22 March 2018

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 2018, incorporating the interim financial report for that period, for immediate release to the market.

Yours faithfully

BRICKWORKS LIMITED

Susan Leppinus

Company Secretary

Brickworks Limited
ABN 17 000 028 526

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

ASX Appendix 4D

Half Year ended 31 January 2018
Results for announcement to the market

	31 January 2018	31 January 2017	% Change
Revenues from ordinary activities ($000's)	**396,730**	**428,888**	(7.5)
Net profit after tax before significant items ($000's)	**115,638**	**111,215**	4.0
Profit from ordinary activities before tax attributable to members ($000's)	**125,982**	**138,350**	(8.9)
Profit from ordinary activities after tax attributable to members ($000's)	**97,009**	**104,051**	(6.8)
Net profit for the period attributable to members ($000's)	**97,009**	**104,051**	(6.8)
Basic earnings per share (cents per share)	**65.0**	**69.8**	(6.9)
Net tangible assets per share (cents per share)	**1,203.2**	**1,136.9**	5.8
Interim dividend declared – 100% franked (cents per share) (Record date: 10 April 2018)	**18.0**	**17.0**	5.9

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

During the period the Group's ownership interest in Southern Cross Cement Pty Limited reduced from 100% to 33.3%. As a result, the Group no longer exercises control over this entity but maintains significant influence. Refer notes 3.3 and 5.1 of the interim financial report for further details.

RECORD UNDERLYING NPAT, INTERIM DIVIDEND UP 5.9%

- **Statutory NPAT** including significant items, down 6.8% to $97.0 million
- **Underlying NPAT** before significant items, up 4.0% to $115.6 million
  - **Building Products EBIT** up 18.0% to $39.3 million (EBITDA $53.6 million)
  - **Property EBIT** down 26.3% to $49.5 million, net trust assets up $31 million
  - **Investments EBIT** up 27.9% to $60.9 million
- **Operating cash flow** up 49.0% to $74.2 million
- **Gearing** remains conservative at 15.8%
- **Total shareholders' equity** now exceeds $2 billion
- **Interim dividend** of 18.0 cents per share, up 5.9%

For more detailed information please refer to attached review of operations.
This information should be read in conjunction with the most recent annual report.
This report is based on accounts which have been subject to review. There was no dispute or qualification in relation to these accounts or report.

BRICKWORKS

LIMITED

A.B.N. 17 000 028 526

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 JANUARY 2018

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 2018.

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

HIGHLIGHTS

- Statutory NPAT including significant items, down 6.8% to $97.0 million
- Underlying NPAT before significant items up 4.0% to $115.6 million
    - Building Products EBIT up 18.0% to $39.3 million (EBITDA $53.6 million)
    - Property EBIT down 26.3% to $49.5 million, net trust assets up $31 million
    - Investments EBIT up 27.9% to $60.9 million
- Operating cash flows up 49.0% to $74.2 million
- Gearing remains conservative at 15.8%
- Total shareholders' equity now exceeds $2 billion
- Interim dividend of 18.0 cents per share, up 5.9%

OVERVIEW

Brickworks Group (ASX: BKW) posted an underlying Net Profit After Tax ('**NPAT**') for the half year ended 31 January 2018 of $115.6 million, up 4.0% on the previous corresponding period. Statutory NPAT of $97.0 million was down 6.8% from $104.1 million for the half year ended 31 January 2017.

On record sales revenue of $396.2 million, **Building Products'** Earnings Before Interest and Tax ('**EBIT**') was $39.3 million, up 18.0% on the previous corresponding period (EBITDA was $53.6 million, up 13.8%). The uplift in earnings was primarily due to another strong performance from Austral Bricks, on the back of elevated demand on the East Coast.

Property EBIT was $49.5 million for the first half, including a significant increase in Joint Venture Industrial Property Trust[1] ('Property Trust') earnings, following the completion of 3 development projects during the period. During the half, Brickworks' share of the net asset value within the Property Trust increased by a further $31 million and now exceeds $500 million.

Investments EBIT was up 27.9% to $60.9 million. This was due to improved regular contributions from six of Washington H Soul Pattinson's ('WHSP') eight major investments, with New Hope Corporation delivering a particularly strong increase in earnings.

Underlying Earnings Per Share ('**EPS**') was 77.5 cents, up 3.7% on the previous corresponding period. Statutory EPS was 65.0 cents, down 6.9%.

Directors have declared a fully franked interim **dividend** of 18.0 cents per share for the half year ended 31 January 2018, up 5.9% from 17.0 cents. The record date for the interim dividend will be 10 April 2018, with payment on 1 May 2018.

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

FINANCIAL ANALYSIS

Gearing (net debt to equity) was 15.8% at 31 January 2018, up from 14.9% at 31 July 2017. Total interest bearing debt increased to $335.2 million and **net debt** increased to $317.5 million at 31 January 2018. Net debt to capital employed was 13.6% at the end of the period.

Following the end of the period Brickworks entered into a $100 million **Institutional Term Loan** ('ITL') unsecured syndicated debt facility, with tranches of 8 and 10 years. The ITL (arranged by NAB) comprises 8 institutional investors represented by 3 asset managers, and enables the Group to diversify its funding base at competitive rates and access this developing, longer tenor market.

Total borrowing costs were up 3.4% to $6.0 million and underlying interest cover was a conservative 20 times at the end of the period.

Net working capital was $199.3 million at 31 January 2018, up marginally compared to 31 July 2017, with **finished goods inventory** increasing by $2.6 million. Excluding the impact of the UrbanStone acquisition, finished goods inventory was down $1.0 million, with a reduction in finished goods units in all divisions being partially offset by the impact of stock revaluations.

Total **cash flow from operating activities** was $74.2 million, up from $49.8 million in the previous corresponding period, due primarily to the increased earnings from Building Products and lower income tax payments.

Building Products **capital expenditure** was $25.8 million, including stay-in-business capital expenditure of $13.3 million, approximately in line with depreciation. Spend on major projects totalled $12.5 million, primarily consisting of upgrades to the Rochedale brick plant in Queensland, the Cardup brick plant in Western Australia, and the installation of a large log line at the Greenbushes timber mill, also in Western Australia.

Statutory **income tax** was $29.0 million for the period. The underlying income tax expense decreased to $21.1 million.

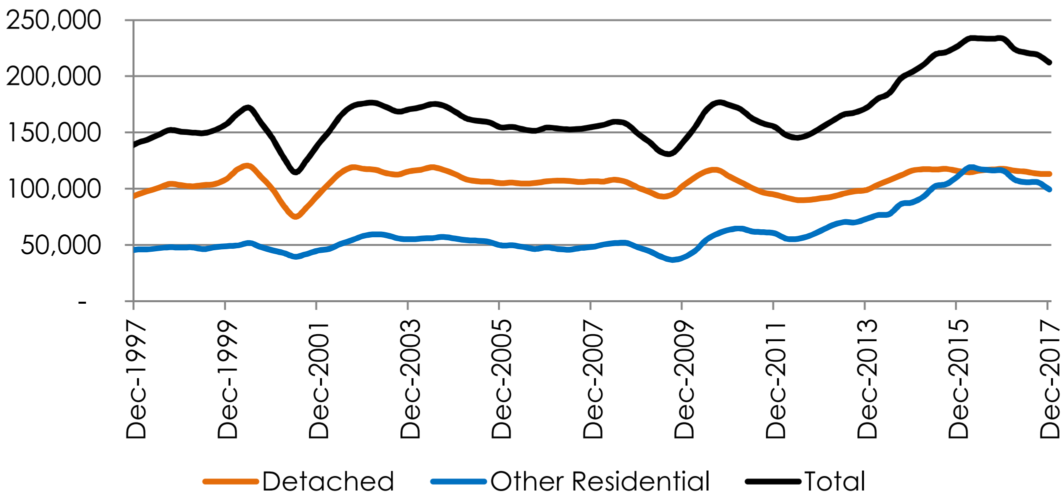
Net tangible assets ('NTA') per share was $12.03 at 31 January 2018, up from $11.77 at 31 July 2017 and total shareholders' equity was up $45.9 million to $2.014 billion.

