year period. In the roof tile division, both East Coast plants were closed as were two of the three floor tile kilns.

Inventories were increased slightly during the period to \$84.5 million allowing for improved customer service with the elimination of virtually all shortages. This was offset by a reduction in receivables which contributed to the improved cash position.

It was encouraging to see that a number of plants achieved record production volume and lower unit manufacturing costs due to a relentless and methodical, if not spectacular, pursuit of lower costs. Cost of sales over the period was static. Routine efficiency projects which aim to remove bottlenecks and lower the cost of manufacture were conducted throughout the period. Many of these projects lead to a reduction of the workforce through both natural attrition and redundancies. In fact the workforce has reduced from a post-Bristile acquisition high of 1566 in August 2003 to 1422 by 31 December 2004, a reduction of 144 or 9.2%. In the 6 month period \$1 million was spent on redundancies.

Two standout divisional performances were achieved, the Western Australian brick operations and Eureka Tiles.

Western Australia capitalised on the strong market conditions and achieved a significant increase in contribution while Eureka Tiles reduced costs significantly and turned a respectable profit even though sales volumes for tiles were down substantially. This division is in the early stages of a transition from floor tiling products (subject to import competition) to large format pavers. Following the national launch of Riviera pavers, sales have been very strong and have resulted in the state of the art Punchbowl plant running at full capacity. This is particularly pleasing considering it has been achieved against a significant fall off in the renovation / DIY market.

Queensland experienced an earlier and sharper decline in housing approvals than the other states which

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impacted our Queensland operations. This was most likely due to a land price explosion combined with trade and material cost increases.

The market in New South Wales is being affected by various State Government Policies. In addition to a complete absence of building land in the Sydney basin, vendors stamp duty and land tax combined with capital gains tax will continue to drive investors interstate and offshore and potential detached home owners out of the Sydney market. Unit approvals in New South Wales collapsed to an almost record low during the period ignoring the December anomaly.

The critical shortage of tradespeople in Australia is of ongoing concern as was reported in the December 2004 HIA-Austral Bricks Trades Report. It was encouraging to note a slight improvement in the supply of bricklayers and ceramic floor tilers although roofing trades remain exceptionally tight.

It is the Company's intention to continue promoting each of its brands strongly, to build on our already impressive market position. Brickworks is pleased to announce a national promotional arrangement with Nicky Buckley to support the Austral Bricks and Eureka Tiles brands. Nicky's media image is perfectly aligned to support the brand identity and values of our brands.

Brickworks is also pleased to announce its commitment to a new initiative for the CBPI (Clay Brick and Paver Institute, the association representing Australian clay brick manufacturers). This initiative is a substantial new communication campaign designed to address the two most significant issues in the Australian clay brick market today. Firstly it will present a comprehensive industry approach to the ever-increasing demands of builders and regulators for information regarding environmentally sustainable building methods. Secondly, the communication plan will address the design and fashion trends to counter the impact of alternative materials.

CAPITAL EXPENDITURE

During the period capital expenditure totalled \$25.3 million. This compared to depreciation of \$12.8 million.

In November, the Board approved the construction of a new \$44 million brick plant at Wollert (Summerhill) to replace the Scoresby works in Victoria. The new plant will significantly reduce unit manufacturing costs, improve product range and quality, reduce emissions and improve plant safety while maintaining current levels of Victorian plant capacity. The new Wollert works will take two years to construct and will have a capacity of 85 million standard brick equivalents per year. The new plant's low capital cost, high labour efficiency and very low production cost will underpin our business in Victoria.

The Scoresby roof tile plant in Victoria was closed earlier in 2004 with production transferred to Caversham in Perth where higher volumes at lower cost more than offset increased transport costs. The Scoresby brick works was built in the 70's and will be closed after Wollert is fully commissioned.

Christmas maintenance shutdowns allowed many factories to complete long awaited capital projects. Whilst these projects, stalled by enduring high demand, will have a positive affect on quality and efficiency in the longer term, there will be lower production volume and higher costs in the second half.

At Rochedale, the Brick Plant automation project was successfully commissioned during the period and the Bowral Brick Plant upgrade project, which will fully automate kiln car loading with the use of six robots, has progressed well and will be completed by March 2005.

