

23 March 2017

Australian Securities Exchange
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir / Madam

Please find attached the Brickworks Limited Appendix 4D for the half year ended 31 January 2017, incorporating the interim financial report for that period, for immediate release to the market.

Yours faithfully

BRICKWORKS LIMITED



Susan Leppinus

Company Secretary

Proudly supports



ASX Appendix 4D

Half Year ended 31 January 2017
Results for announcement to the market

	31 January 2017	31 January 2016	% Change
Revenues from ordinary activities (\$000's)	428,888	359,989	19.1
Net profit after tax before significant items (\$000's)	111,215	75,029	48.2
Profit from ordinary activities before tax attributable to members (\$000's)	138,350	93,910	47.3
Profit from ordinary activities after tax attributable to members (\$000's)	104,051	76,914	35.4
Net profit for the period attributable to members (\$000's)	104,051	76,914	35.4
Basic earnings per share (cents per share)	69.8	51.8	34.7
Net tangible assets per share (cents per share)	1,136.9	1,075.3	5.7
Interim dividend declared – 100% franked (cents per share) (Record date: 11 April 2017)	17.0	16.0	6.3

There were no dividend reinvestment plans in operation at any time during the period.

Record Underlying NPAT
Building Products, Property & Investments Up

- **Statutory NPAT** including significant items, up 35.4% to \$104.1 million
- **Underlying NPAT** before significant items up 48.3% to \$111.2 million
 - **Building Products segment EBIT** up 2.1% to \$33.3 million
 - **Land and Development segment EBIT** up 48.0% to \$67.2 million
 - **Investments segment EBIT** up 77.6% to \$47.6 million
- **Net debt/capital employed** of 13.9%, net debt \$306.2 million
- **Interim dividend** of 17.0 cents fully franked, up 6.3%

For more detailed information please refer to attached review of operations. This information should be read in conjunction with the most recent annual report. The report is based on accounts which have been subject to review.

BRICKWORKS

LIMITED

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 JANUARY 2017

DIRECTORS' REPORT

The Directors of Brickworks Limited present their report and the financial report of Brickworks Limited and its controlled entities (referred to as the Brickworks Group or the Group) for the half year ended 31 January 2017.

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 MAICD (Deputy Chairman)
Lindsay R. Partridge AM BSc. Hons. Ceramic Eng; FAICD; Dip. CD (Managing Director)
Brendan P. Crotty LS; DQIT; Dip. Bus Admin; MAPI; FAICD; FRICS
David N. Gilham FCILT; FAIM; FAICD
Deborah R. Page AM B.Ec; FCA; FAICD
The Hon. Robert J. Webster MAICD; MAIM; JP

REVIEW OF OPERATIONS

Highlights

- **Statutory NPAT** including significant items, up 35.4% to \$104.1 million
- **Underlying NPAT** before significant items up 48.3% to \$111.2 million
 - **Building Products segment EBIT** up 2.1% to \$33.3 million
 - **Land and Development segment EBIT** up 48.0% to \$67.2 million
 - **Investments segment EBIT** up 77.6% to \$47.6 million
- **Net debt/capital employed** of 13.9%, net debt \$306.2 million
- **Interim dividend** of 17.0 cents fully franked, up 6.3%

Overview

Brickworks Group (ASX: BKW) posted a statutory Net Profit After Tax ('NPAT') for the half year ended 31 January 2017 of \$104.1 million, up 35.4% on the previous corresponding period. Record underlying NPAT of \$111.2 million was up 48.3% from \$75.0 million for the half year ended 31 January 2016.

On record sales revenue of \$370.2 million, **Building Products'** segment Earnings Before Interest and Tax ('EBIT') was \$33.3 million, up 2.1% on the previous corresponding period. Improved margins and sales volume delivered increased earnings on the east coast. This was partially offset by lower earnings in Western Australia as a result of the difficult market conditions in that state.

Land and Development segment EBIT was \$67.2 million for the first half, due primarily to the profit generated by the sale of Oakdale West into the Joint Venture Industrial Property Trust¹ ('Property Trust') in December. In addition, Brickworks' share of the net asset value within the Property Trust increased by \$133 million during the period.

Investments segment EBIT, including the contribution from Washington H Soul Pattinson ('WHSP'), was up 77.6% to \$47.6 million. This was due primarily to improved earnings from New Hope Coal and TPG Telecom.

Statutory Earnings Per Share ('EPS') was 69.8 cents, up 34.7% on the previous corresponding period. Underlying EPS was 74.7 cents, up 47.9% from 50.5 cents in the prior period.

Directors have declared a fully franked interim **dividend** of 17.0 cents per share for the half year ended 31 January 2017, up 6.3% from 16.0 cents. The record date for the interim dividend will be 11 April 2017, with payment on 2 May 2017.

¹ The Joint Venture Industrial Property Trust is a 50/50% partnership between Brickworks and Goodman Industrial Trust.

DIRECTORS' REPORT

Financial Analysis

Gearing (debt to equity) was 17.5% at 31 January 2017, up from 16.3% at 31 July 2016. Total interest bearing debt increased to \$333.0 million and **net debt** increased to \$306.2 million at 31 January 2017. Net debt to capital employed was 13.9% at the end of the period.

Total borrowing costs were down 14.7% to \$5.8 million, including the gain in mark to market valuation of swaps. Underlying interest cover was a conservative 19.2 times at 31 January 2017.

Net working capital, excluding land held for resale, was \$200.0 million at 31 January 2017, up \$11.0 million compared to 31 July 2016, due to an increase in inventory.

During the half **finished goods inventory** increased by \$12.6 million, with most factories operating through the Christmas and New Year holiday period to build stock to meet the strong order book. Finished goods inventory across the business represented 3.9 months sales at the end of the period.

Total **cash flow from operating activities** was \$49.8 million, down significantly from \$92.0 million in the previous corresponding period. Excluding the net proceeds from the sale of the Coles CDC facility in the prior period (\$46.1 million), operating cash flow was up by 8.5%, underpinned by the increased earnings from Building Products partially offset by the higher working capital.

Building Products **capital expenditure** was \$36.2 million, including stay in business capital expenditure of \$15.5 million, approximately in line with depreciation. Spend on major projects totalled \$20.7 million, primarily consisting of upgrades to the Cardup brick plant in Western Australia, the consolidation of Auswest Timbers operations to the Greenbushes site, also in Western Australia, and upgrades to the Rochedale brick plant in Queensland.

Statutory **income tax** was \$34.3 million for the period. The underlying income tax expense increased to \$25.3 million compared to \$16.9 million for the previous corresponding period, due to the higher earnings from the combined Building Products and Land and Development Groups.