Significant items reduced NPAT by $18.6 million for the period. This comprised:

- A $9.2 million cost due to the income tax expense in respect of the equity accounted WHSP profit, less the franking credits associated with the dividends received during the period, and adjusted for the movements in the franking account and the circular dividend impact;
- A $6.3 million cost attributable to Brickworks share of reported WHSP significant items, made up primarily of tax on equity accounted associates, partially offset by a profit on Investment Portfolio sales; and
- $3.1 million in after-tax costs relating to Building Products, including the net cost associated with commissioning upgraded plants in Western Australia and Queensland ($1.2 million), restructuring activities within Austral Bricks Western Australia and Auswest Timbers ($1.1 million), and business acquisition costs and other legal and advisory costs ($0.8 million).

Building Products

Market Activity – Moving Annual Housing Commencements ('000s)



Housing commencements in Australia remain at elevated levels, with annualised total commencements continuing to track above 200,000, a level not seen prior to 2014.

Although total dwelling commencements were down 7.2% for the six months ended 31 December 2017, this decrease is measured against the record peak achieved in the prior corresponding period.

The decline in activity was caused primarily by an 11.6% reduction in other residential commencements, following unprecedented growth in this segment in recent years. In detached housing, where Brickworks' products have the greatest exposure, construction activity has remained near historical peak levels for around four years, with further increases limited by trade availability, construction bottlenecks and materials supply constraints in some areas.

Conditions in **New South Wales** remain strong, albeit down slightly on the record high level of one year ago. In this state both detached housing and other residential activity remains at historically high levels following many years of low activity in the 2000's.

In **Victoria** residential building also remains extremely strong. Both detached housing and other residential activity remain at near record levels following a number of years of growth.

Queensland continues to experience steady growth in detached housing activity since the low point in 2011, with annualised detached housing starts of almost 25,000 (to December 2017). However other residential commencements are in decline, having fallen around 20% from the peak level experienced during 2016.

Weakness in **Western Australia** persisted during the period, with both detached houses and other residential activity continuing to decline, albeit at a slower rate. Building activity in this state is now down by over 40% in the past three years, and detached house commencements are at their lowest level for over 15 years.

Non residential approvals in Australia increased by 15.6% to $24.965 billion for the six months to 31 December 2017. Within the non residential sector, **Commercial** building approvals increased by 7.5% to $9.489 billion, **Industrial** building approvals increased 41.3% and the **educational** sub-sector, an important driver for bricks and masonry demand, was up 47.2%.

Overview of Building Products Result

Half Year Ended January		2017	2018	Change %
Revenue	$mill	370.2	**396.2**	7.0
EBITDA	$mill	47.1	**53.6**	13.8
EBIT	$mill	33.3	**39.3**	18.0
Capital Expenditure	$mill	36.2	**25.8**	(28.7)
EBITDA margin	%	12.7	**13.6**	7.1
EBIT margin	%	9.0	**9.9**	10.0
Net Tangible Assets	$mil	663.4	**664.5**	0.2
Return on Net Tangible Assets	%	10.0	**11.8**	18.0
FTE Employees[2] (vs. Jul 17)		1,510	**1,505**	(0.4)
Safety (TRIFR)[3] (vs. Jul 17)		17.1	**20.7**	21.1
Safety (LTIFR)[4] (vs. Jul 17)		1.3	**2.1**	61.5

Revenue for the half year to 31 January 2018 was up 7.0% to a record $396.2 million. The first half of 2018 saw continued strong demand for building materials in the major East Coast markets of New South Wales and Victoria, partially offset by a further decline in demand in Western Australia.

EBIT was $39.3 million, up 18.0% on the prior corresponding period, and **EBITDA** was $53.6 million. The uplift in earnings was primarily due to another strong performance from Austral Bricks. In addition, Western Australian operations enjoyed a recovery in earnings due to re-structuring activities implemented in the last financial year, despite the further decline in demand and sales volume.

New gas and electricity contracts took effect from 1 January 2018 on the East Coast. With weighted average price increases of circa 20% for gas and 30% for electricity, the manufacturing cost increase equates to around $1 million per month on a like-for-like basis. Price increases and efficiency improvements have already been implemented to fully offset this additional cost impost.

The company's investment in marketing and branding was further expanded during the period, with direct marketing costs increasing compared to the prior corresponding period. This includes a major advertising campaign, together with the company's successful investment in design studios across the country. This

2 Excludes casual employees.
3 Total Reportable Injury Frequency Rate (TRIFR) measures the total number of reportable injuries per million hours worked.
4 Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked.

sustained investment over many years to position Brickworks as the leading style brand in the industry has supported the growth of premium, higher priced products across all divisions.

Full time equivalent **employee** numbers were down slightly to 1,505 compared to 1,510 at 31 July 2017. The addition of 66 employees following the acquisition of UrbanStone was offset by a reduction in Austral Precast, following the closure of the Dandenong facility in Victoria, and a decrease in Austral Bricks Western Australia following restructuring initiatives.

There were 3 Lost Time **Injuries** ('LTIs') during the half, unchanged from the previous corresponding period. This translates to a Lost Time Injury Frequency Rate ('LTIFR') of 2.1, compared to 2.0 for the prior period. The Total Reportable Injury Frequency Rate ('TRIFR') increased to 20.7 from 16.9 in the prior period.

Divisional Analysis

Austral Bricks delivered an 18.9% increase in earnings for the six months ended 31 January 2018, with sales revenue up 8.4% to $215.0 million on relatively stable national sales volume.

Performance was strong across all markets, with every state achieving higher earnings. A focus on unit margins has delivered pleasing results, with initiatives including:

- Innovation and development of premium products;
- Additional resources added to the product selection process;
- A dedicated country sales force; and
- Close collaboration with architects to develop bespoke and customised brickwork, especially in medium and higher density developments.

Buoyant market conditions supported an increase in sales volume in New South Wales and Victoria. The increase in these states was offset by a decline in sales volume in Western Australia. This stark contrast in conditions provided an opportunity to transport in excess of 8 million bricks from Western Australia to the East Coast during the period, thereby reducing inventory in the West whilst allowing Austral Bricks to meet the booming East Coast demand.

Western Australia produced a positive EBITDA result, despite the difficult conditions in this state, and further improvements are anticipated following the successful commissioning of the Cardup plant during the period.

Following the continuous operation of the Wollert "East" kiln in Victoria for almost a decade, a six week shut-down during January and February was undertaken to complete necessary maintenance and upgrade works. In order to meet customer requirements a stock build was required prior to the shut-down, that has now been run off. Since its construction, the new Wollert facility continues to operate ahead of original expectations.

The final phase of upgrades at the Rochedale plant was completed during the period. Work included the installation of a new packaging line and the re-commissioning of the second kiln (previously mothballed). These upgrades complete a multi-year refit program to significantly improve product quality and lower unit production costs.