In the previous period, the board approved an efficiency and capacity upgrade at the Dandenong Concrete Roof Tile Plant, Victoria, which was carried out in December and January with the final stage to be completed before the end of the financial year.

In addition the Golden Grove works is to be upgraded to improve quality and efficiency. The project has a capital cost of \$5.5 million and will take until Christmas 2005 to complete.

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Planning for the Riverview plant upgrade is well advanced. The initial upgrade will further improve the efficiency of one of the country's most efficient plants and will enable a rapid capacity increase in the future, once the Queensland housing market recovers. In our view, it would not be prudent to complete the previously announced project, doubling the capacity of Riverview, while there is surplus capacity currently available in Queensland.

Investigation is still underway on a new Western Australian works. It is not anticipated this works will commence until the Wollert works is operational and the major projects team can be redeployed to Western Australia. This will spread the demand on the Group's cash flow and leave financial flexibility for other projects in the meantime.

EXPORT

Export results flattened over the first half of the financial year, as some traditional export markets experienced a downturn from the highs of 2003/2004. The stronger Australian dollar impacted on our international competitiveness. China's demand for goods to fuel its growth limited the availability of shipping and increased transport costs. The shortage of shipping space created difficulties in maintaining deliveries on a timely basis during the period.

On the positive side, the Company is continuing to investigate export sales into new markets. We now have permanent staff operating out of Hong Kong. This entrenches our current position in the local market and will act as a base for future market development in China.

This year Brickworks participated in the Dubai Big 5 Building Expo which has laid the groundwork for the future development of this region.

LAND AND PROPERTY REALISATION

The six months between July and December 2004 has seen continued advances in relation to the Brickworks property realisation program for surplus land holdings. Whilst no profit has been recorded in the six month period, cash totalling \$10.25 million was received on the Eastwood project and other milestones have been met.

During the six month period the development agreement for Eastwood was restructured. Under the revised agreement, guaranteed land payments totalling \$41 million will be received. \$20.5 million has been received to date. The profit share will also increase to 50%. This is a significant change from the previous arrangement which provided a one third share of the super profits only. The increased profit share reflects the additional responsibilities in relation to filling the pit. This responsibility has been addressed through the appointment of Ward Civil to fill the pit to engineering requirements and to pay a tipping fee.

The Joint Venture agreement with Macquarie Goodman and the development of the Vineyard property at Eastern Creek, has progressed very well over the last six months. This has included the advertising and further assessment of the Precinct Plan and the signing of services agreements for the land. Rehabilitation of previously mined areas in the south eastern section of the site is progressing well and works are due for completion in April 2005. Two state significant development applications have been lodged for the site under SEPP 34. This includes new facilities for Coca-Cola Amatil (Aust) and Coles.

The release of the first sections of land in the south eastern corner of the site has resulted in a significant market response. Sale rates achieved for the sub-divided parcels have exceeded expectations. These are the highest rates achieved in this area to date and are currently setting the market. Contracts had been exchanged on seven lots up to 31 December 2004, with many more expected to be exchanged in early 2005. The Put and Call Option for the 15 hectare site for Coca-Cola Amatil (Aust) was also signed at the end of 2004. These contracts, valued at \$69 million in total, become unconditional upon approval of the precinct plan.

Positive progress has been made in the last six months on the sub-division of the Mamre Road site at Erskine

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Park. This has included reaching in-principle agreement with National Parks and Wildlife Services (NPWS) and Penrith Council on the biodiversity areas to be kept on the Brickworks site. Final agreement on the exact area of developable land is expected in early 2005. If agreement is reached, then the approval of the sub-division application should continue at an accelerated rate.

Completion of the sale of land at Golden Grove in South Australia to Land SA, due to occur in September 2004, has been delayed due to issues raised with the buffer to existing mining lands as part of the rezoning of the land. The rezoning application is now awaiting ministerial approval. The timing on the approval is not known. Interest is being charged on the sale price of the land of \$21 million from October 2004 until settlement occurs.