Net tangible assets ('NTA') per share was \$11.37 at 31 January 2017, up from \$10.96 at 31 July 2016 and total shareholder's equity was up \$65.0 million to \$1.904 billion.

Return on equity of underlying earnings for the half was 11.7%. Over the longer term, Brickworks' diversified corporate structure has provided stability of earnings and enabled prudent investments that have steadily built net asset value over the long term.

Significant items reduced NPAT by \$7.2 million for the half year. Restructuring activities within Austral Bricks Western Australia and Auswest Timbers resulted in a net \$2.3 million impact and the net cost associated with the Perpetual litigation process was \$0.4 million. In addition, significant items relating to WHSP resulted in a \$4.4 million cost, after tax.

Perpetual Litigation Update

The cross-claim brought by Perpetual against Brickworks and WHSP is continuing. Following a lengthy discovery process the parties are now in the process of preparing evidence for trial which is expected to occur in mid 2017.

DIRECTORS' REPORT

Brickworks Building Products

Summary of Housing Commencements – 6 Months to December 2016

Estimated Starts ²	Detached Houses			Other Res			Total		
	Dec 16	Dec 15	Change	Dec 16	Dec 15	Change	Dec 16	Dec 15	Change
New South Wales ³	17,144	15,110	13.5%	22,835	21,613	5.7%	39,979	36,723	8.9%
Queensland	12,566	11,917	5.4%	12,309	12,573	(2.1%)	24,875	24,490	1.6%
Victoria	18,137	17,847	1.6%	13,387	17,497	(23.5%)	31,524	35,344	(10.8%)
Western Australia	7,479	10,167	(26.4%)	2,523	4,113	(38.7%)	10,002	14,280	(30.0%)
South Australia	3,902	3,803	2.6%	1,175	1,303	(9.8%)	5,077	5,106	(0.6%)
Tasmania	863	1,066	(19.0%)	154	266	(42.1%)	1,017	1,332	(23.6%)
Total Australia⁴	60,483	60,377	0.2%	52,628	57,840	(9.0%)	113,111	118,217	(4.3%)
New Zealand ⁵	10,936	10,454	4.6%	5,012	4,621	8.5%	15,948	15,075	5.8%

Total dwelling commencements for Australia were down 4.3% to 113,111 for the six months ended 31 December 2016. This level of building activity remains elevated compared to historical averages, buoyed by unprecedented growth in other residential commencements over the past four years.

On the east coast, total activity remained relatively steady, with an increase in detached housing activity offset by a decline in other residential commencements. By contrast in Western Australia building activity declined by 30.0%.

Looking more closely at each of the states, conditions in **New South Wales** (including ACT) continue to improve, with total residential commencements up 8.9% to 39,979 for the six months to 31 December 2016. Strong growth was recorded in detached houses, up 13.5% for the half. Other residential starts reached unprecedented levels at 22,835, up 5.7% on the prior corresponding period.

Queensland also experienced an increase in overall activity, with commencements up 1.6% on the prior corresponding period. Driving growth in this state was detached housing activity, up 5.4%, continuing the momentum from financial year 2016.

In Victoria building activity remains elevated despite the decrease in total commencements for the 6 months to 31 December 2016. In this state, a 1.6% increase in detached houses was offset by a 23.5% decline in other residential activity.

Residential building activity in **Western Australia** experienced a sharp decline during the period. Both detached houses and other residential activity saw significant falls, down 26.4% and 38.7% respectively.

The value of approvals in the **non residential** sector in Australia increased by 13.3% to \$20.725 billion for the six months to 31 December 2016. Within the non residential sector, **Commercial** building approvals increased by 40.2% to \$8.493 billion for the period and **Industrial** building approvals increased 6.2% to \$2.650 billion. The **Educational** sub-sector, an important driver for bricks and masonry demand, was down 17.4% to \$2.475 billion.

² Original data sourced from ABSCat. 8752.0 (Sep 16 quarter). December 16 quarter estimate from BIS Shrapnel.

³ Includes ACT, to align with Brickworks sales regions.

⁴ Includes Northern Territory, not shown separately on table.

⁵ Building Consents data sourced from Statistics New Zealand – Building Consents.

DIRECTORS' REPORT

Building Products' Segment Result in Detail

Half Year Ended January		2017	2016	Change %
Revenue	\$mill	370.2	358.0	3.4
EBITDA	\$mill	47.1	46.2	1.9
EBIT	\$mill	33.3	32.6	2.1
Capital Expenditure	\$mill	36.2	18.8	92.6
EBITDA margin	%	12.7	12.9	(1.6)
EBIT margin	%	9.0	9.1	(1.1)
Net Tangible Assets	\$mil	663.4	620.8	6.9
Return on Net Tangible Assets	%	10.0	10.5	(4.8)
FTE Employees ⁶ (vs. Jul 16)		1,490	1,490	-
Safety (TRIFR) ⁷ (vs. Jul 16)		16.9	19.2	(12.0)
Safety (LTIFR) ⁸ (vs. Jul 16)		2.0	1.6	25.0

Revenue for the half year to 31 January 2017 was up 3.4% to a record \$370.2 million. The first half of 2017 saw continued strong demand for building materials in the major east coast markets, offset by a sharp decline in demand in Western Australia.

EBIT was \$33.3 million, up 2.1% on the prior corresponding period, and **EBITDA** was \$47.1 million.

In total, volume increases delivered a positive EBIT impact of \$0.7 million compared to the previous corresponding period. Sales were higher across most east coast operations and remain at elevated levels. However sales volume is failing to keep pace with order intake and it is clear that the housing industry is operating at "natural capacity" on the east coast, limited by supply chain, trade shortages and a lack of titled land.

Brickworks extensive manufacturing network has allowed the company to meet all customer requirements, although increased levels of interstate transfers have been required.

An increase in unit margins delivered a positive EBIT impact of \$6.2 million compared to the prior half. This was achieved despite the manufacturing cost pressures associated with a number of plants being taken offline during the period, in order to complete restructuring initiatives and plant upgrade works.

Margin growth in Austral Bricks was particularly strong, supported by the growth of premium, higher priced products following a sustained investment in product development and marketing over many years to position Brickworks as the leading style brand in the industry.

This investment in marketing and branding was further expanded during the period, contributing to a \$3.4 million increase in sales and overhead costs compared to the prior corresponding period. Excluding the impact of the higher marketing spend, sales and overhead costs were held steady as a percentage of sales.