In terms of scale, quality and efficiency, this plant now ranks amongst the best worldwide. Following the upgrades, the first kiln remains available for production, resulting in the total capacity in Queensland returning to historical levels and providing valuable "swing capacity" for periods of peak demand across the East Coast.

Focus for capital investment has now turned to New South Wales, where there has been limited major capital expenditure for over twenty years. Preliminary work has commenced on a new facility at Brickworks industrial estate at New Berrima to replace the Bowral facility, an energy intensive plant with some parts having been in operation since the 1920's.

Also under consideration is the future operational footprint within the Horsley Park precinct, where Austral Bricks currently has 3 plants in operation. Planning and capital works in this precinct will be phased over a number of years.

Austral Masonry earnings were lower, despite an 18.7% increase in sales revenue to $52.0 million for the half. Excluding UrbanStone, revenue was up 8.3% on a like-for-like basis.

An improved result was delivered in New South Wales, due in part to a significant increase in sales of higher margin retaining wall products in both the residential and commercial sectors, including approximately four kilometres of keystone walling at Oakdale South. However, these gains were more than offset by a decline in earnings in Queensland, due to the slowdown in apartment construction in Brisbane and difficult conditions in North Queensland.

The integration of UrbanStone in Western Australia has progressed well since the completion of the acquisition in November. Sales volume has been strong, underpinned by an order book comprising a number of large commercial projects. A range of initiatives are underway to further increase sales, including a targeted marketing campaign and the roll out of UrbanStone's premium paving products into Brickworks network of display centres and design studios across the country.

In New South Wales planning is now well underway for an investment in a new state of the art facility also at New Berrima. This facility will replace the existing plant at Prospect where Austral Masonry's lease expires in December 2020.

Bristile Roofing earnings increased on the prior half, with sales revenue up 14.2% to $66.9 million. Like-for-like revenue growth was 8.5%, after excluding the impact of acquired operations in Victoria.

Earnings were higher across all East Coast states, driven by increased sales volume and lower manufacturing costs, following the first phase of upgrade works completed at the Wacol plant in Queensland. Despite the increased demand, margins on the East Coast are under pressure due to strong competition.

The continued difficult conditions in Western Australia resulted in decreased sales and earnings in this state. Following the closure of the Caversham plant, the Western Australian market is now primarily being serviced by high quality imported terracotta tiles from La Escandella in Spain.

Bristile continues to focus on expanding its product offering to include a full range of roofing solutions that provide growth opportunities in the years ahead. Following the acquisition of a number of metal roofing and fascia and gutter installers over the past 2 years, metal sales now make up 16% of total Bristile Roofing revenue.

Consistent with this full-service strategy, Bristile Solar was launched in August 2017, offering premium solar roof-tiles and conventional bolt-on systems for existing homes or new residential builds. Through an exclusive agreement in place with Sonnen, the world's largest producer of battery and solar energy storage systems, Bristile Solar is able to offer home owners a full energy management system. Sonnen have recently announced plans to establish a manufacturing facility in South Australia to service the Australian market.

Market feedback since the launch has been strong, with a significant initial contract with a major builder already secured. The Bristile Solar package will be offered in conjunction with Bristile tiles and is expected to attract new customers and support increased roof tile sales volume.

Austral Precast earnings were relatively stable, despite a 15.5% decrease in revenue to $34.8 million for the period. The decline in revenue was due to the closure of the Victorian facility and the slow down in high rise multi residential development in Brisbane, significantly impacting sales in this market.

Demand in New South Wales is particularly strong, with the order book at the end of the period equivalent to approximately 12 months sales. This includes major project wins such as the Clarence Correctional Centre in Grafton (circa $18 million value and 5,000 panels) and the M4 East project in Sydney (circa $4 million value and 1,100 panels).

In October, Austral Precast operations in Dandenong, Melbourne were closed. Employee wage rates at this heavily unionised facility were approximately double those elsewhere across the country. This resulted in the business being uncompetitive when bidding for work on non-unionised job sites, effectively distorting the Melbourne precast market.

Auswest Timbers earnings were also relatively stable, with revenue down 5.2% to $23.5 million for the half. Improved earnings were recorded in Western Australia, following restructuring activities completed in the prior year. During the period, upgrade activities continued with the installation of a large log line at Greenbushes. Commissioning of this line is now almost complete, positioning this business for continued improvement in the second half.

Operational issues again hampered the Victorian operations, due to decreasing log size impacting recovery at Orbost and downstream processing at Bairnsdale. While a new log contract has been entered into with VicForests, the Victorian Government agency has encountered a number of legal, environmental and operational challenges supplying the requested mix of log under this contract. Efficient processing of the future log mix requires significant investment and these investment options are urgently being assessed, however the deteriorating log input quality and uncertain future supply mix threatens the viability of these investments.

Demand for structural pine in Australia is at unprecedented levels, placing pressure on log supply to the roof tile batten mill in Fyshwick. Auswest is currently seeking additional log supply volume beyond the existing term in order to ensure the mill can continue to meet the strong demand.

PROPERTY

Overview of Property Result

Half Year ended January ($million)	2017	2018	Change %
Net Trust Income	8.9	**10.7**	20.1
Revaluation of properties	6.8	**7.1**	4.7
Development Profit	2.9	**33.5**	>500
Sale of assets	0.3	**-**	N/A
Property Trust	**18.8**	**51.2**	**171.9**
Property Sales	50.1	**-**	N/A
Property Admin and Other	(1.8)	**(1.7)**	(1.3)
Total	**67.2**	**49.5**	**(26.3)**

Property produced an EBIT of $49.5 million for the half year ended 31 January 2018, down 26.3% from $67.2 million for the prior period.

The decrease in earnings was due to no **land sales** being recorded during the period, compared to the prior corresponding period that included the sale of Oakdale West into the Property Trust ($50.1 million EBIT contribution).

The **Property Trust** delivered an EBIT of $51.2 million, up 171.9% from $18.8 million in the prior corresponding period. The increase was largely due to the development profit realised following the completion of three development projects, providing $33.5 million EBIT.

Revaluation profit contributed EBIT of $7.1 million, up 4.7% from the prior period, due primarily to the revaluation of land at Oakdale South. This property is now ready for development following the completion of infrastructure works at the end of 2017.

Net property income distributed from the Trust was $10.7 million, an increase of 20.1% from $8.9 million in the prior corresponding period. This benefitted from two new facilities at Oakdale Central and one at Rochedale, all completed in mid 2017.

Property administration **expenses** totalled $1.7 million, down marginally on the prior half. These expenses include holding costs such as rates and taxes on properties awaiting development.

Property Trust Assets

The total value of leased assets held within the Property Trust at 31 January 2018 was $1.087 billion. 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 from the Property Trust is $67.2 million, average capitalisation rates are 6% and there are currently no vacancies.

Summary of Leased Property Trust Assets

Estate	Asset Value ($m)	Gross Lettable Area (m^2)	Gross Rental $m p.a.)	WALE[5] (yrs)	Cap. Rate
M7 Hub (NSW)	127	64,125	8.3	2.7	6.0%
Interlink Park (NSW)	383	192,207	23.9	4.1	6.1%
Oakdale (NSW)	411	207,021	24.8	6.0	5.8%
Rochedale (QLD)	166	95,636	10.2	43.0	6.3%
Total	**1,087**	**558,989**	**67.2**	**10.5**	**6.0%**

Including $443 million of land to be developed, the total value of assets held within the Property Trust at 31 January 2018 was $1.530 billion. With borrowings of $510 million, the total net asset value of the Property Trust is $1.022 billion. Brickworks' share of net asset value was $511 million, up $31 million from $480 million at 31 July 2017. The increase in value during the half is due to the completion of three new facilities.

