

## ASX Appendix 4D

Lodged with the ASX in accordance with Listing Rule 4.3A

### BRICKWORKS LIMITED

A.B.N. 17 000 028 526

## Half Year Report Results for announcement to the market

**Reporting period:** 6 months ended 31 January, 2006

Previous corresponding period: 6 months ended 31 December, 2004

|  |           | CURRENT<br>PERIOD<br>31 JAN 06 | PREVIOUS<br>PERIOD<br>31 DEC 04 |
|--|-----------|--------------------------------|---------------------------------|
| Revenues from ordinary activities (\$000's)  | UP 2% TO  | 258,918                        | 252,871                         |
| Profit (loss) from ordinary activities after tax attributable to members (\$000's) | UP 15% TO | 46,098                         | 39,919                          |
| Net profit (loss) for the period attributable to members (\$000's)                 | UP 15% TO | 46,098                         | 39,919                          |
| Basic earnings per share (cents per share)   | UP 15% TO | 34.7                           | 30.3                            |
| Net tangible assets per share (cents per share)                                    | UP 23% TO | 512.8                          | 416.1                           |

### Comments on above results

\*\* NPAT up 15% to \$46.1 million from \$39.9 million.

\*\* Dividend up 10% to 11 cents per share.

\*\* Housing downturn reduces Building Products contribution

\*\* Increased Land & Development contribution

\*\* Reduced Washington H. Soul Pattinson equity accounted contribution

\*\* Reduced income tax expense driven by WHSP investment

\*\* In Sydney more than 400 Ha of land designated for development.

For more detailed information please refer to attached review of operations.

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

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.

# BRICKWORKS LIMITED

A.B.N. 17 000 028 526

## ASX Appendix 4D Half Year Report

### DIVIDENDS

| <b>ORDINARY SHARES</b>  | Cents<br>per share<br>(cents) | Franked amount<br>per security<br>(cents) | Total amount<br>paid / payable<br>(\$000's) | Foreign source<br>dividend<br>per security<br>(cents) |
|---|-------------------------------|---|---|---|
| <b>Proposed interim ordinary dividend<br/>(payable 11 May 2006)</b> | 11.0                          | 11.0                                      | 14,596                                      | 0.0   |
| <b>Record date for determining entitlements<br/>to the dividend</b> |                               |   | <b>27 APRIL 2006</b>                        |   |
| Previous corresponding period<br>(paid 12 April 2005)               | 10.0                          | 10.0                                      | 13,172                                      | 0.0   |

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

| <b>PREFERENCE SHARES (PAVERS)</b>                                   | Percentage<br>paid per<br>security | Amount paid<br>per security<br>(cents) | Franking<br>percentage<br>per security | Total amount<br>paid / payable |
|---|------------------------------------|--|--|--------------------------------|
| <b>Proposed dividend<br/>(payable 1 June 2006)</b>                  | 6.565%                             | 327.0                                  | 100%                                   | 5,396                          |
| <b>Record date for determining entitlements<br/>to the dividend</b> |                                    |  | <b>18 MAY 2006</b>                     |                                |
| Previous corresponding period<br>(paid 1 June 2005)                 | 6.565%                             | 327.0                                  | 100%                                   | 5,396                          |

## OTHER INFORMATION - COMPARATIVE INFORMATION

During the prior year the Brickworks Group received ASIC approval for a change in financial year end to 31 July. Comparative information in this report is for the six months to 31 December 2004, unless otherwise stated. To assist readers with a more realistic comparison with the prior year, the following UNAUDITED information for the six months to January 2005 is provided.

| <b>CONSOLIDATED PROFIT &amp; LOSS</b>                                       | <b>6 MTHS<br/>31 JAN 06<br/>\$000</b> | <b>6 MTHS<br/>31 JAN 05<br/>\$000</b> | <b>6 MTHS<br/>31 DEC 04<br/>\$000</b> |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Revenue   | 258,853                               | 239,112                               | 252,871                               |
| Cost of sales   | (159,964)                             | (146,080)                             | (151,945)                             |
| Gross profit  | 98,889                                | 93,032                                | 100,926                               |
| Other income  | 65                                    | -                                     | -                                     |
| Distribution expenses   | (20,595)                              | (22,524)                              | (23,621)                              |
| Administration expenses   | (8,922)                               | (8,254)                               | (8,474)                               |
| Selling expenses  | (20,970)                              | (20,096)                              | (20,634)                              |
| Borrowing costs expense   | (12,745)                              | (14,445)                              | (14,960)                              |
| Other expenses from ordinary activities                                     | (2,456)                               | (2,524)                               | (2,175)                               |
| Share of net profits of associates<br>accounted for using the equity method | 13,505                                | 25,737                                | 23,400                                |
| Profit from ordinary activities before<br>income tax expense                | 46,771                                | 50,926                                | 54,462                                |
| Income tax attributable to<br>profit from ordinary activities               | (673)                                 | (13,526)                              | (14,543)                              |
| Profit from ordinary activities after<br>related income tax expense         | 46,098                                | 37,400                                | 39,919                                |

# **BRICKWORKS**

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**LIMITED**

**BRICKWORKS LIMITED**  
A.B.N. 17 000 028 526

**INTERIM FINANCIAL REPORT**

**HALF YEAR ENDED 31 JANUARY 2006**

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

**DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half year ended 31 January 2006.

**Directors**

The names of the directors in office at any time during or since the end of the half year up to the date of this report 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

**Financial period**

Due to the change of balance date for Brickworks from 30 June to 31 July in the 2005 financial year, the half year reporting period has changed from the prior year. The half year reported as 2006 relates to the period from 1 August 2005 to 31 January 2006, whereas the prior corresponding half year was for 1 July 2004 to 31 December 2004.

**Adoption of Australian equivalents to IFRS**

This interim financial report has been prepared under Australian equivalents to IFRS (AIFRS). A reconciliation of differences between previous AGAAP and AIFRS has been included in note 2 of this report.

**Review of operations**

**OVERVIEW**

Net Profit After Tax was \$46.1 million, up 15% on the six months to December 2004. The profit was struck on revenues of \$258.9 million. The NPAT result was the ninth consecutive first half increase.

The result was pleasing in light of the challenging trading conditions for the Building Products business and again demonstrated the benefits of Brickworks' move to a more diversified and balanced approach over the past five years.

As a consequence of adopting AIFRS Brickworks first half now ends 31 January. In Building Products the effect of this change reduced EBIT by \$5.9 million (12%) as the traditional shutdown period of January moved from the second half to the first half result. The change in reporting period had little affect on Investments or Land and Development.

During the period Building Products EBITA fell 25% to \$31.6 million compared to \$42.4 million in the six months to 31 January 2005. Impact on EBITDA was more muted with a reduction of 18% to \$45.3 million from \$55.3 million in the six months to 31 January 2005.

Land and development contributed EBIT of \$15.5 million in the half compared to a negligible contribution in the six months to 31 January 2005. The most significant transaction in the period was the sale of 15 Ha of M7 Business Hub land in Sydney's West to Coca-Cola Amatil Limited.

The total six month equity accounted contribution of Washington H. Soul Pattinson (WHSP) to January 31, 2006 was \$11.9 million compared to \$22.0 million to 31 December 2004.

Income tax expense reduced \$13.9 million largely driven by an AIFRS impact on Washington H. Soul Pattinson (WHSP) equity accounted investment.

The earnings per share (EPS) increased to 34.7 cents per share, up 15% on the 30.3 cents per share recorded in the previous six months to 31 December 2004.

Directors have declared an increased interim ordinary dividend of 11 cents per share fully franked, up 10% from last year, the seventh consecutive increase in interim dividend payout. The dividend is payable on 11 May 2006 with a record date of 27 April 2006.

Brickworks has achieved Total Shareholder Return of 26.1% per annum over the past five years compared to the ASX Accumulation Index of 12.5% and S&P/ASX200 index of 12.5% over the same period.