The first half result also includes the recognition of a \$1.0 million bad debt resulting from the collapse of the Home Australia Group and a decrease in earnings from export and product tolling arrangements.

Austral Bricks also generates gate fee income from clay, typically sourced from building site excavations. This material is recycled and utilised in the production of bricks. During the period income generated from these gate fees decreased by \$0.6 million.

Building Products' Return on Net Tangible Assets ('**RONTA**') was 10.0% for the period, slightly lower than the prior period, as a result of the higher asset base.

Initiatives have been ongoing for many years to lift returns on funds through active asset management,

⁶ Excludes casual employees.

⁷ Total Reportable Injury Frequency Rate (TRIFR) measures the total number of reportable injuries per million hours worked.

⁸ Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked.

DIRECTORS' REPORT

particularly in relation to optimal land usage. This incorporates both active management of operational land and the release of surplus land to the property Group for development.

Recent examples include the consolidation of brick operations in Victoria and Queensland to one site. In completing these rationalisation activities significant capital expenditure was incurred to upgrade or replace outdated operating facilities. As a result, the competitive position of these operations were significantly enhanced, the real return on funds of the Group were improved and cash proceeds or growth opportunities were generated through the sale or development of surplus land.

A similar strategy is now well underway in Western Australia. \$22.8 million in capital has been invested at Cardup to consolidate and upgrade facilities, resulting in much lower production costs compared to the Malaga Plant. This has allowed the closure of the high cost Malaga plant during the period, with this valuable site to be made available to the Property Group for sale.

Full time equivalent **employees** was flat at 1,490 compared to 31 July 2016, with an increase in employees on the east coast offsetting a reduction in Western Australia as a result of the restructuring activities in Austral Bricks and Auswest Timbers.

There were 3 Lost Time **Injuries** ('LTIs') during the half. This translated into an increase in the Lost Time Injury Frequency Rate ('LTIFR') to 2.0, compared to 1.6 in the 2016 financial year. The Total Reportable Injury Frequency Rate ('TRIFR') decreased to 16.9 from 19.2 in the prior financial year.

Divisional Results

Austral Bricks delivered a 17.0% increase in earnings for the six months ended 31 January 2017, with sales revenue up 2.2% to \$198.3 million.

A focus on innovation and development of premium products has continued to drive up sales margins during the half. For example, in New South Wales, products launched within the past 12 months accounted for almost 10 million brick sales during the period, with these products sold at significantly higher margins than the average.

Unit manufacturing costs improved compared to the previous corresponding period, primarily as a result of prior period plant upgrades.

Performance on the **east coast** was particularly strong, with all major states achieving higher earnings. Buoyant market conditions supported an increase in sales volume, particularly in Victoria. In this state the strong sales volume has necessitated an increase in supply from other states to satisfy demand.

Significantly higher earnings in Queensland was particularly pleasing, and follows the completion of the first phase of the Rochedale plant upgrades, resulting in much improved product quality and lower unit production costs. The final phase of the refurbishment program is planned for the second half of financial year 2017.

The conditions on the east coast are in stark contrast to Western Australia, where the sharp downturn in building activity resulted in a significant decline in sales. In addition, unit margins deteriorated as a result of intense competition for sales.

In response to the difficult conditions in **Western Australia**, extensive restructuring initiatives have been undertaken in this state during the first half. Commissioning of the upgraded Cardup plant is underway, and is expected to deliver high quality product and lower production costs.

Earnings from the **New Zealand Brick Distributors** joint venture were up slightly compared to the previous corresponding period.

Austral Masonry delivered marginally higher earnings on sales revenue of \$43.8 million, down 1.6% on the prior half. Sales revenue in New South Wales and Victoria increased, buoyed by the elevated levels of multi-residential building in these states, offset by a decline in revenue from North Queensland where conditions were soft.

Higher prices were achieved, supported by a continued focus on premium products in both the commercial and residential sectors.

Bristle Roofing earnings decreased on the prior half, despite a marginal increase in revenue to \$58.6 million. On the east coast, demand in Victoria was particularly strong, driving higher earnings in this state. However in Queensland, earnings were adversely impacted by poor plant performance leading up to planned upgrade works. Since the upgrade works were carried out, product quality and production throughput has improved dramatically.

DIRECTORS' REPORT

The difficult conditions in Western Australia resulted in a significant decline in sales volume in this state. The impact of lower volumes was partially offset by an improvement in unit margins, with manufacturing costs being reduced through a range of operational efficiency initiatives.

Over the past 18 months, Bristile Roofing has diversified its product offering, with the acquisition of a number of metal roofing and fascia and gutter installers in New South Wales and Queensland. As a result, metal sales now make up 12% of total Bristile Roofing revenue, and offer a significant growth opportunity in the years ahead.

Austral Precast earnings were also lower, despite an increase in revenue to \$41.2 million. A significant uplift in earnings was achieved in New South Wales, on the back of strong sales growth and continued operational improvements at the Wetherill Park plant. Further robotic automation is scheduled for commissioning during the final quarter of 2017 and will bring further scale and cost advantages to this plant, placing the New South Wales business in a strong position for continued growth.

The improved result in New South Wales was offset by weaker earnings in other states. Market conditions in Western Australia and Victoria are particularly difficult, with strong competition impacting project margins during the half. However recent major project wins, particularly in Western Australia, has significantly boosted the order book.

Queensland performance was adversely impacted by delays in a number of large projects in Brisbane, resulting in reduced sales volume and production inefficiency.

Auswest Timbers earnings decreased compared to the prior corresponding period, with revenue down 9.7% to \$24.8 million for the half. During the period, significant rationalisation activities were completed, with the consolidation of four operations in Western Australia onto one site at Greenbushes. Despite the disruption to operations in Western Australia, and a 40% decline in roof tile batten sales due to the deteriorating housing activity, earnings in this state were held steady compared to the prior period.

Victorian operations were hampered by operational issues caused by a decreasing log feedstock size, impacting recovery at Orbost and downstream processing at Bairnsdale. This resulted in reduced earnings from these operations.

VicForests and Auswest Timbers are in negotiations for a long term log supply contract from 1 July 2017, on terms including requisite sawmill investment by Auswest Timbers, which are currently being considered by the Company.

DIRECTORS' REPORT

Building Products Strategy

We Believe In Making Beautiful Products That Last Forever.



Strengthen the Core.

- **Operations excellence**, to secure lowest cost manufacturing positions
- **Consolidate and grow** our position in existing business units when opportunities exist
- **Build industry leading customer relationships**
- **Invest in style and product leadership**



Build Growth Businesses.