The total return on the leased property assets in the Trust, including the revaluation profit was 11.8% during the period.

5 Weighted average lease expiry.

$million	Jul 2017	Jan 2018	Change %
Leased properties	878	**1,087**	23.8%
Land to be developed	523	**443**	(15.3%)
Total Property Trust assets	**1,401**	**1,530**	**9.2%**
Borrowings on leased assets	(408)	**(483)**	(18.4%)
Borrowings on developments	(34)	**(26)**	23.5%
Net Property Trust assets	**960**	**1,022**	**6.5%**
Brickworks 50% share	**480**	**511**	**6.5%**
Rental return on leased assets[6]	7.8%	**7.1%**	(0.7%)
Revaluation return on leased assets[7]	6.1%	**4.7%**	(1.4%)
Total return on leased assets	**13.9%**	**11.8%**	**(2.1%)**
Gearing on leased assets[8]	46.5%	**44.4%**	(2.1%)

INVESTMENTS

The EBIT from Investments was up 27.9% to $60.9 million in the half year ended 31 January 2018.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

The investment in WHSP returned an underlying contribution of $60.8 million for the half year ended 31 January 2018, up 28.0% from $47.5 million in the previous corresponding period. This was due primarily to an increase in earnings from New Hope Corporation.

The market value of Brickworks 42.72% share holding in WHSP was $1.762 billion at 31 January 2018, down $41.9 million from $1.804 billion at 31 July 2017.

This investment continues to provide diversity and stability to earnings, with cash dividends of $32.7 million received during the half, up 3.2% on the prior period.

WHSP has delivered outstanding returns over the long term, outperforming the ASX All Ordinaries Accumulation Index by 2.4% p.a. over fifteen years and 6.7% p.a. over ten years.

WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation, Australian Pharmaceutical Industries, Apex Healthcare Bhd and TPI Enterprises.

The investment in WHSP has been an important contributor to Brickworks' 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 and cash flow from Building Products and Property.

STRATEGY

Corporate Strategy

Brickworks' has a diversified corporate structure, comprising operating divisions in Building Products and Property and a strategic investment in WHSP.

This diversified structure provides Brickworks with a combination of stability and growth in earnings, cash flow and net asset value, that has delivered considerable value to shareholders over the long term.

Building Products includes the heritage Austral Bricks business, founded in 1908. Austral Bricks has a long and proud history and has grown to become the largest and most successful brick business in the country, delivering strong returns on capital invested across the building cycle. In more recent times, the Building Products division has diversified into additional *products* and markets to become one of Australia's largest manufacturers and distributors of building products.

Building Products operations include significant land holdings, typically located on the outskirts of Australia's major cities. Over time as the urban sprawl expands, these land assets become increasingly valuable, sometimes as a result of rezoning to industrial or residential land use. As such the Property division is a natural extension to Building Products, and is focussed on maximising the value of surplus land assets as they become available or rezoned.

The creation of the 50/50 Joint Venture Property Trust with the Goodman Group a decade ago allows the company to maximise the long term value of industrial

6 Based on annualised Net Trust Income, divided by Brickworks share of leased properties less associated borrowings.
7 As above, but using annualised revaluation profit.
8 Borrowings on leased assets / total leased assets.

land. This strategic partnership with the Goodman Group has many benefits to Brickworks, including access to the country's leading experts in industrial property development and planning, and the necessary funds to carry out development work. Meanwhile, the Goodman Group benefit from a steady flow of appropriately zoned industrial land in prime locations across the country. The overwhelming success of this strategic partnership is evidenced by the Joint Venture's growth in net asset value to over $1 billion.

Whilst the Joint Venture is considered a core long term strategic asset for Brickworks, it also maintains an active asset management approach. This is demonstrated by the recent sale of selected assets in response to attractive valuation metrics and appropriate opportunities becoming available.

The investment in WHSP is also a core long-term strategic asset for Brickworks, providing diversification of earnings, significant value creation and steadily increasing cash dividends. A recent example of the benefit of this diversification is Brickworks' indirect exposure to rising coal prices through New Hope Corporation. This has delivered increased earnings from Investments, at a time of higher gas prices in the Building Products division.

The investment in WHSP has created significant value for shareholders over the long term. The market value of Brickworks' holding in WHSP has grown from $30 million in 1983[9], when Brickworks last acquired shares in WHSP, to $1.762 billion at the end of January 2018. In addition fully franked cash dividends now total over $54 million per year.

Brickworks diversification strategy and investment approach has delivered stability of earnings and consistently increasing net asset value over the long term and helped to deliver solid and reliable returns to our shareholders.

Building Products Strategy

Building Products continues to make good progress on its strategy to secure market-leading positions and grow earnings over the long term. This strategy has three key objectives:

1. Strengthen the core business
    - Operations excellence, to secure lowest cost and highest quality products;
    - Acquire complementary businesses;
    - Build industry-leading customer relationships; and
    - Invest in style and product leadership.
2. Build growth businesses
    - Invest in affiliated businesses;
    - Distribute market leading products; and
    - Create better building solutions.
3. Sustaining our strong culture.

Construction of the **Southern Cross Cement** import terminal in Brisbane has now commenced and is expected to be fully installed and commissioned in the 2019 financial year. This strategic investment will strengthen Building Products' core business, by securing high quality and low cost raw material supply for our Austral Masonry, Bristile Roofing and Austral Precast operations, thereby underpinning our lowest cost objective in these businesses. Investment returns will be underpinned by the competitive cost structure of the facility and shareholder volume throughput of over 200,000 tonnes of cement per year.

The acquisition of UrbanStone in November was a logical bolt-on to our existing masonry business, providing additional scale and diversifying our product range and geographic exposure. Importantly, the acquisition also allows Building Products to expand its premium product offering, in line with Brickworks strategy to invest in style and product leadership.

Developing industry-leading customer relationships is an ongoing priority for Brickworks. Capital city design studios across the country have hosted hundreds of events, attracting thousands of customers, architects and other key influencers. These studios have now become a focal point for the local architectural and design community.

In Sydney, a new design studio was launched in March, with an expanded showroom and event space to cater for the growing demand for speaking events and industry functions. This strategy continues to deliver results, including increased penetration of Brickworks' products in several key markets such as high rise and commercial developments. Construction will soon commence on a new studio on Collins Street in Melbourne that is expected to be officially opened later in 2018.

International partnerships with leading manufacturers allow us to secure additional earnings growth by offering customers a wider range of unique and premium products. Sales of these products continue to increase, buoyed in the first half by a new supply agreement with Italian manufacturer S. Anselmo for a unique range of sandstock bricks. In addition, a new range of ultra premium glass bricks was launched in March, through a partnership with Italian manufacturer Poesia.

Building Products continues to take a prudent approach to major growth investments. The availability of attractive investment opportunities in Australia is limited by a range of factors including exorbitant energy prices, high company tax rates, slow building and development approval processes with excessive red tape, and a failure to rein-in disruptive unions. As such, the company will consider offshore expansion opportunities, including in North America where business conditions are significantly more attractive.

[9] Brickworks acquired WHSP shares over the period 1969-1983.

OUTLOOK

Building Products

Building activity across the East Coast remains elevated and continues to drive strong demand. In New South Wales and Victoria there remains a significant pipeline of work that has translated to a very strong order book in these states.

Conditions in Western Australia remain difficult, although they appear to have bottomed, and a range of restructuring initiatives and capital projects has resulted in improved performance that is expected to continue in the second half.