Another important development in the property area has been the approval of the new factory for Victoria. Austral Bricks' Victorian production to date has been from plants at Craigieburn, Summerhill and Scoresby. The Scoresby site is 56 hectares and is supported by a 19 hectare quarry at Hallam. The plan releases the Scoresby and Hallam properties for redevelopment. When completed both sites would be available for redevelopment for residential and commercial development respectively. Whilst this process is expected to take seven years, work has already commenced on rezoning the Scoresby site and rehabilitating both properties.

WASTE MANAGEMENT

The Horsley Park waste facility has provided royalties of \$700,000 over the last six months of 2004, which is over the minimum requirement. Whilst the increase has provided additional revenue, airspace is being used at a higher rate than expected. Collex has put forward a proposal to assist Brickworks in providing airspace earlier than under the current agreement. This proposal is now being discussed between the parties.

INVESTMENTS - WASHINGTON H. SOUL PATTINSON ("WHSP")

The market value of WHSP was \$2.39 billion as at 31 December 2004, up \$700 million in the past six months. Brickworks 42.85% stake in WHSP was valued at \$1.02 billion as at 31 December 2004, up \$328 million in the past six months.

The equity accounted contribution related to the six months to 31 July 2004 rose \$5.3 million to \$18.4 million, a 40.5% increase on the pcp. This included a special dividend of 10 cents per share (\$10.2 million) and will be followed by an identical 10 cents per share special dividend in November 2005.

The investment in WHSP has a 15 year compound return of 16.9% and a 5 year return of 25.3%, easily outperforming the ASX All Ordinaries Accumulation Index of 10.5% and 9.6% respectively.

INVESTMENTS - BRICKWORKS INVESTMENT COMPANY ("BKI")

The market value of Brickworks 22.8% share of BKI was \$47.0 million at 31 December 2004, up \$4.8 million (11.4%) since June 2004. The share price at 31 December 2004 was \$1.09, which was a 5% discount to the net asset backing net of likely capital gains tax of \$1.15 per share, an increase of 9c per share on June 2004. BKI is a long term investor which does not intend disposing of its total portfolio. The net asset backing per share before likely capital gains tax was \$1.23 per share.

BKI recently reported a profit after tax of \$5.8 million and a fully franked interim dividend of 2.1 cents per share, an increase of 5% on the dividend declared for the six months to June 2004. Earnings per share increased by 57%, to 3.3 cents, from the pcp. During the period, BKI acquired 81.4% control of Pacific Strategic Investments Ltd ("PSI") by the issue of 17.9 million BKI shares following the offer 2 BKI shares for every 7 PSI shares. BKI also announced during the period, its intention to introduce a dividend re-investment plan and a share purchase plan for its shareholders.

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TSUNAMI DONATION

The Board of Brickworks is pleased to announce a donation of \$200,000 of product and / or kind to Tsunami affected regions. Brickworks along with other companies within the WHSP group will donate a total of \$500,000 and are in discussions with the Australian and Indonesian Governments to provide construction materials and resources to redevelop specific educational facilities in the Aceh province.

OUTLOOK

Building Products

The current housing construction activity, whilst historically high, has clearly softened in the past six months and is continuing to soften. However, data is emerging that suggests that the housing market has found renewed levels of support and may be closer to the bottom than previously thought. Strength in the detached private housing sector (for which seasonally adjusted approvals actually increased marginally in both October and November 2004 before falling again in December) and stability in the housing finance approvals point to a downturn without the severity seen in previous cycles. The "soft landing", if it materialises, will have been facilitated by high employment, robust immigration and low interest rates. The robust economic environment has combined with significant order banks and an orderly retreat in housing prices to produce a cycle that is to date, unlike any in the past forty years. This gives confidence that we may experience strengthening conditions in some regions in the foreseeable future and continuing relative strength in the Western Australian market.

Brickworks Corporate

Brickworks continues to follow an uncomplicated and effective strategy of investing capital where sensible to reduce costs and grow earnings. Steady returns from associates combined with periodic land sales should leave the business capable of steadily increasing dividend payments and further strategic expansion should an appropriate opportunity arise.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Rounding of amounts

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

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

Dated 14 February 2005.