- **Invest in affiliated businesses**
- **Distribute market leading products**
- **Create better building solutions**



Sustaining Our Strong Culture.

Strengthening the core

A range of operational excellence activities were undertaken during the period, focussed on achieving the lowest cost position in each of our markets. For example, restructuring in our Western Australian operations and a plant refit at Wacol in Queensland have delivered lower manufacturing costs and improved quality.

Brickworks are committed to market consolidation and growth opportunities within our core business. Our investment over the past 18 months to expand into metal roofing, fascia and gutter installation is an example of the growth opportunities that are available within our core business and the company will continue to consider other opportunities as they arise.

Developing industry leading customer relationships is an ongoing priority for Brickworks. Our capital city design studios have hosted hundreds of events and attracted thousands of customers, architects and other key influencers, increasing the penetration of Brickworks products in a number of key markets such as high rise and commercial developments. In New South Wales alone, Austral Bricks took orders for 32 high rise projects during the first half.

The company is committed to investing in style and product leadership. During the half a national Austral Bricks branding campaign covering television, digital and print media continued to support this priority. For Brickworks, our leadership in style and our premium products allows us to differentiate from our competitors, penetrate new markets and secure higher margins.

Building growth businesses

Brickworks has maintained a disciplined approach to expansion, with each historic acquisition being closely aligned with existing products, allowing the company to leverage customer relationships by offering an expanded range of complementary products. The company continues to actively seek investment opportunities in affiliated businesses but maintains a diligent and conservative approach to assessing potential acquisitions.

The company is well placed to leverage its strong relationships and channels to market to distribute new market leading products. Significant earnings growth has been delivered in recent years through sales of premium imported products. During the half, a new supply agreement was entered into with Italian manufacturer Selmo, for a unique range of sandstock bricks. This follows the success of our distribution arrangements in place for premium La Escandella roof tiles and La Paloma bricks from Spain.

The Building Products Group is continually developing new and innovative products and creating better building solutions to meet our customer's needs. For example, the expansion of our product portfolio to include lightweight cladding systems over the past 18 months has allowed the Group to offer a broader suite of solutions to builders.

DIRECTORS' REPORT

Sustaining our strong culture

Brickworks is proud of its dynamic, hard working, “can-do” culture that has evolved over many years as the company has grown from a two state brick manufacturer to an ASX200 company.

The company recognises that this culture is a key differentiator from competitors and a fundamental component of success. As such, sustaining this strong culture and embedding it across the organisation is critical, and forms an integral part of the Building Products strategy.

During the period, significant work was undertaken to develop a structured framework to embed our values throughout the organisation, including through the recruitment, performance review and succession planning processes.

East Coast Energy Crisis

Following repeated warnings from industry over many years, the Australian east coast gas supply crunch has now arrived. Paradoxically this comes at a time when Australia is set to become the world’s largest exporter of LNG in 2019. However a lack of pro-active public policy has turned Australia’s historical “energy advantage” into a liability with gas suppliers over-committing to export customers.

With energy representing almost 30% of non-labour related input costs, securing reliable and cost effective gas and electricity supply is critical to Austral Bricks operations. However recent gas contract negotiations illustrate the uncertainty faced by all Australian manufacturers in relation to the availability and price of natural gas, with just one of three major retailers making a firm offer for gas in 2019.

Although gas has now been secured across all operations until the start of 2020, unit price increases on the east coast over the next two years amount to 76%.

Brickworks also faces very sharp increases in electricity prices, with ASX forward price curves indicating average price increases in calendar year 2018 are likely to be over 80% along the east coast.

In total, gas and electricity price increases will add around \$20 million to Brickworks manufacturing costs by 2019.⁹ In the face of these increases, the company is urgently investigating a range of mitigation strategies including investments in new fuel efficient kilns, the use of alternative fuel sources, increasing imports and even offshore manufacturing to minimise price increases to customers.

Building Products Outlook

Market Conditions

Market conditions across the country are mixed, characterised by strong east coast demand, offset by weakness in Western Australia. These conditions are reflected in a full order book in all east coast divisions with builders in the major markets of Sydney and Melbourne reporting a long pipeline of work. As such sales in these markets are expected to remain very strong throughout the second half of financial year 2017.

In Western Australia, the sharp downturn in building activity has resulted in a significant decline in sales, however conditions appear to have stabilised over the past few months and building activity is not expected to decline further. Nevertheless, in order to control inventory and balance production with sales, it will be necessary to reduce brick production by mothballing some manufacturing capacity during the second half. The impact of reduced production will be offset by the extensive restructuring initiatives undertaken during the first half that will result in lower unit production costs at the Cardup plant.

Overall, the short term outlook for Building Products remains positive, with a full order book and a long pipeline of work at higher margins in our major east coast markets set to support earnings in financial year 2017.

Beyond the 2017 calendar year, the significant cost impost of higher energy prices will begin to take effect, necessitating a range of cost mitigation initiatives and price increases in order to maintain profit margins.

⁹ Assuming Brickworks maintains a constant gas and electricity demand profile.

DIRECTORS' REPORT

Land and Development Segment Result

Half Year ended January (\$million)	2017	2016	Change %
Net Trust Income	8.9	6.5	37.3
Revaluation of properties	6.8	30.3	(77.6)
Development Profit	2.9	8.4	(65.9)
Sale of assets	0.3	-	-
Property Trust	18.8	45.2	(58.3)
Property Sales	50.1	1.2	>500
Waste	-	1.1	-
Property Admin and Other	(1.8)	(2.1)	(14.4)
Total	67.2	45.4	47.9

Land and Development produced an EBIT of \$67.2 million for the half year ended 31 January 2017, up 47.9% from \$45.4 million for the prior period.

The improved result was due to the sale of Oakdale West into the Property Trust, which contributed an EBIT of \$50.1 million from **Land Sales**. This 90 hectare site at Eastern Creek will be developed by the Property Trust as an industrial estate over the coming years.

The **Property Trust** generated an EBIT of \$18.8 million, down 58.3% from \$45.2 million in the prior corresponding period, due primarily to a lower revaluation profit. Following two years of capitalisation rate compression that delivered strong revaluation profits in recent periods, rates during the first half of 2017 were relatively stable, resulting in a \$6.8 million revaluation profit.

Net property income distributed from the Trust was \$8.9 million, an increase of 37.3% from \$6.5 million for the prior corresponding period. This benefitted from two new DHL facilities at Oakdale and the Beaumont Tiles facility at Rochedale, all completed in mid 2016.

In addition, a development profit on completion of facilities within the Property Trust generated \$2.9 million EBIT.

A small profit of \$0.3 million was made on the sale of the Wacol distribution facility from the Property Trust.