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**DIRECTORS' REPORT**

**FINANCE**

The total free cash flow before capital expenditure and ordinary dividends was \$60.3 million down from \$64.7 million last year.

Cash flow from operations was \$62.9 million for the 6 months to January 2006 compared to \$45.3 million to December 2004. \$14.2 million was received from Land and Development compared to \$19.1 million last year.

Net Debt has reduced by \$7.1 million from \$189.7 million in July 2005 to \$182.6 million at 31 January 2006.

Debt reduction during the period was in addition to paying Ordinary Dividends of \$27.9 million (up from \$19.8 million), PAVERS Dividends of \$5.4 million and Capital Expenditure of \$23.5 million.

Net Debt to Net Debt plus Equity also continues to improve, finishing the period at 16.5% down from 17.5% at July 2005 and, including PAVERS as Debt, 27.2% as at 31 January 2006.

Finance costs during the period were \$12.7 million, down 15% on last year's \$15.0 million.

Income tax expense reduced from \$14.5 million in December 2004 to \$0.7 million in January 2006. The 2006 tax expense was reduced by \$9.3 million due to the increased tax cost base of the WHSP equity accounted investment as required by AIFRS.

**BUILDING PRODUCTS**

Building Products recorded a 0.5% decrease in sales revenue to \$236.6 million in the six months to 31 January 2006 compared from \$237.7 million in the six months to 31 January 2005. Excluding acquisitions, revenue fell 6% to \$222.3 million to 31 January 2006.

EBITA to sales margin reduced to 13.3% in the period from 17.9% in the six months to 31 January 2005. If not for significant volume reductions, price increases and manufacturing cost reductions would have resulted in a margin increase as they exceeded the impact of inflation on the total cost base.

Higher depreciation flowing from recent capital expenditure reduced the impact of the trading conditions on EBITDA margin. EBITDA to sales was 19.2% during the half compared with 23.3% in the six months to 31 January 2005.

Dwelling approvals in the six months to 31 January 2006 declined 10.0% to 72,432 compared to the six months to 31 July 2005. This was in line with expectations.

Going against the trend, Western Australia recorded an increase in total dwellings approvals of 7.0% in seasonally adjusted terms.

In NSW, where dwelling approvals had already declined significantly, approvals fell a further 11.0% to 16,385 (seasonally adjusted).

Whilst Victoria recorded an 18.8% decline (seasonally adjusted), it was from a relatively high base providing reasonable levels of building activity.

Nationally, regional areas were stronger than metropolitan areas and single dwellings performed better than multi-residential segments.

Stock was controlled with substantial factory closures in December-January and other months throughout the period. Holdings of bricks and floor tiles fell slightly whilst roof tiles held steady. Building Products inventory value was slightly increased to \$97.1 million resulting from the Timber acquisition.

Safety, health and environment has responded well to management focus with the Lost Time Injury Frequency Rate (a common safety measure also known as LTIFR) reducing by 60% during the period. Several safety programs combined with significant capital expenditure have had a lasting impact. Substantial progress continues to be made on the basis that no safety or environmental incident is inevitable, leaving more to be done before Brickworks can be satisfied.

**Austral Bricks™**

Nationally, brick volumes sold were down 7.1% compared to the six months to 31 January 2005. Despite the significant pressure on volumes caused by the building industry downturn, brick prices have increased slightly. The full impact of price increases has not been felt due product mix changes.

## BRICKWORKS LIMITED AND CONTROLLED ENTITIES

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### DIRECTORS' REPORT

Volumes were down in New South Wales with Sydney housing particularly hard hit as that state endures a 25 year low in approvals. Austral Bricks™ significant exposure to the Sydney market reduced the overall result for the division.

Western Australia, experiencing strong conditions, recorded modest volume and price gains. Whilst the factories produced at maximum capacity, stocks have been depleted to the point where no further stock reduction is desirable. Bricks are now being shipped into Western Australia from New South Wales in order to support Austral Bricks™ customers. This temporary measure is expected to continue throughout the balance of the year.

Overall costs were reduced through capital expenditure, cost reduction programs and plant closures however unit costs increased due to 10.6% lower production volume. Increased input costs were evident in most businesses with wages and energy particularly affected. In Western Australia these affects hit hardest with the mining boom driving trades wages up substantially and compounded by substantial increases in meeting new State Government environmental standards.

As many plants have run continuously for several years repairs and maintenance expenditure has continued strongly in order for the plants to achieve the company's high expectation of dependability. The most significant program is underway at Rochedale in Queensland.

During the period Austral Bricks™ moved to take control of its distribution arrangements in parts of New Zealand. Austral Bricks™ are now distributed direct throughout the South Island and regional areas of the North Island.

#### **Bristile Roofing™**

The Roofing business has improved substantially during the period. Nationally EBIT increased more than 50% on a 2.8% increase in prices whilst sales volumes were 5.6% lower.

On the east coast EBIT was supported by steady prices and lower costs but impacted by lower dwelling activity. The full impact of recent capital expenditure was felt during the period and resulted in substantially lower manufacturing and interstate transport costs.

In Western Australia cost reductions through efficiency gains and moderate price increases delivered a significant jump in EBIT for the six months to 31 January 2006.

#### **Auswest Timber™**

Brickworks acquired 100% of Auswest Timber in June 2005. On 5 December 2005 Brickworks acquired the remaining 58% of Auswest's associate Terra Timbers. This small value adding facility, located in Bairnsdale Victoria, will assist Auswest in its continued efforts to move from a supplier of low margin structural products to high margin niche flooring and other differentiated products. Auswest recorded a flat result in difficult conditions.

#### **Eureka Tiles™**

The Australian floor tile market continues to be a difficult environment. Intense competition from predominantly Chinese tile factories and a new domestic entrant is expected to continue.

During the period volume and prices improved due to the success of new products such as Riviera® large format clay pavers. Output has been reduced by 25% in order to control stock and consequently had a substantial impact on unit manufacturing costs.

Eureka Tile™ continues to make excellent progress on its strategy of moving away from low margin floor tiles subject to fierce import competition and toward niche flooring and walling solutions.

#### **New Products**

During the period the latest generation façade product was developed for the Austral Bricks™ business. Known as TerraÇade® TL, the latest in this innovative series of façades is being well accepted by innovative architects and builders throughout Australia.

TerraÇade® TL will be installed by Bristile Roofing™ bringing together Eureka Tiles™ technical capability, Bristile Roofing™ installation expertise and Austral Bricks™ distribution strength.

#### **CAPITAL EXPENDITURE**

During the period building products capital expenditure totalled \$22.3 million compared to depreciation of \$13.8 million.

The construction of the new brick plant at Wollert in Victoria consumed the largest portion of capital expenditure in the period. The main building is nearing completion allowing kiln construction and machine installation to begin. The project is

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**DIRECTORS' REPORT**

expected to be constructed on budget (\$44 million) and be producing bricks as scheduled in February 2007.

During the half the cost reduction project at Riverview, Queensland, was completed. Commissioning will be completed early in the second half and is expected to deliver substantial reduction in unit cost.

At Golden Grove, South Australia, the \$5.5 million refit is nearing completion. The first equipment is now installed and ready to commission. When complete this project will substantially reduce cost of manufacture and improve the flexibility of the plant.

The current capital expenditure program has been disruptive and added to costs. Nonetheless, Brickworks is committed to preparing the business during the downturn for the next cyclical peak.

**LAND & DEVELOPMENT**

The first six month period of the 2005/06 financial year has seen progress in relation to the Brickworks property realisation program for surplus land holdings. EBIT for the six month period totalled \$15.5 million.

Profit largely came from the sale of land at the M7 Business Hub property, located in Sydney's western suburbs. The sale to Coca Cola Amatil, in conjunction with joint venture partner Macquarie Goodman, comprised 15 hectares (15 Ha). The development of the M7 Business Hub property with Macquarie Goodman is continuing and is expected to underpin sales in the second half of 2005/06.

The property realisation program has considerable momentum and is expected to deliver substantial profit over the medium term. In order to maximise shareholders' long term returns a number of alternative proposals are currently being considered by the Board.