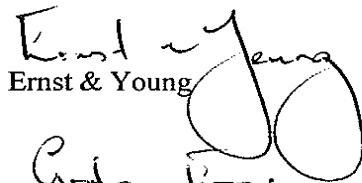
R.D. MILLNER
Director

R.J. WEBSTER
Director

Auditors Independence Declaration

To the Directors of Brickworks Limited

In relation to our review of the financial report of Brickworks Limited for the half year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of conduct.


Ernst & Young

Graham Ezzy
Partner
Sydney

14 February 2005

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

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	NOTE	CONSOLIDATED	
		31 December 2004 \$000	31 December 2003 \$000
Sales revenue		251,291	250,184
Cost of sales		<u>(151,945)</u>	<u>(151,714)</u>
Gross profit		99,346	98,470
Other revenues from ordinary activities		1,861	166,623
Distribution expenses		(23,621)	(23,469)
Administration expenses		(8,474)	(10,058)
Selling expenses		(20,634)	(17,262)
Borrowing costs expense		(9,177)	(16,307)
Other expenses from ordinary activities		(9,265)	(78,749)
Share of net profits of associates accounted for using the equity method		<u>19,842</u>	<u>12,766</u>
Profit from ordinary activities before income tax expense	2	49,878	132,014
Income tax attributable to profit from ordinary activities		<u>(11,613)</u>	<u>(27,001)</u>
Profit from ordinary activities after related income tax expense		<u>38,265</u>	<u>105,013</u>
Net profit attributable to members of the parent entity		<u>38,265</u>	<u>105,013</u>
Share of net increase / (decrease) in reserves of associates accounted for using the equity method		<u>26,955</u>	<u>(2,360)</u>
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		<u>26,955</u>	<u>(2,360)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u><u>65,220</u></u>	<u><u>102,653</u></u>
Basic earnings per share (cents per share)		24.9	79.7
Diluted earnings per share (cents per share)		26.4	72.9

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2004

		CONSOLIDATED	
		31 December	30 June
	NOTE	2004	2004
		\$000	\$000
CURRENT ASSETS			
Cash assets		9,056	6,426
Receivables		66,318	81,317
Other financial assets		255	364
Inventories		83,060	78,008
Other		3,914	1,901
		<u>162,603</u>	<u>168,016</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Inventories		52,579	31,804
Investments accounted for using the equity method		315,662	289,694
Property, plant and equipment		532,755	541,684
Deferred tax assets		17,303	18,693
Intangible assets		234,486	247,311
		<u>1,152,785</u>	<u>1,129,186</u>
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS			
		<u>1,315,388</u>	<u>1,297,202</u>
CURRENT LIABILITIES			
Payables		41,424	45,522
Interest-bearing liabilities		59,000	76,000
Current tax liabilities		3,597	8,233
Provisions		26,817	30,232
		<u>130,838</u>	<u>159,987</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Payables		20,500	10,250
Interest-bearing liabilities		200,000	200,000
Provisions		12,984	10,887
Deferred tax liabilities		13,790	21,362
		<u>247,274</u>	<u>242,499</u>
TOTAL NON-CURRENT LIABILITIES			
TOTAL LIABILITIES			
		<u>378,112</u>	<u>402,486</u>
NET ASSETS			
		<u>937,276</u>	<u>894,716</u>
EQUITY			
Contributed equity	4	302,168	302,168
Reserves		282,775	255,822
Retained profits		352,333	336,726
		<u>937,276</u>	<u>894,716</u>
TOTAL EQUITY			

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STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2004