Property administration **expenses** totalled \$1.8 million, down 14.4% on the prior half. These expenses include holding costs such as rates and taxes on properties awaiting development.

Property Trust

The total value of assets held within the Property Trust at 31 January 2017 was \$1.309 billion. This includes \$789 million in leased properties and a further \$520 million in land to be developed.

Borrowings of \$379 million are held within the Property Trust, giving a total net asset value of \$930 million. Brickworks Group share of net asset value was \$465 million, up \$133 million from \$332 million at 31 July 2016. The increase in value during the half is primarily due to the sale of the Oakdale West land to the Property Trust.

The entire Property Trust portfolio consists of "A grade" facilities, each less than seven years old, with long lease terms and stable tenants. The annualised gross rent exceeds \$50 million, average capitalisation rates are 6.2% and there are currently no vacancies.

DIRECTORS' REPORT

Summary of Property Trust Assets

Estate	Asset Value (\$m)	Gross Lettable Area (m ²)	Gross Rental (\$m p.a.)	WALE ¹⁰ (yrs)	Cap. Rate
M7 Hub (NSW)	119	64,125	8.3	3.5	6.3%
Interlink Park (NSW)	370	192,207	23.7	5.3	6.2%
Oakdale (NSW)	276	146,556	17.1	6.2	6.3%
Rochedale (QLD)	24	12,912	1.5	11.4	6.3%
Total	789	415,800	50.6	5.5	6.2%
Land For Development	520				
Total Property Trust	1,309				

Brickworks Operational & Development Land

Operational land is utilised in the day to day activities of the Building Products Group. The total value of operational land remained unchanged during the period at around \$368 million¹¹.

The largest site held for development is at Craigieburn in Victoria. Brickworks is currently collaborating with other local landowners to produce development concepts that may accelerate rezoning of this land to residential.

Land & Development Outlook

Development activity in the Property Trust in financial year 2017 continues to be extremely strong, with a number of new developments at both the Oakdale Central and Rochedale estates. At Oakdale Central in New South Wales, a total of 83,945m² of new developments were commenced during the first half of FY2017, with a further 63,000m² currently under construction in Rochedale, Queensland. All of these developments will be completed over the next 18 months and are expected to provide strong revaluation profits upon completion.

	Asset Value (\$m)	Gross Lettable Area (m ²)	Gross Rental (\$m p.a.)	WALE (yrs)	Cap. Rate
Current Leased Assets	789	415,800	50.6	5.5	6.2%
New developments at Oakdale	149	83,945	9.4	8.2	6.4%
New developments at Rochedale	111	63,000	6.8	13.2	6.1%
Future Leased Assets¹²	1,050	562,745	66.8	6.8	6.2%

Once completed, these new developments will contribute in excess of \$16 million in gross rental income to the Property Trust. Together with the significantly lower interest payments within the Property Trust, net trust income attributable to Brickworks will grow strongly.

Development at Oakdale South commenced in January 2017, with earthworks and site servicing due for completion by the end of 2017. This will allow 30 hectares of land sales to settle in the first quarter of 2018. Low vacancy rates and limited land supply continue to drive the land sales and pre-commitment markets at Eastern Creek and should result in further activity at Oakdale South in financial year 2018.

The sale of Oakdale West into the Property Trust provides further medium and longer term growth potential. Once development approval is achieved, expected in late financial year 2018, development of this site is likely to extend for up to a decade.

¹⁰ Weighted average lease expiry.

¹¹ In addition to operational land values shown, book value of buildings is around \$102 million.

¹² Excludes land to be developed and any changes in value of current leased assets.

DIRECTORS' REPORT

Investments Segment Result

The EBIT from total investments was up 77.6% to \$47.6 million in the half year ended 31 January 2017.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

Brickworks Group's investment in WHSP returned an underlying contribution of \$47.5 million for the half year ended 31 January 2017, up 78.7% from \$26.6 million in the previous corresponding period. This was due primarily to increased earnings from New Hope Coal, as a result of higher coal prices, increased exports and an improved contribution from the recently acquired Bengalla mine operations. In addition, the contribution from TPG Telecom was also significantly higher.

The market value of Brickworks 42.72% share holding in WHSP was \$1.595 billion at 31 January 2017, down \$187.1 million from \$1.782 billion at 31 July 2016. Subsequent to the end of the period, the value has increased to \$1.773 billion as at 21 March.

This investment continues to provide diversity and stability to earnings, with cash dividends totalling \$31.7 million received during the half, up 3.3% on the prior period.

WHSP has delivered outstanding returns over the long term, outperforming the ASX All Ordinaries Accumulation Index by 4.7% p.a. over fifteen years.

WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation, Australian Pharmaceutical Industries, BKI Investment Company, Ruralco Holdings and Apex Healthcare Berhad.

The investment in WHSP has been an important contributor to Brickworks Group's success for more than four decades. Over this period it has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from the Group's Building Products and Land and Development divisions.

Investments Outlook

The diversified nature of our holding in WHSP's investments is expected to deliver steadily increasing earnings and dividends to Brickworks Group over the long term.

Brickworks Group Outlook

Building Products earnings for the 2017 financial year will be underpinned by a full order book and a long pipeline of work at higher margins in our major east coast markets. Land and Development earnings are expected to be higher for full year 2017, following the strong first half. Investments earnings are expected to deliver steadily increasing earnings and dividends over the long term.

DIRECTORS' REPORT

Rounding of amounts

The amounts contained in this interim financial report have been rounded to the nearest thousand (unless otherwise stated) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Auditor's independence declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 13 for the half year ended 31 January 2017, and forms part of this report.