Development of the Eastwood, Sydney, site (13 Ha) has progressed with the commencement of infrastructure and servicing works to the first stage of the development. Progress has been slow due to rehabilitation requirements however the first blocks of land are due for completion in April 2006.

In anticipation of the opening of the M7 motorway, the New South Wales State Government announced in November 2005 the release of additional land in Western Sydney for employment purposes. This will ensure that more than 400 Ha of land owned by Brickworks will be developed in the coming years. The announcement includes land currently occupied by Austral Bricks™ Plant #23, Horsley Park. Operational requirements for the land are currently being reviewed and a plan put in place which maximises the land value whilst protecting the future of the Austral Bricks™ business.

Work on the redevelopment of the Scoresby, Victoria site (58 Ha) has progressed. Approval to fill the Scoresby site has been received from Knox Council. The rezoning application, lodged in October 2005, has been approved for exhibition in late February 2006.

The redevelopment of the Hallam, Victoria site (19 Ha) has also progressed. This property has an existing industrial zoning. A rehabilitation plan, which removes the need to import material, has been prepared.

**WASTE MANAGEMENT**

The Horsley Park, NSW and Bowral, NSW waste facilities provided royalties totalling \$830,000 over the first six month period of the 2005/06 financial year. The royalties from the Horsley Park facility, operated by Collex, has continued to be well over the minimum requirement and forecast amount. A further agreement has been reached with Collex to accelerate filling with additional payments to Brickworks.

**INVESTMENTS**

**Washington H. Soul Pattinson (WHSP)**

ASX Code: SOL

The Washington H. Soul Pattinson (WHSP) post-tax AIFRS contribution increased to \$21.3 million largely as a result of an AIFRS tax credit of \$9.3 million arising from the combined effect of a reduced carrying value and increased tax cost base of the WHSP shareholding. A reduced pre tax equity accounted contribution of \$11.9 million was recorded, down from \$22.0 million in the six months to 31 December 2004. This result included a number of non-regular items including some write-down and impairment expenses in subsidiaries and associates with a net total of \$8.8 million.

The market value of Brickworks' 42.85% share of WHSP increased \$31.0 million (3%) to \$1012.0 million during the six months to January 31, 2006. Fully franked dividends of \$30.7 million (\$22.5 million last year) were also received and included a special dividend of 15 cents per share in November 2005.

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**DIRECTORS' REPORT**

WHSP has announced a further special dividend to be paid in November 2006.

Investment in WHSP has a 15 year compound return of 17.0% compared to 13.4% in the ASX All ordinary Accumulation Index.

**Brickworks Investment Company Limited (BICL)**

ASX Code: BKI

BICL has reported a 31% increase in Net Profit After Tax to \$7.7 million for the six months to December 2005 compared to \$5.9 million for the six months to 31 December 2004.

Brickworks equity accounted share of BICL was \$1.7 million. Brickworks owns 22.17% of BICL.

A fully franked dividend of 2.5 cents per share has been declared and was paid on 12 March 2006.

The value of Brickworks investment in BICL increased 8% from \$50.4 million (share price \$1.17) to \$54.5 million (share price \$1.27) in the six months to 31 January 2006.

Net Asset backing pre-tax per share increased 9% from \$1.30 per share to \$1.42 per share at 31 January 2006.

**OUTLOOK**

**Building Products**

Commencements are expected to continue to ease with full year 2005/06 commencements forecast to be 140-145,000.

Aggressive stock management and maintenance programs have put the Building Products divisions in an excellent position. In the absence of further interest rate rises, approvals are showing signs that the bottom of the cycle may have been found.

Pricing is expected to track inflation for the foreseeable future although continued localised sporadic discounting by competitors remains a concern.

**Brickworks**

Brickworks' priorities remain improving Building Products performance and the maximising of Land and Development profits. Small bolt on acquisitions are constantly under review.

**Rounding of amounts**

The economic entity has applied the relief available to it under ASIC Class Order 98/0100 and accordingly amounts in the financial report and the Directors' report have been rounded off to the nearest \$1,000 where allowed under that class order.

**Auditor's declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half year ended 31 January 2006.

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

Dated 11 April 2006

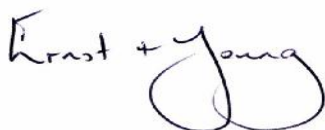
R D MILLNER  
Director

R J WEBSTER  
Director

## **Auditor's 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 January 2006, 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  
11 April 2006

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

**CONDENSED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 JANUARY 200€**

|   | NOTE | CONSOLIDATED                 |                              |
|---|------|------------------------------|------------------------------|
|   |      | 6 MTHS<br>31 JAN 06<br>\$000 | 6 MTHS<br>31 DEC 04<br>\$000 |
| Revenue   | 3    | 258,853                      | 252,871                      |
| Cost of sales   |      | <u>(159,964)</u>             | <u>(151,945)</u>             |
| Gross profit  |      | 98,889                       | 100,926                      |
| Other income  |      | 65                           | -                            |
| Distribution expenses   |      | (20,595)                     | (23,621)                     |
| Administration expenses   |      | (8,922)                      | (8,474)                      |
| Selling expenses  |      | (20,970)                     | (20,634)                     |
| Finance costs   | 3    | (12,745)                     | (14,960)                     |
| Other expenses  |      | (2,456)                      | (2,175)                      |
| Share of net profits of associates<br>accounted for using the equity method |      | <u>13,505</u>                | <u>23,400</u>                |
| Profit from ordinary activities before<br>income tax expense                |      | <u>46,771</u>                | <u>54,462</u>                |
| Income tax attributable to<br>profit from ordinary activities               | 3    | <u>(673)</u>                 | <u>(14,543)</u>              |
| Profit from ordinary activities after<br>related income tax expense         |      | <u>46,098</u>                | <u>39,919</u>                |
| Net profit attributable to members of the<br>parent entity                  |      | <u><u>46,098</u></u>         | <u><u>39,919</u></u>         |
| Basic earnings per share (cents per share)                                  |      | 34.7                         | 30.3                         |
| Diluted earnings per share (cents per share)                                |      | 34.7                         | 30.3                         |

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

The accompanying notes form part of these financial statements

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**

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**CONDENSED BALANCE SHEET AS AT 31 JANUARY 2006**

|  |             | <b>CONSOLIDATED</b>        |                             |
|--|-------------|----------------------------|-----------------------------|
|  | <b>NOTE</b> | <b>31 JAN 06<br/>\$000</b> | <b>31 JULY 05<br/>\$000</b> |
| <b>CURRENT ASSETS</b>                                |             |                            |                             |
| Cash assets  |             | 17,380                     | 15,042                      |
| Receivables  |             | 58,919                     | 73,084                      |
| Held for trading financial assets                    |             | 185                        | 223                         |
| Inventories  |             | 103,720                    | 100,640                     |
| Other  |             | <u>4,519</u>               | <u>3,681</u>                |
| <b>TOTAL CURRENT ASSETS</b>                          |             | <u>184,723</u>             | <u>192,670</u>              |
| <b>NON-CURRENT ASSETS</b>                            |             |                            |                             |
| Receivables  |             | -                          | 1,018                       |
| Available for sale financial assets                  |             | 2,155                      | 1,108                       |
| Inventories  |             | 29,590                     | 34,697                      |
| Investments accounted for using<br>the equity method |             | 551,540                    | 549,691                     |
| Property, plant and equipment                        |             | 514,092                    | 502,651                     |
| Deferred tax assets                                  |             | 35,316                     | 42,940                      |
| Intangible assets                                    |             | <u>246,431</u>             | <u>246,203</u>              |
| <b>TOTAL NON-CURRENT ASSETS</b>                      |             | <u>1,379,124</u>           | <u>1,378,308</u>            |
| <b>TOTAL ASSETS</b>                                  |             | <u>1,563,847</u>           | <u>1,570,978</u>            |
| <b>CURRENT LIABILITIES</b>                           |             |                            |                             |
| Payables   |             | 45,819                     | 61,500                      |
| Interest-bearing liabilities                         |             | 40,000                     | 4,700                       |
| Current tax liabilities                              |             | 5,467                      | 16,227                      |
| Provisions   |             | <u>30,123</u>              | <u>30,861</u>               |
| <b>TOTAL CURRENT LIABILITIES</b>                     |             | <u>121,409</u>             | <u>113,288</u>              |
| <b>NON-CURRENT LIABILITIES</b>                       |             |                            |                             |
| Payables   |             | 39,811                     | 43,117                      |
| Interest-bearing liabilities                         |             | 324,335                    | 364,619                     |
| Provisions   |             | 16,379                     | 17,067                      |
| Deferred tax liabilities                             |             | 133,816                    | 138,156                     |
| Non interest-bearing liabilities                     |             | <u>1,279</u>               | <u>1,320</u>                |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                 |             | <u>515,620</u>             | <u>564,279</u>              |
| <b>TOTAL LIABILITIES</b>                             |             | <u>637,029</u>             | <u>677,567</u>              |
| <b>NET ASSETS</b>                                    |             | <u>926,818</u>             | <u>893,411</u>              |
| <b>EQUITY</b>  |             |                            |                             |
| Contributed equity                                   | 5           | 145,936                    | 147,500                     |
| Reserves   |             | 325,298                    | 314,402                     |
| Retained profits                                     |             | <u>455,584</u>             | <u>431,509</u>              |
| <b>TOTAL EQUITY</b>                                  |             | <u>926,818</u>             | <u>893,411</u>              |