NOTE	CONSOLIDATED	
	31 December 2004 \$000	31 December 2003 \$000
Cash flows from operating activities		
Receipts from customers	283,633	252,945
Payments to suppliers & employees	(230,661)	(203,944)
Interest received	351	1,019
Borrowing costs	(9,272)	(13,071)
Dividends received	23,367	18,756
Income tax paid	<u>(16,708)</u>	<u>(18,501)</u>
Net cash flows from / (used in) operating activities	<u>50,710</u>	<u>37,204</u>
Cash flows from investing activities		
Proceeds from the sale of investments	-	3,951
Purchases of investments	-	(10,414)
Proceeds from disposal of controlled entity	-	119,889
Payment for controlled entity net of cash acquired	-	(432,509)
Proceeds from sale of property, plant & equipment	9,182	842
Purchases of property, plant & equipment	<u>(25,322)</u>	<u>(19,775)</u>
Net cash flows from / (used in) investing activities	<u>(16,140)</u>	<u>(338,016)</u>
Cash flows from financing activities		
Proceeds from borrowings	31,500	508,741
Repayment of borrowings	(48,500)	(351,216)
Proceeds from issue of shares	-	161,799
Loan (to) / from other entity	10,250	15,200
Dividends paid by subsidiary to outside equity interests	-	(25,333)
Dividends paid	<u>(25,190)</u>	<u>(17,124)</u>
Net cash flows from / (used in) financing activities	<u>(31,940)</u>	<u>292,067</u>
Net increase / (decrease) in cash held	2,630	(8,745)
Cash at beginning of period	6,426	39,924
Effect of exchange rates on cash holdings in foreign currencies	<u>-</u>	<u>-</u>
Cash at end of period	<u><u>9,056</u></u>	<u><u>31,179</u></u>

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

NOTE 1: BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared in accordance with the historical cost convention, except for current listed shares measured at market value.

It is recommended that this financial report should be read in conjunction with the Annual Report for the year ended 30 June 2004 and any public announcements made by Brickworks Limited and its controlled entities during the half year ended 31 December 2004 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the group and are consistent with those of the most recent annual financial report for the year ended 30 June 2004.

The half-year report does not include full disclosures of the type normally included in the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

CONSOLIDATED	
31 December	31 December
2004	2003
\$000	\$000

**NOTE 2: PROFIT FROM ORDINARY ACTIVITIES
BEFORE INCOME TAX**

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

Consideration on disposal of subsidiary (Brickworks Securities Pty Ltd (BSPL)) holding portfolio of listed investments	-	158,390
Carrying amount of net assets sold	-	<u>70,107</u>
Net gain on disposal of subsidiary	<u>-</u>	<u>88,283</u>
Contribution to profit of investment portfolio disposed of during the period through the sale of subsidiary (excluding gain on disposal)	<u>-</u>	<u>4,060</u>
Contribution to profit of subsidiary (Bristile Ltd) acquired during the period on consolidation	20,385	18,594
Contribution to profit of associate (Bristile Ltd) during the period accounted for using the equity method	<u>-</u>	<u>767</u>
	<u>20,385</u>	<u>19,361</u>
Amortisation of goodwill on acquisition of Bristile Ltd	<u>(6,339)</u>	<u>(5,570)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

	CONSOLIDATED	
	31 December 2004 \$000	31 December 2003 \$000
NOTE 3: DIVIDENDS		
Final ordinary dividend of 15 cents per share fully franked at the tax rate of 30% and paid on 8 November 2004 (2003 - 13 cents fully franked paid 3 November 2003) not recognised as a liability in the previous period	19,759	17,124
Redeemable preference dividend calculated at 6.565% p.a. per share fully franked at the tax rate of 30% and paid 1 December 2004 (2003 - N/A)	5,431	-
Group's share of dividend received by associated company	<u>(2,532)</u>	<u>(1,969)</u>
	<u>22,658</u>	<u>15,155</u>
Proposed interim ordinary dividend of 10.0 cents per share fully franked at the tax rate of 30% and payable on 12 April 2005 but not recognised as a liability at period end (2003 - 9.0 cents fully franked paid 16 April 2004)	<u>13,172</u>	<u>11,855</u>
Redeemable preference dividend calculated at 6.565% p.a. per share fully franked at the tax rate of 30% and payable 1 June 2005 but not recognised as a liability at period end (2003 - paid 1 June 2004)	<u>5,401</u>	<u>6,766</u>

NOTE 4: CONTRIBUTED EQUITY

There have been no movements in contributed equity during the current period.

On 17 October 2003 the company issued 1,650,000 redeemable preference shares (PAVERS) of \$100 each.

NOTE 5: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There have been no subsidiaries acquired or disposed of during the current period.

During the period ended 31 December 2003, The Austral Brick Company Pty Ltd, a wholly owned subsidiary of Brickworks Ltd, successfully completed the acquisition of Bristile Ltd. Control over Bristile was gained on 23 July 2003, with 100% ownership achieved on 9 October 2003.