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

Dated 23 March 2017



R D MILLNER
Director



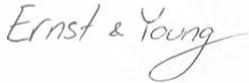
L R PARTRIDGE AM
Director

Auditor's Independence Declaration to the Directors of Brickworks Limited

As lead auditor for the review of Brickworks Limited for the half-year ended 31 January 2017, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Anthony Jones
Partner
23 March 2017

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 JANUARY 2017**

	NOTE	CONSOLIDATED	
		31 JAN 17 \$000	31 JAN 16 \$000
Revenue	2	428,888	359,989
Cost of sales		<u>(262,590)</u>	<u>(249,921)</u>
Gross profit		166,298	110,068
Other income		957	1,198
Distribution expenses		(33,259)	(30,833)
Administration expenses		(13,684)	(13,967)
Selling expenses		(37,853)	(34,484)
Borrowing costs	2	(5,751)	(6,785)
Other expenses		(10,592)	(9,734)
Share of net profits of associates and joint ventures accounted for using the equity method	5, 6	<u>72,234</u>	<u>78,447</u>
Profit before income tax expense		<u>138,350</u>	<u>93,910</u>
Income tax attributable to profit	3	<u>(34,299)</u>	<u>(16,996)</u>
Profit after income tax expense		104,051	76,914
Other comprehensive income			
<i>Items that may subsequently be reclassified to net profit</i>			
Foreign currency translation		(10)	18
Share of increments in reserves attributable to associates and joint ventures		(3,548)	(20,951)
Income tax on items of other comprehensive income		<u>1,065</u>	<u>6,285</u>
Other comprehensive income for the period, net of tax		<u>(2,493)</u>	<u>(14,648)</u>
Total comprehensive income for the period		<u>101,558</u>	<u>62,266</u>
Net profit attributable to members of the parent entity		<u>104,051</u>	<u>76,914</u>
Total comprehensive income for the period attributable to members of the parent entity		<u>101,558</u>	<u>62,266</u>
Basic earnings per share (cents per share)		69.8	51.8
Diluted earnings per share (cents per share)		69.8	51.8

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED

A.B.N. 17 000 028 526

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2017

		CONSOLIDATED	
	NOTE	31 JAN 17	31 JULY 16
		\$000	\$000
CURRENT ASSETS			
Cash and cash equivalents		26,812	30,783
Receivables		93,838	106,558
Inventories		200,412	188,394
Land held for resale		-	9,652
Prepayments		11,852	8,781
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		332,914	344,168
NON-CURRENT ASSETS			
Inventories		7,998	7,998
Land held for resale		-	4,137
Investments accounted for using the equity method		1,570,311	1,462,830
Property, plant and equipment		508,723	488,454
Intangible assets		208,262	208,274
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		2,295,294	2,171,693
		<hr/>	<hr/>
TOTAL ASSETS		2,628,208	2,515,861
CURRENT LIABILITIES			
Payables		88,676	81,593
Income tax provision		3,328	13,771
Provisions		40,862	50,134
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		132,866	145,498
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	11	331,616	299,224
Derivative financial instruments	10	4,178	5,820
Provisions		9,391	9,287
Deferred taxes		246,644	217,547
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		591,829	531,878
		<hr/>	<hr/>
TOTAL LIABILITIES		724,695	677,376
		<hr/>	<hr/>
NET ASSETS		1,903,513	1,838,485
EQUITY			
Contributed equity	8	336,357	336,905
Reserves		311,490	311,255
Retained profits		1,255,666	1,190,325
		<hr/>	<hr/>
TOTAL EQUITY		1,903,513	1,838,485
		<hr/>	<hr/>

These statements should be read in conjunction with the accompanying notes.

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

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 JANUARY 2017

31 JANUARY 2017 (\$000)	NOTE	Ordinary Shares	Treasury Stock	Capital Profits Reserve	Equity Adjustments Reserve	General Reserve	Foreign Currency Reserve	Share Based Payments Reserve	Associates & JV's Reserve	Retained Earnings	Total
Total equity at beginning of the half year		348,231	(11,326)	88,102	(19,798)	36,125	(1,496)	5,352	202,970	1,190,325	1,838,485
Net profit for the half year		-	-	-	-	-	-	-	-	104,051	104,051
Other comprehensive income for the half year		-	-	-	1,065	-	(10)	-	(3,548)	-	(2,493)
Total comprehensive income for the half year		-	-	-	1,065	-	(10)	-	(3,548)	104,051	101,558
Transactions with owners in their capacity as owners											
Net dividends provided or paid during the half year	4	-	128	-	-	-	-	-	-	(38,740)	(38,612)
Issue of shares pursuant to employee share plan	8	5,004	(5,018)	-	-	-	-	-	-	-	(14)
Purchase of shares pursuant to employee share plan	8	-	(750)	-	-	-	-	-	-	-	(750)
Shares vested to employees	8	-	88	-	-	-	-	(88)	-	-	-
Share of associates transfer to outside equity interests		-	-	-	-	-	-	-	-	30	30
Share based payments expense		-	-	-	-	-	-	2,816	-	-	2,816
		5,004	(5,552)	-	-	-	-	2,728	-	(38,710)	(36,530)
Total equity at the end of the half year		353,235	(16,878)	88,102	(18,733)	36,125	(1,506)	8,080	199,422	1,255,666	1,903,513
31 JANUARY 2016 (\$000)											
Total equity at beginning of the half year		343,108	(8,943)	88,102	(25,315)	36,125	(1,516)	3,690	221,358	1,167,641	1,824,250
Net profit for the half year		-	-	-	-	-	-	-	-	76,914	76,914
Other comprehensive income for the half year		-	-	-	6,285	-	18	-	(20,951)	-	(14,648)
Total comprehensive income for the half year		-	-	-	6,285	-	18	-	(20,951)	76,914	62,266
Transactions with owners in their capacity as owners											
Net dividends provided or paid during the half year	4	-	-	-	-	-	-	-	-	(36,208)	(36,208)
Issue of shares pursuant to employee share plan	8	5,123	(5,136)	-	-	-	-	-	-	-	(13)
Purchase of shares pursuant to employee share plan	8	-	(1,152)	-	-	-	-	-	-	-	(1,152)
Shares vested to employees	8	-	110	-	-	-	-	(110)	-	-	-
Share of associates transfer to outside equity interests		-	-	-	-	-	-	-	-	13	13
Share based payments expense		-	-	-	-	-	-	2,790	-	-	2,790
		5,123	(6,178)	-	-	-	-	2,680	-	(36,195)	(34,570)
Total equity at the end of the half year		348,231	(15,121)	88,102	(19,030)	36,125	(1,498)	6,370	200,407	1,208,360	1,851,946

These statements should be read in conjunction with the accompanying notes.