The accompanying notes form part of these financial statements

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**CONDENSED STATEMENT OF MOVEMENT IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2006**

|  | <b>CONSOLIDATED</b>                   |                                       |
|--|---------------------------------------|---------------------------------------|
| <b>NOTE</b>  | <b>6 MTHS<br/>31 JAN 06<br/>\$000</b> | <b>6 MTHS<br/>31 DEC 04<br/>\$000</b> |
| Total equity at beginning of the half year                                   | 893,411                               | 747,906                               |
| Available for sale investments:  |                                       |                                       |
| Gain / (loss) taken to equity  | (41)                                  | -                                     |
| Cash flow hedges:  |                                       |                                       |
| Gain / (loss) taken to equity  | 606                                   | (911)                                 |
| Share of increments in reserves attributable to associates                   | 14,665                                | 28,253                                |
| Tax on movement in equity accounted investment recognised directly in equity | (4,399)                               | (8,197)                               |
| Net income recognised directly in equity                                     | 10,831                                | 19,145                                |
| Profit for the half year   | 46,098                                | 39,919                                |
| Total recognised income and expense for the half year                        | 56,929                                | 59,064                                |
| Transactions with equity holders in their capacity as equity holders         |                                       |                                       |
| Dividends provided or paid during the half year                              | (21,958)                              | (17,227)                              |
| Treasury stock:  |                                       |                                       |
| Purchase of shares through employee share plan                               | (2,006)                               | (1,102)                               |
| Shares transferred to profit and loss on vesting                             | 442                                   | 253                                   |
|  | (23,522)                              | (18,076)                              |
| Total equity at the end of the half year                                     | 926,818                               | 788,894                               |

The accompanying notes form part of these financial statements

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**

A.B.N. 17 000 028 526

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

|  | NOTE | CONSOLIDATED                 |                              |
|--|------|------------------------------|------------------------------|
|  |      | 6 MTHS<br>31 JAN 06<br>\$000 | 6 MTHS<br>31 DEC 04<br>\$000 |
| <b>Cash flows from operating activities</b>          |      |                              |                              |
| Receipts from customers                              |      | 295,694                      | 283,633                      |
| Payments to suppliers & employees                    |      | (239,422)                    | (230,661)                    |
| Interest received                                    |      | 260                          | 351                          |
| Interest expense                                     |      | (7,482)                      | (9,272)                      |
| PAVERS dividend                                      |      | (5,429)                      | (5,431)                      |
| Dividends received                                   |      | 31,667                       | 23,367                       |
| Income tax paid                                      |      | (12,434)                     | (16,708)                     |
|  |      | <u>62,854</u>                | <u>45,279</u>                |
| Net cash flows from / (used in) operating activities |      |                              |                              |
| <b>Cash flows from investing activities</b>          |      |                              |                              |
| Proceeds from the sale of investments                |      | 444                          | -                            |
| Purchases of investments                             |      | (1,494)                      | -                            |
| Payment for controlled entity net of cash acquired   |      | (397)                        | -                            |
| Proceeds from sale of property, plant & equipment    |      | 334                          | 9,182                        |
| Purchases of property, plant & equipment             |      | (23,546)                     | (25,322)                     |
|  |      | <u>(24,659)</u>              | <u>(16,140)</u>              |
| Net cash flows from / (used in) investing activities |      |                              |                              |
| <b>Cash flows from financing activities</b>          |      |                              |                              |
| Proceeds from borrowings                             |      | 107,000                      | 31,500                       |
| Repayment of borrowings                              |      | (111,700)                    | (48,500)                     |
| Loan (to) / from other entity                        |      | (3,292)                      | 10,250                       |
| Dividends paid                                       |      | (27,865)                     | (19,759)                     |
|  |      | <u>(35,857)</u>              | <u>(26,509)</u>              |
| Net cash flows from / (used in) financing activities |      |                              |                              |
| Net increase / (decrease) in cash held               |      | 2,338                        | 2,630                        |
| Cash at beginning of half year                       |      | <u>15,042</u>                | <u>6,426</u>                 |
| Cash at end of half year                             |      | <u><u>17,380</u></u>         | <u><u>9,056</u></u>          |

The accompanying notes form part of these financial statements

## BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2006

#### NOTE 1: BASIS OF PREPARATION

The half year financial report is a condensed general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, and other mandatory professional reporting requirements.

The condensed half year general purpose report does not include full disclosures of the type normally included in an annual financial report, and as such this financial report should be read in conjunction with the annual financial report for the period ended 31 July 2005, and any public announcements made by Brickworks Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

As this is the first financial report prepared under Australian equivalents to IFRS (AIFRS), the accounting policies applied are inconsistent with those applied in the 31 July 2005 annual report, as that report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under AIFRS has been included below. A reconciliation of equity and profit between previous GAAP and AIFRS has been included in note 2 to the financial statements.

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the half year financial report complies with International Financial Reporting Standards.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit and loss and derivatives.

#### (a) Principles of consolidation

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

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

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

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

#### (b) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which usually occurs upon the delivery of goods to customers.

Revenue from the sale of land held for resale is recognised at the point at which any contract of sale in relation to the land has become unconditional, and title to the land has passed to the purchaser.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 1: BASIS OF PREPARATION (cont.)**

**(c) Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**(d) Income tax**

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

**Current tax**

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

**Deferred tax**

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

**Tax consolidation**

Brickworks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation regime. Brickworks is the head entity of that group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

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

**(e) Earnings per share**

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

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

# BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2006

### NOTE 1: BASIS OF PREPARATION (cont.)

#### (f) Cash and cash equivalents

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

Cash and cash equivalents are stated at nominal value.

#### (g) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

#### (h) Inventories

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

#### (i) Land held for resale

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

#### (j) Property, plant and equipment

Freehold land is carried at the lower of cost and recoverable amount.

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

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

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

#### Depreciation

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

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

| <b>Class of fixed asset</b> | <b>Depreciation rate</b>                        |
|-----------------------------|---|
| Buildings                   | 2.5%-4% prime cost                              |
| Plant and equipment         | 4%-33% prime cost, 7.5%-22.5% diminishing value |

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 1: BASIS OF PREPARATION (cont.)**

**(j) Property, plant and equipment (cont.)**

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

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

**(k) Leases**

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

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

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

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

**(l) Financial assets**

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

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

**Financial assets at fair value through profit and loss**

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

**Held-to-maturity investments**

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

**Available-for-sale financial assets**

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

The fair value of financial instruments traded in active markets is based on quoted market bid prices at the balance sheet date.