On 9 December 2003, Brickworks Ltd disposed of the majority of its listed investment portfolio through the sale of its 100% owned subsidiary, Brickworks Securities Pty Ltd (BSPL).

NOTE 6: EVENTS OCCURRING AFTER BALANCE DATE

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

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

NOTE 8: SEGMENT INFORMATION

Business segments	Building Products		Property		Investment (excl. associates)		Investment in Equity Accounted Associates		Consolidated	
	31 Dec 2004 \$000	31 Dec 2003 \$000	31 Dec 2004 \$000	31 Dec 2003 \$000	31 Dec 2004 \$000	31 Dec 2003 \$000	31 Dec 2004 \$000	31 Dec 2003 \$000	31 Dec 2004 \$000	31 Dec 2003 \$000
REVENUE										
Total segment revenue	<u>251,662</u>	<u>249,973</u>	<u>1,074</u>	<u>959</u>	<u>416</u>	<u>165,875</u>	<u>19,842</u>	<u>12,766</u>	<u>272,994</u>	<u>429,573</u>
RESULT										
Segment EBITDA	61,144	60,899	932	774	303	93,780	19,842	12,766	82,221	168,219
Less depreciation	<u>(12,835)</u>	<u>(11,398)</u>	-	-	-	-	-	-	<u>(12,835)</u>	<u>(11,398)</u>
Segment EBITA	<u>48,309</u>	<u>49,501</u>	<u>932</u>	<u>774</u>	<u>303</u>	<u>93,780</u>	<u>19,842</u>	<u>12,766</u>	<u>69,386</u>	<u>156,821</u>
Less amortisation of intangibles	<u>(7,716)</u>	<u>(6,739)</u>	-	-	-	-	-	-	<u>(7,716)</u>	<u>(6,739)</u>
Segment result	<u>40,593</u>	<u>42,762</u>	<u>932</u>	<u>774</u>	<u>303</u>	<u>93,780</u>	<u>19,842</u>	<u>12,766</u>	<u>61,670</u>	<u>150,082</u>
Unallocated expenses										
Interest expense									(9,177)	(16,307)
Other unallocated expenses									<u>(2,615)</u>	<u>(1,761)</u>
Profit from ordinary activities before income tax expense									<u>49,878</u>	<u>132,014</u>

NOTE 9: ASSOCIATED COMPANIES

An interest is held in the following associated companies

Name	Ownership interest		Contribution to profit	
	2004 %	2003 %	2004 \$000	2003 \$000
Washington H Soul Pattinson & Co Ltd	42.85	42.85	18,400	13,104
Brickworks Investment Company Ltd	22.78	25.17	1,183	(1,293)
Auswest Timbers Pty Ltd	33.33	33.33	259	188
Bristile Ltd	100.00	100.00	-	767
			<u>19,842</u>	<u>12,766</u>

Ownership interest in Washington H Soul Pattinson & Company Ltd at that company's balance date was 42.85% of ordinary shares. The reporting date of the company is 31 July annually. In applying the equity method of accounting the most recent information of the associate made available to the shareholders has been used - the annual report to 31 July 2004. The equity accounted result is based on the half year results of the associate calculated for the 6 months to 31 July 2004.

All other equity accounted associates have reporting dates of 30 June each year.

Washington H Soul Pattinson & Company Ltd owns 49.84% of issued ordinary shares of Brickworks Limited.

On 23 July 2003 Brickworks gained control of Bristile Ltd. Bristile was consolidated from this date.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 9: ASSOCIATED COMPANIES (cont)

Included in the results of Washington H Soul Pattinson & Company Ltd (WHSP) are the equity accounted results of an associate, P.T Adaro Indonesia (Adaro). The following matter was disclosed in the WHSP July 2004 Annual Report in relation to Adaro.

Indonesian Government Regulation No. 144/2000 (GR 144) which was effective from 1 January, 2001 stipulates that coal is no longer VAT-able, and as a result Adaro has been unable to seek restitution for VAT Input incurred from this date onwards. However, under the terms of its 1st generation coal agreement ("CCA"), Adaro contends that it is entitled to a refund for any VAT input it pays, as VAT is not a tax specified in the CCA, and under the terms of the CCA the Government is responsible for any new taxes.

