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23 March 2017

Australian Securities Exchange

Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir / Madam

Please find attached the Brickworks Limited Review of Results for the half year ended 31 January 2017, for immediate release to the market.

Yours faithfully

BRICKWORKS LIMITED

Susan Leppinus

Company Secretary

BRICKWORKS LIMITED

REVIEW OF RESULTS

1ST HALF ENDED JANUARY 2017

Released: 23rd March 2017

BRICKWORKS LIMITED - REVIEW OF RESULTS

1st HALF ENDED JANUARY 2017

RECORD UNDERLYING NPAT

BUILDING PRODUCTS, PROPERTY & INVESTMENTS UP

$ MILLIONS	**Jan 17 6 mths**	**Jan 16 6 mths**	**Variance %**
REVENUE			
Building Products	370.2	358.0	3.4
Land and Development	58.6	1.7	>500
Other	0.1	0.3	(66.7)
Total	**428.9**	**360.0**	**19.1**
EBIT			
Building Products	33.3	32.6	2.1
Land and Development	67.2	45.4	48.0
Associates & Investments	47.6	26.8	77.6
Other & H.O.	(5.8)	(6.1)	4.9
Total EBIT (before significant items)	**142.2**	**98.8**	**43.9**
Total EBITDA (before significant items)	**156.1**	**112.4**	**38.9**
Borrowing costs	(5.8)	(6.8)	14.7
Underlying tax expense	(25.3)	(16.9)	(49.7)
Underlying NPAT	**111.2**	**75.0**	**48.3**
Significant items (net of tax)	(7.2)	1.9	(478.9)
Statutory NPAT	**104.1**	**76.9**	**35.4**
PER SHARE ANALYSIS			
Underlying earnings per share (cents)	74.7	50.5	47.9
Statutory earnings per share (cents)	69.8	51.8	34.7
Interim ordinary dividend (cents)	**17.0**	**16.0**	**6.3**
Share price (31 Jan 17) vs Jul 16	12.67	15.03	(15.7)
Net tangible assets (NTA) vs Jul 16	11.37	10.96	3.7
Share price / NTA (times)	1.11	1.37	(18.7)

Annual TSR **(to 31 Jan 17)**	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Brickworks Limited	(13.6%)	(0.5%)	6.8%	3.3%	8.1%
All Ords Accum Index	17.1%	7.5%	10.3%	4.2%	7.9%
Outperformance	**(30.7%)**	**(8.0%)**	**(3.5%)**	**(0.9%)**	**0.2%**

Between 1st Feb and 21st March, the BKW share price has increased 10% (+4% for the Index)

RECORD UNDERLYING NPAT
BUILDING PRODUCTS, PROPERTY & INVESTMENTS UP

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 Trust[1] ('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.

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

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.

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.

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 Australia[4]	**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.

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.

[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

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, 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 out-dated 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 three years 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.

Bristile 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.

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.

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.

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 face 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 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

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.

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 million[11].

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.

[10] Weighted average lease expiry
[11] In additional to operational land values shown, book value of buildings is around $102 million

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 83,945m^2 of new developments were commenced during the first half of FY2017, with a further 63,000m^2 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 Assets[12]	**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.

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

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.

LINDSAY PARTRIDGE
MANAGING DIRECTOR