**Derecognition**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 1: BASIS OF PREPARATION (cont.)**

**(m) Investments in associates**

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

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

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

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

**(n) Intangibles**

**Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets (including contingent liabilities) at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies, unless there is no reasonable and consistent basis to do so, in which case goodwill is allocated to groups of cash generating units. Impairment is determined by assessing the recoverable amount of the cash generating unit (or groups of units) to which the goodwill relates. Where this recoverable amount is less than the carrying amount, an impairment loss is recognised.

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

**Log licences**

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

**(o) Acquisition of assets**

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

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

## BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2006

#### NOTE 1: BASIS OF PREPARATION (cont.)

##### (p) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

##### (q) Payables

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

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

##### (r) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

##### (s) Employee benefits

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

##### Share-based payments

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

##### (t) Restoration and rehabilitation

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

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

##### (u) Interest bearing liabilities

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 1: BASIS OF PREPARATION (cont.)**

**(u) Interest bearing liabilities (cont.)**

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

**(v) Financial instruments issued by the company**

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

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

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

**(w) Derivatives**

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

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

**Fair value hedge**

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

**Cash flow hedge**

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

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

**Derivatives that do not qualify for hedge accounting**

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

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

**(x) Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

## BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2006

#### **NOTE 1: BASIS OF PREPARATION (cont.)**

##### **(y) Reserved shares**

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

##### **(z) Goods and Services Tax (GST)**

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

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

##### **(aa) Foreign currency transactions and balances**

###### **Functional and presentation currency**

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

###### **Transaction and balances**

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

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

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

###### **Group companies**

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

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

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

##### **(ab) Comparative information**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**

A.B.N. 17 000 028 526

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 2: IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS.**

The consolidated entity changed its accounting policies on 1 August 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to AIFRS has materially affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**(a) Effect of AIFRS on the balance sheet as at 1 July 2004**

|  | Note                    | AGAAP<br>\$'000  | Effect of<br>Transition<br>to AIFRS<br>\$'000 | AIFRS<br>\$'000  |
|--|-------------------------|------------------|---|------------------|
| <b>CURRENT ASSETS</b>                    |                         |                  |   |                  |
| Cash                                     |                         | 6,426            | -   | 6,426            |
| Receivables                              |                         | 81,317           | -   | 81,317           |
| Held for trading financial instruments   |                         | 364              | -   | 364              |
| Inventories                              |                         | 78,008           | -   | 78,008           |
| Other                                    |                         | 1,901            | -   | 1,901            |
| <b>TOTAL CURRENT ASSETS</b>              |                         | <b>168,016</b>   | <b>-</b>                                      | <b>168,016</b>   |
| <b>NON-CURRENT ASSETS</b>                |                         |                  |   |                  |
| Inventories                              |                         | 31,804           | -   | 31,804           |
| Equity accounted investments             | (f)                     | 289,694          | 16,409  | 372,722          |
| Property, plant and equipment            | (g)                     | 541,684          | -   | 541,684          |
| Deferred tax assets                      | (l)                     | 18,693           | 11,876  | 30,569           |
| Intangibles                              |                         | 247,311          | -   | 247,311          |
| <b>TOTAL NON-CURRENT ASSETS</b>          |                         | <b>1,129,186</b> | <b>94,904</b>                                 | <b>1,224,090</b> |
| <b>TOTAL ASSETS</b>                      |                         | <b>1,297,202</b> | <b>94,904</b>                                 | <b>1,392,106</b> |
| <b>CURRENT LIABILITIES</b>               |                         |                  |   |                  |
| Payables                                 | (i)                     | 45,522           | 891   | 46,413           |
| Current interest-bearing liabilities     |                         | 76,000           | -   | 76,000           |
| Current tax liabilities                  |                         | 8,233            | -   | 8,233            |
| Provisions                               | (j)                     | 30,232           | (1,174)                                       | 29,058           |
| <b>TOTAL CURRENT LIABILITIES</b>         |                         | <b>159,987</b>   | <b>(283)</b>                                  | <b>159,704</b>   |
| <b>NON-CURRENT LIABILITIES</b>           |                         |                  |   |                  |
| Payables                                 |                         | 10,250           | -   | 10,250           |
| Non-Current interest-bearing liabilities | (i)<br>(k)              | 200,000          | 162,250<br>1,108                              | 363,358          |
| Provisions                               |                         | 10,887           | -   | 10,887           |
| Deferred tax liabilities                 | (l)                     | 21,362           | 78,639  | 100,001          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>     |                         | <b>242,499</b>   | <b>241,997</b>                                | <b>484,496</b>   |
| <b>TOTAL LIABILITIES</b>                 |                         | <b>402,486</b>   | <b>241,714</b>                                | <b>644,200</b>   |
| <b>NET ASSETS</b>                        |                         | <b>894,716</b>   | <b>(146,810)</b>                              | <b>747,906</b>   |
| <b>SHAREHOLDERS' EQUITY</b>              |                         |                  |   |                  |
| Contributed Equity                       | (i)<br>(j)              | 302,168          | (162,760)<br>(918)                            | 138,490          |
| Reserves                                 | (g)<br>(k)              | 255,822          | 38,918<br>(1,108)                             | 293,632          |
| Retained Profits                         | (f),(g),(i),<br>(j),(l) | 336,726          | (20,942)                                      | 315,784          |
| <b>TOTAL SHAREHOLDERS EQUITY</b>         |                         | <b>894,716</b>   | <b>(146,810)</b>                              | <b>747,906</b>   |

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)**

**(b) Effect of AIFRS on the balance sheet as at 31 December 2004**

|  | Note                        | AGAAP<br>\$'000  | Effect of<br>Transition<br>to AIFRS<br>\$'000 | AIFRS<br>\$'000  |
|--|-----------------------------|------------------|---|------------------|
| <b>CURRENT ASSETS</b>                    |                             |                  |   |                  |
| Cash                                     |                             | 9,056            | -   | 9,056            |
| Receivables                              |                             | 66,318           | -   | 66,318           |
| Held for trading financial instruments   |                             | 255              | -   | 255              |
| Inventories                              |                             | 83,060           | -   | 83,060           |
| Other                                    |                             | 3,914            | -   | 3,914            |
| <b>TOTAL CURRENT ASSETS</b>              |                             | <b>162,603</b>   |   | <b>162,603</b>   |
| <b>NON-CURRENT ASSETS</b>                |                             |                  |   |                  |
| Inventories                              |                             | 52,579           | -   | 52,579           |
| Equity accounted investments             | (f)                         | 315,662          | 22,039  | 403,549          |
| Property, plant and equipment            | (g)                         | 532,755          | -   | 532,755          |
| Deferred tax assets                      | (l)                         | 17,303           | 12,049  | 29,352           |
| Intangibles                              | (h)                         | 234,486          | 6,339   | 240,825          |
| <b>TOTAL NON-CURRENT ASSETS</b>          |                             | <b>1,152,785</b> | <b>106,275</b>                                | <b>1,259,060</b> |
| <b>TOTAL ASSETS</b>                      |                             | <b>1,315,388</b> | <b>106,275</b>                                | <b>1,421,663</b> |
| <b>CURRENT LIABILITIES</b>               |                             |                  |   |                  |
| Payables                                 | (i)                         | 41,424           | 920   | 42,344           |
| Current interest-bearing liabilities     |                             | 59,000           | -   | 59,000           |
| Current tax liabilities                  |                             | 3,597            | -   | 3,597            |
| Provisions                               | (j)                         | 26,817           | (794)   | 26,023           |
| <b>TOTAL CURRENT LIABILITIES</b>         |                             | <b>130,838</b>   | <b>126</b>                                    | <b>130,964</b>   |
| <b>NON-CURRENT LIABILITIES</b>           |                             |                  |   |                  |
| Payables                                 |                             | 20,500           | -   | 20,500           |
| Non-Current interest-bearing liabilities | (i)                         | 200,000          | 162,573                                       | 364,592          |
| Provisions                               | (k)                         | 12,984           | 2,019   | 12,984           |
| Deferred tax liabilities                 | (l)                         | 13,790           | 89,940  | 103,730          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>     |                             | <b>247,274</b>   | <b>254,532</b>                                | <b>501,806</b>   |
| <b>TOTAL LIABILITIES</b>                 |                             | <b>378,112</b>   | <b>254,658</b>                                | <b>632,770</b>   |
| <b>NET ASSETS</b>                        |                             | <b>937,276</b>   | <b>(148,383)</b>                              | <b>788,893</b>   |
| <b>SHAREHOLDERS' EQUITY</b>              |                             |                  |   |                  |
| Contributed Equity                       | (i)                         | 302,168          | (162,760)                                     | 137,641          |
|  | (j)                         |                  | (1,767)                                       |                  |
| Reserves                                 | (g)                         | 282,775          | 33,180  | 312,777          |
|  | (k)                         |                  | (3,178)                                       |                  |
| Retained Profits                         | (f),(g),(h),<br>(i),(j),(l) | 352,333          | (13,858)                                      | 338,475          |
| <b>TOTAL SHAREHOLDERS EQUITY</b>         |                             | <b>937,276</b>   | <b>(148,383)</b>                              | <b>788,893</b>   |