BRICKWORKS LIMITED

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STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 JANUARY 2017

		CONSOLIDATED	
	NOTE	31 JAN 17	31 JAN 16
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		420,521	409,552
Payments to suppliers & employees		(387,218)	(384,233)
Interest received		111	274
Finance costs		(9,668)	(6,952)
Dividends and distributions received	7	40,698	84,454
Income tax paid		(14,597)	(11,115)
Net cash flows from operating activities		<u>49,847</u>	<u>91,980</u>
Cash flows from investing activities			
Proceeds from the sale or return of investments	6	5,722	21,073
Capital contributions	6	(9,450)	(13,027)
Payment for business net of cash acquired		-	(388)
Proceeds from sale of property, plant & equipment		1,068	2,374
Purchases of property, plant & equipment		(36,572)	(19,775)
Net cash flows used in investing activities		<u>(39,232)</u>	<u>(9,743)</u>
Cash flows from financing activities			
Proceeds from borrowings		438,000	60,000
Repayment of borrowings		(405,000)	(85,000)
Dividends paid	4	(47,586)	(44,621)
Net cash flows used in financing activities		<u>(14,586)</u>	<u>(69,621)</u>
Net increase / (decrease) in cash held		(3,971)	12,616
Cash at beginning of half year		<u>30,783</u>	<u>23,051</u>
Cash at end of half year		<u><u>26,812</u></u>	<u><u>35,667</u></u>

These statements should be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2017**

NOTE 1: BASIS OF PREPARATION

Brickworks Limited is a listed public company, incorporated and domiciled in Australia, and is a for-profit entity. These accounts were authorised for issue in accordance with a resolution of the directors on 23 March 2017.

The financial report includes financial statements for the consolidated entity consisting of Brickworks Limited and its subsidiaries ("the Group").

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

The condensed half year general purpose financial 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 year ended 31 July 2016, 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*.

The accounting policies have been consistently applied by the entities in the Group and are consistent with those of the most recent annual financial report for the year ended 31 July 2016.

The Group has considered the impact of new standards issued during the period and no material impact has been noted for the period.

NOTE 2: INCOME AND EXPENSES

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

	CONSOLIDATED	
	31 JAN 17	31 JAN 16
	\$000	\$000
<i>REVENUES</i>		
Building products	370,150	357,979
Property	58,627	1,736
Investments	111	274
Total revenue	428,888	359,989
<i>BORROWING COSTS</i>		
Paid to other corporations	7,393	6,961
Mark to market swap valuation	(1,642)	(176)
Total borrowing costs	5,751	6,785

BRICKWORKS LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2017**

NOTE 2: INCOME AND EXPENSES (cont.)

	CONSOLIDATED	
	31 JAN 17	31 JAN 16
	\$000	\$000
<i>PROPERTY RELATED PROFITS</i>		
Development profits from joint venture developments	426	-
Profit on disposal of Land Held for Resale	50,066	-
On 21 December 2016 the Group completed the sale of the Oakdale West land into the Property Trust. The profit on the disposal of the land held for resale amounted to \$50,066,000		
Share of Property Trust rental profits (Note 6)	8,869	6,461
Share of fair value adjustment of properties (Note 6)	6,787	38,738
Fair value adjustment (Note 6)	2,450	-
Other	311	-
	<u>18,417</u>	<u>45,199</u>
Total profits from Property Trusts	<u>18,417</u>	<u>45,199</u>

NOTE 3: INCOME TAX

Prima facie tax payable on profit before income tax at 30%	41,505	28,173
Adjust for tax effect of:		
Rebateable dividends	(9,510)	(9,203)
Share of net profits of associates	3,732	781
(Over)/under provision for income tax in prior year	(2,787)	(2,661)
Capital losses recognised during year	(13)	(1,259)
Difference in foreign tax rates	(5)	(7)
Other items	1,377	1,172
	<u>34,299</u>	<u>16,996</u>
Income tax expense attributable to profit	<u>34,299</u>	<u>16,996</u>
Current Tax	5,274	4,656
Deferred Tax	31,825	16,260
Over provided in prior years	(2,787)	(2,661)
Utilisation of carried forward capital losses	(13)	(1,259)
	<u>34,299</u>	<u>16,996</u>

NOTE 4: DIVIDENDS PAID

Final ordinary dividend (prior year) of 32.0 cents per share paid 30/11/16 (prior year – 30.0c paid 25/11/15)	47,714	44,621
Group's share of dividend received by associated company	(8,974)	(8,413)
	<u>38,740</u>	<u>36,208</u>
Proposed interim ordinary dividend of 17.0 cents per share not recognised as a liability (prior year - 16.0c paid 3/5/16)	<u>25,348</u>	<u>23,798</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2017**

NOTE 4: DIVIDENDS PAID (cont.)

Dividend Election Plan

In the current period the Group offered its employees participating in the Brickworks Deferred Employee Share Plan the ability to use the dividends payable on their allocated shares in the plan to acquire additional Brickworks shares. The total final dividend paid, as disclosed in the table above, includes the amount of \$128,000 related to the Treasury Shares that were allocated to the employees who elected to receive their dividend as additional Brickworks shares in lieu of a cash dividend payment.

NOTE 5: ASSOCIATED COMPANIES

Information relating to significant associated entities is set out below:

	Ownership interest		Contribution to profit	
	31 JAN 17	31 JAN 16	31 JAN 17	31 JAN 16
	%	%	\$000	\$000
Washington H Soul Pattinson & Co Ltd	<u>42.72</u>	<u>42.72</u>	<u>53,354</u>	<u>32,929</u>

NOTE 6: JOINTLY CONTROLLED ENTITIES

CONTRIBUTION TO PROFIT

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

	Ownership interest		Contribution to profit	
	31 JAN 17	31 JAN 16	31 JAN 17	31 JAN 16
	%	%	\$000	\$000
BGAI Erskine Trust (Note 2)	50.00	50.00	9,526	17,891
BGAI Capicure Trust (Note 2)	50.00	50.00	327	2,144
BGAI Heritage Trust (Note 2)	50.00	50.00	1,838	5,173
BGAI Oakdale Trust (Note 2)	50.00	50.00	3,578	19,708
BGAI Wacol Trust (Note 2)	50.00	50.00	463	283
BGAI Rochedale Trust (Note 2)	50.00	50.00	235	-
BGMG Oakdale Trust	50.00	50.00	-	-
BGM 1 Oakdale West Trust	50.00	-	-	-
New Zealand Brick Distributors	50.00	50.00	463	319
Fair value adjustments			<u>2,450</u>	<u>-</u>
			<u>18,880</u>	<u>45,518</u>

CAPITAL CONTRIBUTIONS

During the period the Group received return of capital distributions from the BGAI Wacol Trust amounting to \$5,722,000 and made capital contributions to the BGMG Oakdale Trust (\$3,500,000) and the BMGW Rochedale Trust (\$5,950,000).

NEW INVESTMENTS

The sale of the Oakdale West land into the Property Trust (Refer Note 2) gave rise to an equity accounted investment in the BGMG 1 Oakdale West Trust with an initial cost of \$66,323,000.