Since January, 2001 Adaro has offset its VAT inputs against production sharing payments due to the Government of Indonesia of US\$64 million (A\$91.7 million) – WHSP shareholders' share – A\$23.7 million. The Directorate General of Geology and Mineral Resources which administers the CCA's on behalf of the Government is aware of this and has not taken a contrary position.

In March, 2004 a Supreme Court Judge of the Indonesian Supreme Court issued a legal opinion to the Indonesian Coal Mining Association stating that in his view GR 144 contradicts VAT Law which does not include coal as non VAT-able goods. This opinion suggested that GR 144 should be revoked as the VAT law is the higher legislation. However, the Indonesian Government's position is that it is not legally bound to follow the opinion and is yet to decide on the issue.

Adaro has made provision of US\$36.5 million (A\$52.2 million) – WHSP shareholders' share – A\$13.5 million for the tax in its accounts in case the Company is not entitled to the refund from the CCA.

In the event that the Indonesian Government does not decide in Adaro's favour on the VAT issue and all legal resources have been exhausted with a binding decision against Adaro, the maximum exposure to Adaro is likely to be the difference between VAT offset and VAT provided for, which at 31 July, 2004 amounted to US\$32.7 million (A\$46.9 million) – WHSP shareholders' share A\$12.1 million.

Brickworks equity accounted share of this amount would be \$5.1 million.

The amounts stated are before income tax.

NOTE 10: ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing on or after 1 January 2005. This requires the production of accounting data for future comparative purposes for the 30 June 2005 financial year.

Brickworks' management are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the Group's transition to IFRS.

Set out below are the areas where the directors are of the opinion that there are key differences in the Group's accounting policies which will arise from the adoption of IFRS. At this stage the company has not been able to reliably quantify all of the impacts on the financial report. Any estimates disclosed in this note are best estimates as at the date of preparing the half-year financial statements and these figures could change due to (a) further work being undertaken by Brickworks IFRS project team and (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

- (i) **Impairment of Assets**
Brickworks currently determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use based on discounted cash flows. This will result in a change in Brickworks' current accounting policy. It is possible that future earnings may be subject to increased volatility due to impairment losses.
- (ii) **Goodwill on Consolidation**
Under the AASB 3 "Business Combinations", goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the Group's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, goodwill will only be written down to the extent it is impaired. It is likely that earnings will increase due to the removal of annual amortisation, however future earnings may be subject to increased volatility due to impairment losses. The amount of amortisation charged to expenses in the six months ended 31 December 2004 was \$6.3 million.
- (iii) **Income Tax**
Currently, Brickworks adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the AASB 112 "Income Taxes", the Group will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit. It is expected that there will be a significant movement in the reported balances of the deferred tax items (DITL and FITB) on transition into IFRS, although this will initially offset opening retained earnings rather than current period profits.
- (iv) **Redeemable Preference Shares**
The economic entity has redeemable preference shares (PAVERS) which are currently accounted for as equity. Under AASB 132 "Financial Instruments", entities that have issued financial instruments, currently classified as equity, may be required to classify all or part of those instruments as debt, depending on the terms and conditions of the instruments. Under the existing terms of issue of the PAVERS, it is expected that these will be reclassified as either liabilities or compound financial instruments (which have a component of both debt and equity), which will lead to a decrease in the net assets of the Group. The impact on profit will be that some or all of the dividends paid on PAVERS will be classified as an interest expense, and therefore reduce the net profit before tax.
- (v) **Foreign Currency**
Brickworks currently categorises its foreign operations as "integrated", which determines the method of translation of foreign currency financial statements. Under AASB 120 "The Effects of Changes in Foreign Exchange Rates" any gain or loss on translation will go directly to equity through a reserve, rather than through the profit and loss. It is expected that this will have only a minor impact on earnings due to the small size of the foreign operations.
- (vi) **Share Based Payments**
Brickworks currently recognise employee bonus payments at the time that the bonus is accrued. Under AASB 2 "Share Based Payments" the portion of the employee's bonus that is granted as shares (and purchased through the Brickworks Ltd Employee Share Plan) and do not vest to the employee immediately, will be recognised in the profit and loss at the point that the shares vest. The impact on earnings will not be significant, however there will be a deferral of some expenses over a period of 5 years under this treatment. The amount of the employee bonus that was recognised in the June 2004 financial statements that would be subject to deferral was \$1.2 million.