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)**

**(c) Effect of AIFRS on the balance sheet as at 31 July 2005**

|  | Note                    | AGAAP<br>\$'000  | Effect of<br>Transition<br>to AIFRS<br>\$'000 | AIFRS<br>\$'000  |
|--|-------------------------|------------------|---|------------------|
| <b>CURRENT ASSETS</b>                    |                         |                  |   |                  |
| Cash                                     |                         | 15,042           | -   | 15,042           |
| Receivables                              |                         | 73,084           | -   | 73,084           |
| Held for trading financial instruments   |                         | 223              | -   | 223              |
| Inventories                              |                         | 100,640          | -   | 100,640          |
| Other                                    |                         | 3,681            | -   | 3,681            |
| <b>TOTAL CURRENT ASSETS</b>              |                         | <b>192,670</b>   | <b>-</b>                                      | <b>192,670</b>   |
| <b>NON-CURRENT ASSETS</b>                |                         |                  |   |                  |
| Receivables                              |                         | 1,018            | -   | 1,018            |
| Available for sale financial instruments |                         | 1,110            | (2)   | 1,108            |
| Inventories                              |                         | 34,697           | -   | 34,697           |
| Equity accounted investments             | (g)                     | 489,258          | 60,433  | 549,691          |
| Property, plant and equipment            |                         | 502,651          | -   | 502,651          |
| Deferred tax assets                      | (l)                     | 32,028           | 10,912  | 42,940           |
| Intangibles                              | (h)                     | 232,547          | 13,656  | 246,203          |
| <b>TOTAL NON-CURRENT ASSETS</b>          |                         | <b>1,293,309</b> | <b>84,999</b>                                 | <b>1,378,308</b> |
| <b>TOTAL ASSETS</b>                      |                         | <b>1,485,979</b> | <b>84,999</b>                                 | <b>1,570,978</b> |
| <b>CURRENT LIABILITIES</b>               |                         |                  |   |                  |
| Payables                                 | (i)                     | 59,687           | 1,813   | 61,500           |
| Current interest-bearing liabilities     |                         | 4,700            | -   | 4,700            |
| Current tax liabilities                  |                         | 16,227           | -   | 16,227           |
| Provisions                               | (j)                     | 32,637           | (1,776)                                       | 30,861           |
| <b>TOTAL CURRENT LIABILITIES</b>         |                         | <b>113,251</b>   | <b>37</b>                                     | <b>113,288</b>   |
| <b>NON-CURRENT LIABILITIES</b>           |                         |                  |   |                  |
| Payables                                 |                         | 43,117           | -   | 43,117           |
| Non-Current interest-bearing liabilities | (i)<br>(k)              | 200,000          | 162,945<br>1,674                              | 364,619          |
| Provisions                               |                         | 17,067           | -   | 17,067           |
| Deferred tax liabilities                 | (l)                     | 11,149           | 127,007                                       | 138,156          |
| Other                                    |                         | 1,320            | -   | 1,320            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>     |                         | <b>272,653</b>   | <b>291,626</b>                                | <b>564,279</b>   |
| <b>TOTAL LIABILITIES</b>                 |                         | <b>385,904</b>   | <b>291,663</b>                                | <b>677,567</b>   |
| <b>NET ASSETS</b>                        |                         | <b>1,100,075</b> | <b>(206,664)</b>                              | <b>893,411</b>   |
| <b>SHAREHOLDERS' EQUITY</b>              |                         |                  |   |                  |
| Contributed Equity                       | (i)<br>(j)              | 311,805          | (162,760)<br>(1,545)                          | 147,500          |
| Reserves                                 | (g)<br>(k)              | 287,360          | 28,716<br>(1,674)                             | 314,402          |
| Retained Profits                         | (g),(h),(i),<br>(j),(l) | 500,910          | (69,401)                                      | 431,509          |
| <b>TOTAL SHAREHOLDERS EQUITY</b>         |                         | <b>1,100,075</b> | <b>(206,664)</b>                              | <b>893,411</b>   |

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)**

**(d) Effect of AIFRS on the income statement for the half year ended 31 December 2004**

|  | Note | AGAAP<br>\$'000 | Effect of<br>Transition<br>to AIFRS<br>\$'000 | AIFRS<br>\$'000 |
|--|------|-----------------|---|-----------------|
| Revenue  |      | 251,291         | 1,580   | 252,871         |
| Cost of sales  |      | (151,945)       | -   | (151,945)       |
| <b>Gross Profit</b>  |      | <b>99,346</b>   | <b>1,580</b>                                  | <b>100,926</b>  |
| Other income   | (m)  | 1,861           | (1,861)                                       | -               |
| Distribution Expenses  |      | (23,621)        | -   | (23,621)        |
| Administration Expenses  |      | (8,474)         | -   | (8,474)         |
| Selling Expenses   |      | (20,634)        | -   | (20,634)        |
| Borrowing costs expense  | (i)  | (9,177)         | (5,783)                                       | (14,960)        |
|  | (h)  |                 | 6,339   |                 |
| Other expenses from ordinary activities                                      | (j)  | (9,265)         | 470   | (2,175)         |
|  | (m)  |                 | 281   |                 |
| Share of net profits of associates<br>accounted for using the equity method  | (f)  | 19,842          | 5,629   | 23,400          |
|  | (g)  |                 | (2,071)                                       |                 |
| <b>Profit from ordinary activities before<br/>income tax expenses</b>        |      | <b>49,878</b>   | <b>4,584</b>                                  | <b>54,462</b>   |
| Income tax attributable to profit from<br>ordinary activities                | (l)  | (11,613)        | (2,930)                                       | (14,543)        |
| <b>Profit from ordinary activities after related<br/>income tax expenses</b> |      | <b>38,265</b>   | <b>1,654</b>                                  | <b>39,919</b>   |