BRICKWORKS LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2017**

NOTE 7: DIVIDENDS AND DISTRIBUTIONS RECEIVED

	CONSOLIDATED	
	31 JAN 17	31 JAN 16
	\$000	\$000
Dividends from associate companies	31,700	30,677
Trust distributions – rental income	8,998	6,996
Trust distributions – asset sales	-	46,117
Trust distributions - other	-	664
	<u>40,698</u>	<u>84,454</u>

NOTE 8: CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 JAN 17	31 JULY 16
	\$000	\$000
Fully paid ordinary shares	353,235	348,231
Treasury stock	(16,878)	(11,326)
	<u>336,357</u>	<u>336,905</u>

ORDINARY SHARES

Opening balance	348,231	343,108
Shares issued during the period	5,018	5,136
Costs associated with shares issued	(14)	(13)
	<u>353,235</u>	<u>348,231</u>

	No. Shares	No. Shares
Opening balance	148,737,138	148,403,478
Shares issued during the period	368,700	333,660
	<u>149,105,838</u>	<u>148,737,138</u>

TREASURY STOCK

Opening balance	(11,326)	(8,943)
Add: Issue of shares pursuant to employee share plan	(5,018)	(5,136)
Add: Purchase of shares pursuant to employee share plan	(750)	(1,151)
Less: Shares utilised for Dividend Election Plan	128	-
Less: Shares vested during period	88	3,904
	<u>(16,878)</u>	<u>(11,326)</u>

TREASURY STOCK

	No. Shares	No. Shares
Opening balance	805,912	708,241
Add: Issue of shares pursuant to employee share plan	368,700	333,660
Add: Purchase of shares pursuant to employee share plan	55,096	74,805
Less: Shares utilised for Dividend Election Plan	(9,916)	-
Less: Shares vested during period	(3,779)	(310,794)
	<u>1,216,013</u>	<u>805,912</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2017**

NOTE 9: SEGMENT INFORMATION

	Building Products		Property		Investments		Consolidated	
	31 JAN 17 \$000	31 JAN 16 \$000	31 JAN 17 \$000	31 JAN 16 \$000	31 JAN 17 \$000	31 JAN 16 \$000	31 JAN 17 \$000	31 JAN 16 \$000
REVENUE								
Segment revenue from sales to external customers	<u>370,150</u>	<u>357,979</u>	<u>58,627</u>	<u>1,736</u>	<u>111</u>	<u>274</u>	<u>428,888</u>	<u>359,989</u>
RESULT								
Segment EBITDA	47,143	46,169	67,153	45,414	47,635	26,830	161,931	118,413
Less depreciation and amortisation	<u>(13,887)</u>	<u>(13,599)</u>	-	-	-	-	<u>(13,887)</u>	<u>(13,599)</u>
Segment result	<u>33,256</u>	<u>32,570</u>	<u>67,153</u>	<u>45,414</u>	<u>47,635</u>	<u>26,830</u>	<u>148,044</u>	<u>104,814</u>
Unallocated expenses								
Finance costs							(5,751)	(6,785)
Significant items							1,878	1,941
Other unallocated expenses							<u>(5,821)</u>	<u>(6,060)</u>
Profit before income tax expense							<u>138,350</u>	<u>93,910</u>
Income tax expense							<u>(34,299)</u>	<u>(16,996)</u>
Profit after income tax expense							<u>104,051</u>	<u>76,914</u>
SIGNIFICANT ITEMS								
Significant one-off transactions of associate ⁽²⁾							5,830	6,373
Restructuring costs ^(1,3)							(3,318)	(2,536)
Site relocation costs ⁽¹⁾							-	(1,201)
Legal and advisory costs – Perpetual matter ⁽¹⁾							<u>(634)</u>	<u>(695)</u>
Total significant items before income tax							<u>1,878</u>	<u>1,941</u>
Income tax benefit on significant items							1,186	1,330
Income tax expense arising from WHSP carrying value							<u>(10,228)</u>	<u>(1,386)</u>
Total significant items after income tax							<u>(7,164)</u>	<u>1,885</u>

(1) Disclosed in "Other expenses" line on Statement of Comprehensive Income

(2) Disclosed in "Share of net profits of associates" line on Statement of Comprehensive Income

(3) Disclosed in "Administration expenses" line on Statement of Comprehensive Income

The Group has the following business segments:

Building Products division manufactures vitrified clay, concrete and timber products used in the building industry.

Property division considers further opportunities to better utilise land owned by the Brickworks Group, including the sale of property and investment in property trusts.

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

There are no inter-segment revenues within the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 JANUARY 2017**

NOTE 10: FINANCIAL INSTRUMENTS

The financial instruments of the Group that are measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following financial instruments are carried at fair value in the Statement of Financial Position:

	CONSOLIDATED	
	31 JAN 17	31 JULY 16
	\$000	\$000
<i>Liabilities</i>		
Derivative financial instruments – non-current	4,178	5,820
	4,178	5,820

The derivative financial instruments are interest rate swap contracts (hedges) which allow the Group to raise borrowings at floating rates and effectively swap them into a fixed rate. The hedges in place at 31 January 2017 are not hedge accounted, and the fair value movement of the hedges is recognised in the statement of comprehensive income. The fair value of these derivatives is calculated using market observable inputs, categorised as “Level 2” (above), which includes market interest spot rates as confirmed by the relevant financial institution as at balance date. The carrying amount of all other financial instruments not listed in the table above approximates fair value.

NOTE 11: NON-CURRENT INTEREST BEARING LIABILITIES

In August 2016 the Group extended a \$100.0 million working capital facility until December 2018. The amount drawn under this facility as at 31 January 2017 was \$58.0 million.

In December 2016 the Group entered into a new \$355.0 million unsecured variable interest rate facility with a syndicate of Australian and overseas banks. The facility is in three tranches as outlined below.

Tranche	Amount (\$m)	Drawn (\$m)	Expiry
A	140	140	Dec 2020
B	129	49	Dec 2021
C	86	86	Dec 2019
	355	275	

The funds drawn on this facility were used to repay the \$350.0 million facility disclosed in the financial statements as at 31 July 2016, which was subsequently cancelled.

NOTE 12: EVENTS OCCURRING AFTER BALANCE DATE

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

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 14 to 23, are in accordance with the Corporations Act 2001:
 - a. comply with accounting standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the Group's financial position as at 31 January 2017 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 23 March 2017



R D MILLNER
Director



L R PARTRIDGE AM
Director

To the members of Brickworks Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Brickworks Limited ('the company'), which comprises the condensed statement of financial position as at 31 January 2017, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Brickworks Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

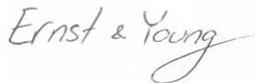
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referred to in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Brickworks Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2017 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Anthony Jones
Partner
Sydney
23 March 2017