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DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 15:
 - (a) comply with Accounting Standard AASB 1029:Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Brickworks Group's financial position as at 31 December 2004 and of its performance for the half year ended on that date.
2. in the director's 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.

Dated 14 February 2005.

R.D. MILLNER
Director

R.J. WEBSTER
Director

Independent review report to members of Brickworks Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Brickworks Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and; accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditors Independence Declaration, a copy of which is included on page 7. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

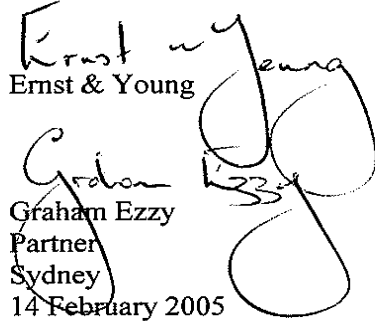
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Brickworks Limited and the entities it controlled during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Carrying Amount of Investment in Associated Company

Without qualification to the statement expressed above, attention is drawn to the following matter. As discussed in Note 9 to the financial statements, recoverability of a receivable for VAT input paid by an associated company of Washington H. Soul Pattinson and Company Limited (WHSP), is the subject of discussions with the Indonesian Government. The outcome of these discussions and any action that may be taken by the Indonesian Government is uncertain. As the ultimate outcome of this matter cannot presently be determined with an acceptable degree of reliability, no adjustment to the carrying amount of Brickworks Limited's investment in WHSP that may result from action by the Indonesian Departments has been made in the financial report.



Ernst & Young
Ernst & Young
Graham Ezzy
Graham Ezzy
Partner
Partner
Sydney
Sydney
14 February 2005
14 February 2005

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
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FIVE YEAR SUMMARY

	31 Dec 2000 \$000	31 Dec 2001 \$000	31 Dec 2002 \$000	31 Dec 2003 \$000	31 Dec 2004 \$000	% Growth
Total revenue	99,519	96,068	127,277	429,573	272,994	(36%)
Building Products revenue	58,349	74,090	96,351	249,973	251,662	1%
Net profit before income tax						
Building products	11,073	14,812	18,109	42,762	40,593	(5%)
Property	-	(99)	2,121	(38)	164	(532%)
Waste mgmt	-	-	586	812	768	(5%)
Investments	4,892	3,597	4,199	93,780	303	(100%)
Associates	32,481	14,241	16,513	12,766	19,842	55%
Unallocated expenses	(770)	(2,091)	(3,152)	(18,068)	(11,792)	(35%)
	47,676	30,460	38,376	132,014	49,878	(62%)
Income tax	4,097	4,266	5,694	27,001	11,613	(57%)
Net profit after income tax	<u>43,579</u>	<u>26,194</u>	<u>32,682</u>	<u>105,013</u>	<u>38,265</u>	(64%)
Basic earnings per share (cents) *	33.1	19.9	24.8	79.7	24.9	(69%)
Dividends *						
Ordinary dividends per share (cents)	6.0	6.5	7.0	9.0	10.0	11%
Special dividends per share (cents)	4.0	-	-	-	-	
Total dividends per share (cents)	<u>10.0</u>	<u>6.5</u>	<u>7.0</u>	<u>9.0</u>	<u>10.0</u>	
Ratios						
Net tangible assets per share *	\$3.88	\$4.07	\$4.37	\$4.62	\$5.34	15%
Return on shareholders equity	17.1%	9.8%	11.4%	23.5%	8.2%	(65%)
Interest cover ratio	-	26.9	23.6	4.6	6.8	48%
Net debt to capital employed	-	10.3%	6.8%	23.2%	21.0%	(10%)

Notes:

* Earnings, dividends and NTA per share have been adjusted for the 10 for 1 share split on 18 December 2000.