New energy contracts on the East Coast at significantly higher prices came into force on 1 January 2018. Price rises and efficiency improvements will fully offset this additional cost impost in the second half. However, further gas price increases on 1 January 2019 will result in an additional $9 million cost increase. The company continues to investigate a range of cost mitigation strategies to minimise any further flow on price increases to our customers. These include investments in new fuel-efficient kilns, the use of alternative fuel sources, increasing imports and offshore manufacturing.

Overall the short to medium term outlook for Building Products remains strong, with already implemented price increases, the strong order book on the East Coast, and the restructuring initiatives undertaken in the west expected to underpin 2018 earnings, despite the significant impost of higher energy costs in the second half.

Property Trust

The outlook for the Property Trust is strong, with developments at Oakdale in New South Wales and Rochedale in Queensland expected to drive growth in rent and asset value over both the short and longer term:

- The **Oakdale Central Estate** will be fully completed in April 2018 following the delivery of a 36,870m^2 facility for Reckitt Benckissor.
- At **Rochedale**, the southern section of the Estate is now fully occupied. Activity is now focussed on the remaining 6 hectare lot where over 35,000m^2 of mixed-use buildings will be developed.
- Completion of infrastructure works at the **Oakdale South Estate** during the 2nd half of the financial year will trigger settlement on 30.3 hectares of land (with sale contracts executed in financial year 2016), providing $100 million in gross receipts to the Property Trust on sale. Construction work has already commenced at this Estate, with a 19,500m^2 facility for Iron Mountain and a 14,500m^2 facility for Briggs and Stratton, well underway and due for completion at the end of 2018.
- Last year's sale of **Oakdale West** into the Property Trust provides medium and longer term growth potential. Solid progress has been made on the development approval for the site, which was lodged in late 2017 and has now come off exhibition and is under assessment. Once development approval is achieved, expected in mid 2018, development of this site is likely to extend for up to a decade.

Property Sales

The company is considering a range of strategies to generate earnings from property sales and development activities to supplement the strong earnings outlook from the Property Trust. Expressions of interest are currently being sought in respect of the Punchbowl brick manufacturing site in New South Wales, on a long-term lease-back basis (to Austral Bricks). Pending satisfactory offers on this 9-hectare site, a sale may occur later this calendar year.

Aside from the Punchbowl site, there will be limited additional major land sales opportunities for Brickworks in the short term.

Investments

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

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 12 for the half year ended 31 January 2018, and forms part of this report.

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

Dated 22 March 2018

R.D. MILLNER
Director

L.R. PARTRIDGE AM
Director

Building a better
working world

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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 2018, 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
22 March 2018

CONSOLIDATED INCOME STATEMENT

	Note	31 January 2018 $'000	31 January 2017 $'000
Revenue	2.2	396,730	428,888
Cost of sales		(267,154)	(262,590)
Gross profit		**129,576**	**166,298**
Other income	2.2	676	957
Distribution expenses		(34,702)	(33,259)
Administration expenses		(15,513)	(13,684)
Selling expenses		(41,376)	(37,853)
Other expenses		(12,528)	(10,592)
Share of net profits of associates and joint ventures	2.3	105,852	72,234
Profit before finance cost and income tax		**131,985**	**144,101**
Finance costs	2.2	(6,003)	(5,751)
Profit before income tax		**125,982**	**138,350**
Income tax expense	2.4	(28,973)	(34,299)
Profit after tax		**97,009**	**104,051**
Profit after tax attributable to:			
Shareholders of Brickworks Limited		97,009	104,051
Earnings per share attributable to the shareholders of Brickworks Limited			
Basic (cents per share)		65.0	69.8
Diluted (cents per share)		65.0	69.8

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 January 2018 $'000	31 January 2017 $'000
Profit after tax	**97,009**	**104,051**
Other comprehensive income, net of tax		
Items that may be subsequently reclassified to Income Statement		
Net fair value gain on available-for-sale financial assets	1,809	-
Share of increments /(decrements) in reserves attributable to associates and joint ventures	109	(3,548)
Foreign currency translation	30	(10)
Income tax benefit/(expense) relating to these items	(574)	1,065
Other comprehensive income, net of tax	**1,374**	**(2,493)**
Total comprehensive income	**98,383**	**101,558**
Total comprehensive income, attributable to:		
Shareholders of Brickworks Limited	98,383	101,558

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	31 January 2018 $'000	31 July 2017 $'000
Cash and cash equivalents		17,673	19,641
Receivables		110,333	133,225
Inventories		199,856	195,720
Prepayments		9,795	8,393
Total current assets		**337,657**	**356,979**
Available-for-sale financial assets	4.2	1,809	-
Inventories		6,650	7,300
Investments accounted for using the equity method	3.1	1,707,587	1,644,029
Property, plant and equipment		515,628	498,755
Intangible assets		216,063	212,840
Total non-current assets		**2,447,737**	**2,362,924**
TOTAL ASSETS		**2,785,394**	**2,719,903**
Payables		92,300	110,102
Derivative financial instruments	4.2	1,115	513
Current income tax liability		2,523	6,184
Provisions		42,460	43,416
Total current liabilities		**138,398**	**160,215**
Borrowings	4.1	335,210	311,977
Derivative financial instruments	4.2	1,899	3,549
Provisions		10,143	10,436
Deferred income tax liability		285,975	265,886
Total non-current liability		**633,227**	**591,848**
TOTAL LIABILITIES		**771,625**	**752,063**
NET ASSETS		**2,013,769**	**1,967,840**
Issued capital	4.3	340,747	340,814
Reserves	4.4	313,499	309,782
Retained profits		1,359,523	1,317,244
TOTAL EQUITY		**2,013,769**	**1,967,840**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital $'000	Reserves $'000	Retained profits $'000	Total $'000
For the period ended 31 January 2018					
Balance at 1 August 2017		340,814	309,782	1,317,244	1,967,840
Profit after tax		-	-	97,009	97,009
Total other comprehensive income, net of tax		-	1,374	-	1,374
Net dividends paid	2.5	-	-	(41,264)	(41,264)
Issue of shares through employee share plan	4.3	(17)	-	-	(17)
Purchase of shares through employee share plan	4.3	(562)	-	-	(562)
Shares vested to employees	4.3	512	(512)	-	-
Share of associates transferred to outside equity interests		-	-	(13,466)	(13,466)
Share based payments expense		-	2,855	-	2,855
Balance at 31 January 2018		**340,747**	**313,499**	**1,359,523**	**2,013,769**
For the period ended 31 January 2017					
Balance at 1 August 2016		336,905	311,255	1,190,325	1,838,485
Profit after tax		-	-	104,051	104,051
Total other comprehensive income, net of tax		-	(2,493)	-	(2,493)
Net dividends paid	2.5	128	-	(38,740)	(38,612)
Issue of shares through employee share plan	4.3	(14)	-	-	(14)
Purchase of shares through employee share plan	4.3	(750)	-	-	(750)
Shares vested to employees	4.3	88	(88)	-	-
Share of associates transfer to outside equity interests		-	-	30	30
Share based payments expense		-	2,816	-	2,816
Balance at 31 January 2017		**336,357**	**311,490**	**1,255,666**	**1,903,513**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31 January 2018 $'000	31 January 2017 $'000
Cash flows from operating activities			
Receipts from customers		457,230	420,521
Payments to suppliers and employees		(411,281)	(387,218)
Interest received		151	111
Interest and other finance costs paid		(7,741)	(9,668)
Dividends and distributions received		43,450	40,698
Income tax paid		(7,566)	(14,597)
Net cash from operating activities		**74,243**	**49,847**
Cash flows from investing activities			
Purchases of property, plant and equipment		(25,790)	(36,572)
Proceeds from sale of property, plant and equipment		934	1,068
Purchase of investments in joint ventures		(10,248)	(9,450)
Proceeds from sale or return of investments		-	5,722
Purchase of controlled entities, net of cash acquired	5.1	(13,308)	-
Net cash used in investing activities		**(48,412)**	**(39,232)**
Cash flows from financing activities			
Proceeds from borrowings		112,000	438,000
Repayments of borrowings		(89,000)	(405,000)
Dividends paid		(50,799)	(47,586)
Net cash used in financing activities		**(27,799)**	**(14,586)**
Net increase / (decrease) in cash held		**(1,968)**	**(3,971)**
Cash at the beginning of the period		19,641	30,783
Cash at the end of the period		**17,673**	**26,812**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. ABOUT THIS REPORT

This section sets out the basis upon which the half year financial report is prepared as a whole.