**(e) Effect of AIFRS on the income statement for the 13 month year ended 31 July 2005**

|  | Note | AGAAP<br>\$'000 | Effect of<br>Transition<br>to AIFRS<br>\$'000 | AIFRS<br>\$'000 |
|--|------|-----------------|---|-----------------|
| Revenue  |      | 519,032         | 46,264  | 565,296         |
| Cost of sales  |      | (327,157)       | (18,123)                                      | (345,280)       |
| <b>Gross Profit</b>  |      | <b>191,875</b>  | <b>28,141</b>                                 | <b>220,016</b>  |
| Other income   | (m)  | 47,266          | (47,266)                                      | -               |
| Distribution Expenses  |      | (44,576)        | -   | (44,576)        |
| Administration Expenses  |      | (18,810)        | -   | (18,810)        |
| Selling Expenses   |      | (42,745)        | -   | (42,745)        |
| Borrowing costs expense  | (i)  | (18,985)        | (12,441)                                      | (31,426)        |
|  | (h)  |                 | 13,655  |                 |
| Other expenses from ordinary activities                                      | (j)  | (92,613)        | 1,230   | (58,603)        |
|  | (m)  |                 | 19,125  |                 |
| Share of net profits of associates<br>accounted for using the equity method  | (f)  | 200,120         | (16,409)                                      | 179,188         |
|  | (g)  |                 | (4,523)                                       |                 |
| <b>Profit from ordinary activities before<br/>income tax expenses</b>        |      | <b>221,532</b>  | <b>(18,488)</b>                               | <b>203,044</b>  |
| Income tax attributable to profit from<br>ordinary activities                | (l)  | (17,706)        | (42,412)                                      | (60,118)        |
| <b>Profit from ordinary activities after related<br/>income tax expenses</b> |      | <b>203,826</b>  | <b>(60,900)</b>                               | <b>142,926</b>  |

## BRICKWORKS LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 000 028 526

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 JANUARY 2006

#### **NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)**

##### **(f) Re-allocation of associates profit to prior year**

Under AASB128: Investments in Associates, Brickworks is required to use information that is current to within 3 months of Brickworks' reporting date. Historically under AGAAP, Brickworks had used the last publicly available information which, for Washington H. Soul Pattinson & Co Ltd (SOL) for reporting periods ended on or before 30 June 2004, were prepared by SOL 5 months prior to Brickworks' reporting date. To align SOL's results with Brickworks accounting periods, an adjustment was required to opening retained earnings at transition date and profit for the 6 months to 31 December 2004 and 13 months to 31 July 2005, with a corresponding adjustment to the balance sheet at the end of each period.

##### **(g) Share of Associates AIFRS adjustments**

Brickworks' associates have reported net changes to equity as a result of the adoption of AIFRS. As a result of these changes, Brickworks is required to show its share of these adjustments to the relevant category of equity, with a corresponding net movement to the carrying value of investments in associates. Where these adjustments have impacted on the associates profit for a particular period Brickworks is required to show its share of that adjustment in profit for that period.

Both SOL and Brickworks Investment Company Ltd (BKI), Brickworks two associates listed on the ASX, have released details of their adjustments to equity as a result of the adoption of AIFRS, and specific details on the causes of these changes can be obtained from these company's reports.

##### **(h) Goodwill**

Under AASB3: Business Combinations, goodwill is not permitted to be amortised, but is subject to annual impairment testing under AASB136: Impairment of Assets. The policy under AGAAP is that goodwill is amortised over its useful life, but not exceeding 20 years. Under AASB136 amortisation will no longer be charged, but goodwill will be written down to the extent that it becomes impaired. Impairment testing performed during the period indicated there would be no impairment write-down of goodwill required on transition to AIFRS. As a result, goodwill amortisation subsequent to transition date has been reversed against retained earnings.

Brickworks elected to apply the exemption available under AASB1: First-Time Adoption of Australian Equivalents to International Financial Reporting Standards in relation to business combinations, and accordingly will not apply the requirements of AASB3 retrospectively to past business combinations.

##### **(i) Redeemable Preference Shares (PAVERS)**

Under AASB132: Financial Instruments – Disclosure and Presentation, Brickworks redeemable preference shares (PAVERS) no longer meet the definition of equity, and hence will be classified as a financial liability in the balance sheet.

With this reclassification, the issue costs of these shares are amortised in the income statement over the term of the shares (5 years from issue date), whereas under AGAAP these costs were not expensed on an annual basis.

Further, the payments classified as dividends under AGAAP, and recognised in accordance with the relevant Provisions accounting standard, will now be classified as a borrowing cost, accrued on a straight line basis over the period of issue.

##### **(j) Share based payments**

Under AASB2: Share Based Payments, Brickworks is required to recognise the fair value of the shares granted to employees as remuneration as an expense, on a pro-rata basis, over the vesting period in the Income Statement, with a corresponding adjustment to equity via Treasury Stock. These shares relate to purchases under the long-term incentive plan. Under AGAAP, Brickworks' has accrued and expensed the cost of the long term bonus in the year to which the performance relates. This change in policy will require a reversal of a portion of the employee entitlement provision, and some amounts historically expensed in accordance with AGAAP are reversed.

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 2: IMPACTS OF THE ADOPTION OF AIFRS (cont.)**

**(k) Hedge accounting**

Under AASB139: Financial Instruments – Recognition and Measurement, Brickworks will be required to recognise a liability in its balance sheet for the fair value of derivatives which are classified as effective (cash flow) hedges. The other side to this entry will be carried in reserves, and released against the liability as the valuation of this instrument varies. Under AGAAP, these amounts are not recorded on the balance sheet of the Group.

**(l) Income tax expense**

Under AASB112: Income Taxes, the Group is required to use a Balance Sheet approach to calculate deferred tax assets and liabilities, rather than the income statement method used under AGAAP. This approach will see deferred tax balances recognised for the first time on some items, such as land, buildings, and the carrying value of equity accounted investments.

Any subsequent movement in either the book carrying value or the tax base of these balance sheet items will be reflected in the tax expense (for those movements which are reflected in the income statement) or directly in equity (for those movements which are reflected directly through equity) for that year.

**(m) Revenue recognition**

Under AASB118: Revenue, profit on disposal of fixed assets will be disclosed as other income from ordinary activities, whereas under AGAAP the proceeds on disposal and the cost of the asset were disclosed separately as other income and other expenses respectively. There is no net adjustment to profit as a result of this change.

**(n) Cash flows**

The Group's adoption of AIFRS has had no effect on net cash flows, however with the reclassification of PAVERS from equity to debt, the interest paid has been reclassified within the statement of cash flows from a financing cash flow to an operating cash flow.

**(o) Transitional exemptions**

The group has made certain elections in relation to its transition into AIFRS as allowed by AASB1: First time adoption of Australian equivalents to International Financial Reporting Standards as follows:

**Business combinations**

AASB3: Business Combinations was not applied retrospectively to past business combinations.

**Deemed cost of land**

Some of the Group's land had been carried at deemed cost as allowed under previous AGAAP. The Group has elected to use this deemed cost as the book cost of this land under AIFRS.

**Financial instruments**

The Group has not taken the available exemption from the application of AASB132 and AASB139 (financial instruments) to prior (comparative) periods.

| <b>CONSOLIDATED</b> |                  |
|---------------------|------------------|
| <b>6 MTHS</b>       | <b>6 MTHS</b>    |
| <b>31 JAN 06</b>    | <b>31 DEC 04</b> |
| <b>\$000</b>        | <b>\$000</b>     |

**NOTE 3: SIGNIFICANT REVENUE AND EXPENSES**

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

|                             |         |         |
|-----------------------------|---------|---------|
| Revenue – Building products | 236,518 | 251,381 |
| Revenue – Property          | 22,009  | 1,074   |
| Revenue – Investments       | 326     | 416     |
|                             | 258,853 | 252,871 |
| Total revenue               | 258,853 | 252,871 |