1.1. Basis of preparation

This half year consolidated financial report for Brickworks Limited and its controlled entities (the "Group") is a condensed general purpose financial report prepared in accordance with the accounting standard AASB 134 *Interim Financial Reporting*, the requirements of the *Corporations Act 2001* and other mandatory professional reporting requirements.

The half year report does not include all the disclosures normally included in an annual report. Accordingly, it is recommended that this report be read in conjunction with the Brickworks Annual Report for the year ended 31 July 2017 and any announcements to the market made during the financial half year in accordance with the Group's continuous disclosure obligations under the *Corporations Act 2001*.

The accounting policies and measurement bases adopted in this report are consistent with those applied in the Brickworks Annual Report for the year ended 31 July 2017.

The half year report is presented in Australian dollars, which is the Group's functional currency[1].

1.2. Key estimates or judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities. The significant judgements made by management in applying the Group's accounting policies are the same as those applied to the annual financial statements as at and for the year ended 31 July 2017.

1.3. Comparative information

Certain comparative information was amended in these financial statements to conform to the current period presentation. These amendments do not impact the Group's financial result and do not have any significant impact on the Group's statement of financial position.

1.4. Notes to the half year financial report

The notes are organised into the following sections:

2. FINANCIAL PERFORMANCE	Provides the information that is considered most relevant to understanding the financial performance of the Group.
3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	Provides the information that is considered relevant to understand the Group's investments in Washington H. Soul Pattinson and Company Limited (associated company) and joint venture arrangements, including Property Trusts.
4. CAPITAL STRUCTURE AND RISK MANAGEMENT	Provides the information about the capital and risk management practices of the Group, including its borrowings, derivative financial instruments and equity.
5. OTHER	Provides information on items which require disclosure to comply with AASBs and other regulatory pronouncements and any other information that is considered relevant for the users of the financial report which has not been disclosed in other sections (including business combinations).

[1] All values are rounded to the nearest thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

2. FINANCIAL PERFORMANCE

This section provides the information that is considered most relevant to understanding the financial performance of the Group, including profitability of its operating segments, significant items, nature of its revenues and expenses and dividends paid to the shareholders.

2.1 Segment reporting

Management identified the following reportable business segments:

Building Products	Manufacture of vitrified clay, concrete and timber products used in the building industry. Major product lines include bricks, masonry blocks, pavers, roof tiles, floor tiles, precast walling and flooring panels, fibre cement walling panels and timber products used in the building industry.
Property	Utilisation of opportunities associated with land owned by the Group, including the sale of property and investment in Property Trusts.
Investments	Holds investments in the Australian share market, both for dividend income and capital growth, and includes the investment in Washington H. Soul Pattinson and Company Limited (WHSP).

	BUILDING PRODUCTS		PROPERTY		INVESTMENTS		CONSOLIDATED	
	31 January 2018 $'000	31 January 2017 $'000	31 January 2018 $'000	31 January 2017 $'000	31 January 2018 $'000	31 January 2017 $'000	31 January 2018 $'000	31 January 2017 $'000
REVENUE								
Revenue	396,222	370,150	357	58,627	151	111	**396,730**	**428,888**
RESULT								
Segment EBITDA	53,572	47,143	49,508	67,153	60,909	47,635	163,989	161,931
Depreciation and amortisation	(14,281)	(13,887)	-	-	-	-	(14,281)	(13,887)
Segment EBIT	**39,291**	**33,256**	**49,508**	**67,153**	**60,909**	**47,635**	**149,708**	**148,044**
Unallocated expenses								
- Significant items							(10,799)	1,878
- Borrowing costs							(6,003)	(5,751)
- Other unallocated expenses							(6,924)	(5,821)
Profit before income tax							**125,982**	**138,350**
Income tax expense[1]							(28,973)	(34,299)
Profit after income tax							**97,009**	**104,051**

Significant items

	Note	31 January 2018 $'000	31 January 2017 $'000
Cost on commissioning of manufacturing facilities[2]		(1,686)	(560)
Restructuring activities[2]		(1,587)	(2,758)
Acquisition costs[2]	5.1	(776)	-
Legal & advisory costs[2]		(402)	(634)
Significant items before income tax (excluding associates)		(4,451)	(3,952)
Income tax benefit / (expense) on significant items (excluding associates)		1,335	1,186
Significant items after income tax (excluding associates)		**(3,116)**	**(2,766)**
Significant one-off transactions of associate[3]		(6,348)	5,830
Income tax benefit/ (expense) arising from the carrying value of the investment in the associate (WHSP)		(9,165)	(10,228)
Significant items after income tax (associates)		**(15,513)**	**(4,398)**
Total significant items after income tax		**(18,629)**	**(7,164)**

[1] Included in the income tax expense is tax expense related to significant items amounting to $7,830,000 (2017: $9,042,000).
[2] Disclosed in 'Other expenses' line on the Income Statement.
[3] Disclosed in 'Share of net profits of associates and joint ventures' line on the Income Statement.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 Revenues and expenses

	31 January 2018 $'000	31 January 2017 $'000
REVENUE		
Trading revenue		
Sale of goods	395,639	369,665
Sale of land held for resale	-	58,195
	395,639	**427,860**
Other operating revenue		
Interest received – other corporations	151	111
Rental revenue	629	692
Other	311	225
Total operating revenue	**396,730**	**428,888**
OTHER INCOME		
Proceeds from insurance	495	-
Net gain on disposal of property, plant and equipment	-	457
Property development income	-	426
Other items	181	74
Total other income	**676**	**957**
FINANCE COSTS		
Interest and finance charges paid/payable	7,130	7,393
Net fair value change on interest rate swaps	(1,127)	(1,642)
Total finance costs	**6,003**	**5,751**

2.3 Share of net profits of associates and joint ventures

		31 January 2018 $'000	31 January 2017 $'000
Share of net of profits of associates	3.2	54,410	53,354
Share of net profits of joint ventures	3.3	51,442	18,880
		105,852	**72,234**

2.4 Income tax expense

	31 January 2018 $'000	31 January 2017 $'000
Profit before income tax	**125,982**	**138,350**
Prima facie tax expense calculated at 30%	37,795	41,505
(Decrease) / increase in income tax expense due to:		
Franked dividend income	(9,817)	(9,510)
Share of net profits of associates	2,658	3,732
Other non-allowable items	1,033	1,372
Overprovided in prior years	(2,695)	(2,787)
Utilisation of carried forward capital losses	(1)	(13)
Income tax expense attributable to profit	**28,973**	**34,299**
Current tax expense	7,052	5,274
Deferred tax expense relating to movements in deferred tax balances	24,617	31,825
Overprovided in prior years	(2,695)	(2,787)
Utilisation of carried forward capital losses	(1)	(13)
Total income tax expense on profit	**28,973**	**34,299**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.5 Dividends and franking credits

	31 January 2018 $'000	31 January 2017 $'000
2017 Final ordinary dividend – 34.0 cents per share paid on 29/11/2017 (PY: 32.0 cents paid on 30/11/2016)	50,799	47,714
Group's share of dividend received by associated company	(9,535)	(8,974)
	41,264	**38,740**
2018 Proposed interim ordinary dividend 18.0 cents per share not recognised as a liability (prior year – 17.0 cents paid 2/5/2017)	26,894	25,348

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

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This section provides the information that is considered relevant to understand the Group's investments in associated company (Washington H. Soul Pattinson and Company Limited) and joint venture arrangements, including Property Trusts.

3.1. Investments accounted for using the equity method

		31 January 2018 $'000	31 July 2017 $'000
Associated companies	3.2	1,244,172	1,233,189
Joint ventures	3.3	463,415	410,840
Total investments accounted for using the equity method		**1,707,587**	**1,644,029**

3.2. Associated company

	Group's interest		Contribution to Group profit before tax		Carrying value		Market value of shares	
	31 Jan 2018 %	31 Jul 2017 %	31 Jan 2018 $'000	31 Jan 2017 $'000	31 Jan 2018 $'000	31 Jul 2017 $'000	31 Jan 2018 $'000	31 Jul 2017 $'000
Washington H. Soul Pattinson and Company Limited	42.72	42.72	54,410	53,354	1,244,172	1,233,189	1,761,902	1,803,828

In addition to the Group owning 42.72% (2017: 42.72%) of issued ordinary shares of WHSP, at 31 January 2018 WHSP owned 43.94% (2017: 44.03%) of issued ordinary shares of Brickworks Limited.

3.3 Joint ventures

Information relating to joint ventures is outlined below.

	Group's interest		Contribution to Group profit before tax		Carrying value		Principal activity
	31 Jan 2018 %	31 Jul 2017 %	31 Jan 2018 $'000	31 Jan 2017 $'000	31 Jan 2018 $'000	31 Jul 2017 $'000	
Domiciled in Australia							
BGAI CDC Trust	50.00	50.00	-	-	278	280	Property development, management and leasing
BGAI Erskine Trust	50.00	50.00	5,934	9,526	107,614	104,285	As above
BGAI Capicure Trust	50.00	50.00	321	327	10,286	10,309	As above
BGAI Heritage Trust	50.00	50.00	1,007	1,838	31,499	31,537	As above
BGAI Oakdale Trust	50.00	50.00	20,771	3,578	121,241	104,652	As above
BGAI Wacol Trust	50.00	50.00	-	463	213	218	As above
BGAI Oakdale South Trust	50.00	50.00	-	-	58,469	45,221	As above
BMGW Rochedale Trust	50.00	50.00	10,824	235	50,787	41,018	As above
BMGW Oakdale West Trust	50.00	50.00	-	-	66,825	66,323	As above
Gain recognised on recognition as investment property			12,382	2,450	-	-	
Property trusts			**51,239**	**18,417**	**447,212**	**403,843**	
Southern Cross Cement	33.33		-	-	9,000	-	Import of cement
Domiciled in New Zealand							
NZ Brick Distributors	50.00	50.00	203	463	7,203	6,997	Import and distribution of building products
Total			**51,442**	**18,880**	**463,415**	**410,840**	

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Contribution to Group profit before tax from Property Trusts is set out below.

	31 January 2018 $'000	31 January 2017 $'000
Share of fair value adjustment of properties held by joint venture	28,202	6,787
Share of joint venture property rental profits	10,655	9,180
Gain recognised on recognition as investment property	12,382	2,450
Total equity accounted profit from Property Trusts	**51,239**	**18,417**

4. CAPITAL STRUCTURE AND RISK MANAGEMENT

This section provides the information about the capital and risk management practices of the Group, including its borrowings, derivative financial instruments and equity.

4.1. Borrowings

	31 January 2018 $'000	31 July 2017 $'000
Current		
Interest-bearing loans	-	-
Unamortised borrowing costs	-	-
	-	**-**
Non-current		
Interest-bearing loans	336,000	313,000
Unamortised borrowing costs	(790)	(1,023)
	335,210	**311,977**

At 31 January 2018 the Group had $119.0 million of unused bank facilities (2017: $142.0 million).

In December 2017 the Group extended the $100.0 million working capital facility until December 2019. The amount drawn under this facility as at 31 January 2018 was $28.0 million. The terms of other facilities in place at 31 January 2018 have not changed during the current period and are consistent with disclosures in the Group's prior year consolidated financial report.

Subsequent to the half year end, the Group entered into a $100.0 million Institutional Term Loan Unsecured Syndicated Debt Facility (ITL). Further details with regards to the ITL are disclosed in Note 5.3.

4.2. Financial instruments

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).

(a) Available-for-sale financial assets

The Group's available-for-sale financial assets represent listed equities publicly traded on the Australian Stock Exchange. The fair value of these investments is based on quoted market prices, being the last sale price, at the reporting date. These are categorised as "Level 1" in the fair value hierarchy.

	Market value	
	31 Jan 2018 $'000	31 Jul 2017 $'000
Trading equities - Listed	1,809	-
Total	**1,809**	**-**

(b) Interest rate swaps

The Group has entered into interest rate swaps contracts which allow the Group to swap floating rates into an average fixed rate of 3.47% (2017: 3.47%). The contracts require settlement of net interest receivable or payable usually around every 90 days. The settlement dates are aligned with the dates on which interest is payable on the underlying bank borrowings and are brought to account as an adjustment to borrowing costs.

4. CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

The fair value of interest rate swaps is outlined below.

	Notional Principal Amount		Average Interest Rate		Fair value	
	31 Jan 2018 $'000	31 Jul 2017 $'000	31 Jan 2018 %	31 Jul 2017 %	31 Jan 2018 $'000	31 Jul 2017 $'000
Less than 1 year	50,000	-	3.55	-	618	-
1 to 3 years	75,000	125,000	3.42	3.47	1,899	3,549
3 to 5 years	-				-	-
Total	**125,000**	**125,000**			**2,517**	**3,549**

The fair value of these derivatives is calculated using market observable inputs, including projected forward interest rates for the period of the derivative. These are categorised as "Level 2" in the fair value hierarchy.

(b) Foreign currency forward contracts

The Group has a limited exposure to foreign currency fluctuations due to its importation of goods. The main exposure is to US dollars (USD) and Euros (EUR). It is the policy of the Group to enter into forward foreign exchange contracts to cover specific currency payments, as well as covering anticipated purchases for up to 12 months in advance.

The fair value of foreign currency forward contracts is outlined below:

	Fair value	
	31 Jan 2018 $'000	31 Jul 2017 $'000
USD forward contracts	497	516
EUR forward contracts	-	(3)
Net derivative liability	**497**	**513**

The fair value of these derivatives is calculated using market observable inputs, including projected forward interest rates for the period of the derivative. These are categorised as "Level 2" in the fair value hierarchy.