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

|   | <b>CONSOLIDATED</b>                   |                                       |
|---|---------------------------------------|---------------------------------------|
|   | <b>6 MTHS<br/>31 JAN 06<br/>\$000</b> | <b>6 MTHS<br/>31 DEC 04<br/>\$000</b> |
| <b>NOTE 3: SIGNIFICANT REVENUE AND EXPENSES (cont.)</b>   |                                       |                                       |
| Borrowing costs - other corporations  | 6,961                                 | 9,176                                 |
| Borrowing costs - PAVERS interest   | 5,461                                 | 5,461                                 |
| Borrowing costs - PAVERS costs amortisation   | 323                                   | 323                                   |
|   | <u>12,745</u>                         | <u>14,960</u>                         |
| Total borrowing costs   |                                       |                                       |
| Income tax expense  |                                       |                                       |
| Prima facie income tax on profit at 30%   | 14,031                                | 16,339                                |
| Tax expense / (benefit) of equity accounting associate - WHSP   | (9,340)                               | 2,933                                 |
| Net tax expense / (benefit) of other items  | (4,018)                               | (4,729)                               |
|   | <u>673</u>                            | <u>14,543</u>                         |
| Reported income tax expense   |                                       |                                       |
| <b>NOTE 4: DIVIDENDS</b>  |                                       |                                       |
| Final ordinary dividend of 21.0 cents per share fully franked at the tax rate of 30% and paid on 22 November 2005 (2004 – 15.0 cents fully franked paid 8 November 2004) not recognised as a liability in the previous period | 27,865                                | 19,759                                |
| Group's share of dividend received by associated company  | (5,907)                               | (2,532)                               |
|   | <u>21,958</u>                         | <u>17,227</u>                         |
| Proposed interim ordinary dividend of 11.0 cents per share fully franked at the tax rate of 30% and payable on 11 May 2006 and not recognised as a liability (2004 – 10.0 cents fully franked paid 12 April 2005)             | 14,596                                | 13,172                                |

Note: Due to the reclassification of PAVERS from equity to liabilities, amounts previously recorded as dividend payments are classified as interest expense, and recorded in borrowing costs.

|   | <b>31 JAN 06<br/>\$000</b> | <b>31 JULY 05<br/>\$000</b> |
|---|----------------------------|-----------------------------|
| <b>NOTE 5: SHARE CAPITAL</b>              |                            |                             |
| Fully paid ordinary shares                | 149,046                    | 149,046                     |
| Reserved shares                           | (3,110)                    | (1,546)                     |
|   | <u>145,936</u>             | <u>147,500</u>              |
|   | <b>No. of<br/>shares</b>   | <b>Value<br/>\$000</b>      |
| Reserved shares                           |                            |                             |
| Opening balance                           | 168,815                    | 1,546                       |
| add: bonus shares purchased by share plan | 170,468                    | 2,006                       |
| less: bonus shares vested during period   | (47,297)                   | (442)                       |
|   | <u>291,986</u>             | <u>3,110</u>                |
| Balance at end of period                  |                            |                             |

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 6: SEGMENT INFORMATION**

(a) Business segments

|  | Building Products            |                              | Property                     |                              | Investments                  |                              | Consolidated                 |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|  | 6 MTHS<br>31 JAN 06<br>\$000 | 6 MTHS<br>31 DEC 04<br>\$000 | 6 MTHS<br>31 JAN 06<br>\$000 | 6 MTHS<br>31 DEC 04<br>\$000 | 6 MTHS<br>31 JAN 06<br>\$000 | 6 MTHS<br>31 DEC 04<br>\$000 | 6 MTHS<br>31 JAN 06<br>\$000 | 6 MTHS<br>31 DEC 04<br>\$000 |
| <b>REVENUE</b>   |                              |                              |                              |                              |                              |                              |                              |                              |
| Segment revenue  | 236,573                      | 251,381                      | 22,009                       | 1,074                        | 336                          | 416                          | 258,918                      | 252,871                      |
| <b>RESULT</b>  |                              |                              |                              |                              |                              |                              |                              |                              |
| Segment EBITDA   | 45,349                       | 61,144                       | 16,264                       | 932                          | 13,813                       | 23,703                       | 75,426                       | 85,779                       |
| Less depreciation  | (13,777)                     | (12,835)                     | -                            | -                            | -                            | -                            | (13,777)                     | (12,835)                     |
| Segment EBITA  | <u>31,572</u>                | <u>48,309</u>                | <u>16,264</u>                | <u>932</u>                   | <u>13,813</u>                | <u>23,703</u>                | <u>61,649</u>                | <u>72,944</u>                |
| Less amortisation<br>of intangibles                          | -                            | (1,376)                      | -                            | -                            | -                            | -                            | -                            | (1,376)                      |
| Segment result   | <u>31,572</u>                | <u>46,933</u>                | <u>16,264</u>                | <u>932</u>                   | <u>13,813</u>                | <u>23,703</u>                | <u>61,649</u>                | <u>71,568</u>                |
| Unallocated expenses   |                              |                              |                              |                              |                              |                              |                              |                              |
| Finance costs  |                              |                              |                              |                              |                              |                              | (12,745)                     | (14,960)                     |
| Other unallocated expenses                                   |                              |                              |                              |                              |                              |                              | (2,133)                      | (2,146)                      |
| Profit from ordinary activities<br>before income tax expense |                              |                              |                              |                              |                              |                              | 46,771                       | 54,462                       |
| Income tax expense   |                              |                              |                              |                              |                              |                              | (673)                        | (14,543)                     |
| Profit from ordinary activities<br>after income tax expense  |                              |                              |                              |                              |                              |                              | <u>46,098</u>                | <u>39,919</u>                |

**NOTE 7: ASSOCIATED COMPANIES**

An interest is held in the following associated companies

| Name                                 | Ownership interest |                | Contribution to profit       |                              |
|--------------------------------------|--------------------|----------------|------------------------------|------------------------------|
|                                      | 31 JAN 06<br>%     | 31 DEC 04<br>% | 6 MTHS<br>31 JAN 06<br>\$000 | 6 MTHS<br>31 DEC 04<br>\$000 |
| Washington H Soul Pattinson & Co Ltd | 42.85              | 42.85          | 11,915                       | 21,958                       |
| Brickworks Investment Company Ltd    | 22.09              | 22.78          | 1,702                        | 1,183                        |
| Auswest Timbers Pty Ltd              | 100.00             | 33.33          | n/a                          | 259                          |
| Terra Timbers Pty Ltd                | 100.00             | n/a            | (112)                        | n/a                          |
| Newthorpe Pty Ltd                    | 50.00              | 50.00          | -                            | -                            |
|                                      |                    |                | <u>13,505</u>                | <u>23,400</u>                |

Ownership interest in Washington H Soul Pattinson & Co Ltd at that company's balance date was 42.85% of ordinary shares. The reporting date of the company is 31 July annually.

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

On 28 June 2005 Brickworks gained control of Auswest Timbers Pty Ltd, which was consolidated from this date.

On 5 December 2005 Brickworks gained control of Terra Timbers Pty Ltd, which was consolidated from this date.

Washington H Soul Pattinson & Company Ltd owns 49.47% of issued ordinary shares of Brickworks Limited.

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**

A.B.N. 17 000 028 526

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 JANUARY 2006**

**NOTE 8: 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 controlled entities.

**NOTE 9: CONTINGENT ASSETS AND LIABILITIES**

During the period, Brickworks associate WHSP formally resolved to provide financial assistance to one of its associated companies (KH Foods Ltd) up to a limit of \$35 million, to enable it to meet its debts as and when they fall due until such time as it can meet its obligations from normal cash flows. Aside from this, there has been no material change of any contingent assets or contingent liabilities since the last annual reporting date.

**BRICKWORKS LIMITED AND CONTROLLED ENTITIES**

A.B.N. 17 000 028 526

**DIRECTORS' DECLARATION**

The Directors' of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 27, are in accordance with the Corporations Act 2001:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. give a true and fair view of the economic entity's financial position as at 31 January 2006 and of its performance for the half year ended on that date.
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.

Dated 11 April 2006

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 condensed balance sheet, condensed income statement, condensed cash flow statement, condensed statement of movement in equity and accompanying notes to the financial statements for the consolidated entity comprising both Brickworks Limited (the company) and the entities it controlled during the half year, and the directors' declaration for the company, for the period ended 31 January 2006.

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 134 "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 134 "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.

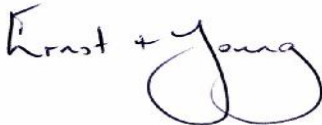
### Independence

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 Auditor's Independence Declaration, a copy of which is included by reference in the Directors' Report. 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.

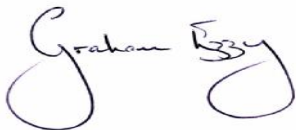
**Statement**

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 half year 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 January 2006 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Graham Ezzy  
Partner

Sydney  
11 April 2006