4.3 Contributed equity

	31 January 2018 Number of shares	31 January 2017 Number of shares	31 January 2018 $'000	31 January 2017 $'000
Contributed equity				
Ordinary shares, fully paid	149,408,331	149,105,838	357,387	353,234
Treasury shares	(1,192,472)	(1,216,013)	(16,640)	(16,877)
			340,747	**336,357**
Movement in ordinary issued capital				
Opening balance 1 August	149,105,838	148,737,138	353,234	348,231
Issue of shares through employee share plan	302,493	368,700	4,170	5,017
Share issue costs			(17)	(14)
Closing balance	**149,408,331**	**149,105,838**	**357,387**	**353,234**
Movement in treasury shares				
Opening balance 1 August	(869,044)	(805,912)	(12,420)	(11,326)
Issue of shares through employee share plan	(302,493)	(368,700)	(4,170)	(5,017)
Purchase of shares through employee share plan	(40,798)	(55,096)	(562)	(750)
Shares allocated as part of Dividend Election Plan	-	9,916	-	128
Shares vested to employees	19,863	3,779	512	88
Closing balance	**(1,192,472)**	**(1,216,013)**	**(16,640)**	**(16,877)**

4. CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

4.4. Reserves

	Capital Profits Reserve $'000	General Reserve $'000	Foreign Currency Reserve $'000	Share-based Payments Reserve $'000	Investments revaluation reserve $'000	Associates and JVs Reserve $'000	Equity Adjustments Reserve $'000	Total $'000
Balance at 1 August 2017	88,102	36,125	(1,495)	5,695	-	200,375	(19,020)	309,782
Other comprehensive income for the year	-	-	30	-	1,809	109	(574)	1,374
Shares vested to employees	-	-	-	(512)	-	-	-	(512)
Share based payments expense	-	-	-	2,855	-	-	-	2,855
Balance at 31 January 2018	**88,102**	**36,125**	**(1,465)**	**8,038**	**1,809**	**200,484**	**(19,594)**	**313,499**
Balance at 1 August 2016	88,102	36,125	(1,496)	5,352	-	202,971	(19,799)	311,255
Other comprehensive income for the year	-	-	(10)	-	-	(3,548)	1,065	(2,493)
Shares vested to employees	-	-	-	(88)	-	-	-	(88)
Share based payments expense	-	-	-	2,816	-	-	-	2,816
Balance at 31 January 2017	**88,102**	**36,125**	**(1,506)**	**8,080**	**-**	**199,423**	**(18,734)**	**311,490**

5. OTHER DISCLOSURES

This section provides information on items which require disclosure to comply with AASBs and other regulatory pronouncements and any other information that is considered relevant for the users of the financial report which has not been disclosed in other sections (including business combinations).

5.1. Business combinations

(a) Acquisitions

During the period ended 31 January 2018 the Group acquired the assets and business of UrbanStone, a market leading manufacturer and distributor of premium paving and masonry block products. The business has manufacturing operations based in Perth, complemented by a national sales and distribution network. The purchase consideration was fully paid in cash and has been provisionally allocated as follows.

Business acquired	UrbanStone
Date acquired	22 November 2017
Consideration	
Cash paid ($'000)	13,314
Total consideration ($'000)	**13,314**
Assets acquired	
Cash ($'000)	6
Inventory ($'000)	3,550
Other assets ($'000)	343
Property, plant and equipment ($'000)	8,450
Brand names ($'000)	2,062
Customer relationships ($'000)	613
Liabilities assumed	
Provisions ($'000)	(1,978)
Other payables ($'000)	(591)
Deferred tax liabilities ($'000)	(209)
Fair value of net assets ($'000)	**12,246**
Goodwill arising on acquisition ($'000)	**1,068**
Direct costs relating to acquisition ($'000)	776

Acquisition costs of $776,000 were expensed and are included in other expenses.

From the date of acquisition, UrbanStone contributed $4,786,000 of revenue and $318,000 of profit before tax to the Group. Given the acquired business was part of a larger group, there is no comparable information available in relation to its performance for the period prior to the acquisition. It is therefore impractical to determine the theoretical impact on the Group's revenue and profit before tax for the period, if the combination had taken place on 1 August 2017.

During the prior period the Group acquired in full the share capital of Falcon CP Pty Limited (subsequently renamed to Southern Cross Cement Pty Limited) for $500,000. On 23 November 2017, Southern Cross Cement Pty Limited was established as a joint venture company, with the Group and two other parties each holding a third of the entity's shares as the joint venture partners. This was achieved by issuing new shares to the joint ventures partners and the Group. As a result of this arrangement, the Group lost control over this entity but continues to exercise significant influence. The assets (including goodwill) and liabilities were derecognised and the remaining investment was recognised as an equity accounted investment at fair value. Refer Note 3.3 for the details on equity accounted investment in Southern Cross Cement Pty Limited as at 31 January 2018.

5. OTHER DISCLOSURES (CONTINUED)

5.2. Commitments and contingencies

(a) Commitments

	31 January 2018 $'000	31 July 2017 $'000
Contracted capital expenditure		
Within one year	9,856	10,178

Contracted capital expenditure relates to contracts to supply or construct buildings or various items of plant and equipment for use in the Building Products operating segment. These have not been provided for at balance date.

(b) Contingencies

	31 January 2018 $'000	31 July 2017 $'000
Bank guarantees issued in the ordinary course of business	29,819	28,184

The Group does not anticipate that any of the bank guarantees issued on its behalf will be called upon.

5.3. Events occurring after balance date

On 20 February 2018 the Group entered into a $100 million Institutional Term Loan Unsecured Syndicated Debt Facility (ITL). The ITL consists of 3 Tranches as follows:

- Facility A - $25 million, fixed interest rate, with a maturity date of 20 February 2028
- Facility B - $35 million, fixed interest rate, with a maturity date of 20 February 2026
- Facility C - $40 million, floating interest rate, with a maturity date of 20 February 2026

The Facility is guaranteed by all members of the cross guarantor group and includes financial covenants consistent with the existing Syndicated Debt Facility. Total available debt across all Facilities now stands at $555 million.

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

5.4 New accounting standards

The Group has adopted all amendments to Australian Accounting Standards which became applicable from 1 August 2017.

New standards not yet applicable:

- **AASB 16 *Leases:*** The standard will be first applicable for the year commencing 1 August 2019. The Group is a lessee under a number of arrangements currently classified as operating leases. These arrangements relate predominantly to major plant and equipment, property and mobile plant. The Group has commenced a review of underlying lease arrangements to understand the implications of the new standard. Based on the current profile of the Group's leases a material increase in total assets, total liabilities and EBITDA is expected following the adoption of the new standard.

5. OTHER DISCLOSURES (CONTINUED)

- **AASB 15 *Revenue from contracts with customers***: The standard will be first applicable for the year commencing 1 August 2018. The Group has commenced a project to understand and evaluate the implications of the new standard for Brickworks. To-date the project team has:

  - identified significant revenue streams across its various business for consideration;
  - identified key revenue contracts for review; and
  - commenced review of these contracts.

  Based on the preliminary assessment, the impact of the new standard is not expected to be material to the Group's revenue. The Group is not in a position to assess the impact of AASB 15 on equity accounted profit from its investments in associates.

- **AASB 9 *Financial instruments***: The standard introduces changes to hedge accounting, classification, measurement of financial and impairment of assets/liabilities. The standard will be first applicable for the year commencing 1 August 2018. The impact of the standard is not expected to be material to the Group.

Directors'

DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 29, 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 2018 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 22 March 2018

R.D. MILLNER	L.R. PARTRIDGE AM
Director	Director

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Independent Auditor's Review Report to the Members of Brickworks Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Brickworks Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 January 2018, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 January 2018 and of its consolidated financial 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*.

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 control as the directors determine is 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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 January 2018 and its consolidated financial 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 the Group, 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*.

Ernst & Young

Ernst & Young

Anthony Jones
Partner
Sydney
22 March 2018