BRICKWORKS LIMITED

21 March 2019

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 2019, 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

738 - 780 Wallgrove Road, Horsley Park NSW 2175

PO Box 6550, Wetherill Park NSW 1851

T +61 (2) 9830 7800

F +61 (2) 9830 1328

info@brickworks.com.au

brickworks.com.au

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

ASX Appendix 4D

Half Year ended 31 January 2019
Results for announcement to the market

	31 January 2019	31 January 2018	% Change
Revenues from continuing operations ($000's)	442,468	377,246	17.3%
Net profit after tax from continuing operations before significant items ($000's)	159,693	116,910	36.6%
Profit from ordinary activities before tax attributable to members ($000's)[1]	184,255	125,982	46.3%
Profit from ordinary activities after tax attributable to members ($000's)[1]	114,565	97,009	18.1%
Net profit for the period attributable to members ($000's)[1]	114,565	97,009	18.1%
Basic earnings per share (cents per share)	76.6	65.0	17.8%
Net tangible assets per share (cents per share)	1,303.6	1,203.2	8.3%
Interim dividend declared – 100% franked (cents per share) (Record date: 9 April 2019)	19.0	18.0	5.6%

[1]Including discontinued operations in both periods

On 23 November 2018 the Group acquired 100% of the shares of Glen-Gery Corporation. Refer note 5.2 of the interim financial report for further details.

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

PROPERTY EARNINGS UNDERPIN RECORD FIRST HALF UNDERLYING NPAT

- **Statutory NPAT** including significant items up 18% to $115 million
- **Underlying NPAT from continuing operations** before significant items up 37% to $160 million
  - **Building Products Australia EBIT** down 35% to $26 million, EBITDA $41 million
  - **Building Products North America EBIT** ($1 million), EBITDA $0.3 million
  - **Property EBIT** up 167% to $132 million, net trust assets up $87 million
  - **Investments EBIT** steady, at $61 million, WHSP market value up $250 million
- **Operating cash flow** down 12% to $65 million
- **Gearing** reduced to a conservative 11%
- **Total shareholders' equity** up $62 million since 31 July 2018, to $2.134 billion
- **Interim dividend** of 19.0 cents per share, up 6%

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 2019

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 2019.

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
- **Deborah R. Page AM** B.Ec; FCA; FAICD
- **The Hon. Robert J. Webster** MAICD; MAIM
- **David N. Gilham** FCILT; FAIM; FAICD (retired 27 November 2018)

HIGHLIGHTS

- Statutory NPAT including significant items up 18% to $115 million
- Underlying NPAT from continuing operations, before significant items up 37% to $160 million
  - Building Products Australia EBIT down 35% to $26 million, EBITDA $41 million
  - Building Products North America EBIT ($1 million), EBITDA $0.3 million
  - Property EBIT up 167% to $132 million, net trust assets up $87 million
  - Investments EBIT steady, at $61 million, WHSP market value up $250 million
- Operating cash flow down 12% to $65 million
- Gearing reduced to a conservative 11%
- Total shareholder's equity up $62 million since 31 July 2018, to $2.134 billion
- Interim dividend of 19 cents per share, up 6%

OVERVIEW

Brickworks Group (ASX: BKW) posted a Statutory Net Profit After Tax (**'NPAT'**) of $115 million for the half year ended 31 January 2019, up 18% on the previous corresponding period. Underlying NPAT from continuing operations was $160 million, up 37% on the prior period.

On sales revenue of $375 million, **Building Products Australia** Earnings Before Interest and Tax from continuing operations ('**EBIT**') was $26 million, down 35% on the previous corresponding period (EBITDA was $41 million). The decline in earnings was primarily due to the impact of increasing energy prices, costs associated with maintenance of brick kilns, and reduced sales volume in New South Wales.

Within **Building Products North America**, the integration of Glen-Gery has proceeded well since the acquisition on 23 November 2018. Sales revenue was $26 million for the period to 31 January 2019, ahead of internal forecasts. Although the EBIT contribution was negative, due to plants being shut down over the winter period, the result was ahead of expectations, as a result of profit generated on the sale of surplus clay material.

Property EBIT was $132 million for the first half, including a significant revaluation profit within the Joint Venture Industrial Property Trust[1] ('Property Trust'), and the completion of the Punchbowl property sale. Brickworks' share of the net asset value within the Property Trust increased by $87 million during the period and now stands at $625 million.

Investments EBIT was steady at $61 million, with WHSP benefitting from strong underlying contributions from New Hope Corporation, TPG Telecom and property transactions during the period.

Statutory Earnings Per Share ('**EPS**') was 77 cents, up 18% on the previous corresponding period. Underlying EPS from continuing operations was 107 cents, up 37%**.**

Directors have declared a fully franked interim **dividend** of 19 cents per share for the half year ended 31 January 2019, up 6% from 18 cents. The record date for the interim dividend will be 9 April 2019, with payment on 30 April 2019.

[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 11% at 31 January 2019, down from 15% at 31 July 2018. Total interest-bearing debt was $330 million at the end of the period, including the USD bridge facility utilised to finance the acquisition of Glen-Gery. A re-financing is planned during the second half, incorporating a new syndicated facility with separate AUD and USD tranches.

After including cash on hand, **net debt** at the end of the period was $242 million, a reduction of $62 million during the half. This follows the sale of 7.9 million WHSP shares in December, at a weighted average price of $26.37 per share, delivering total cash proceeds of $208 million. These proceeds more than offset the total Glen-Gery acquisition costs of $141 million.

Total borrowing costs increased to $11 million, due primarily to non-cash movements in the mark to market valuation of interest rate swaps.

Net working capital was $264 million at 31 January 2019, including **finished goods inventory** of $182 million, up significantly due to the Glen-Gery acquisition ($48 million impact). Excluding the impact of the acquisition, finished goods inventory in continuing operations was up $6 million during the half, due primarily to Austral Bricks Victoria inventory being restored to typical operating levels over the Christmas period.

Total **cash flow from operating activities** was $65 million, down from $74 million in the previous corresponding period, due primarily to the decreased earnings from Building Products Australia.

Capital expenditure was $18 million during the period, with major project spend including a mill upgrade at the Golden Grove brick plant in South Australia, and the progressive replacement of kiln cars at Horsley Park Plant 3 in New South Wales.

Statutory **income tax** from continuing operations was $84 million for the period. The underlying income tax expense from continuing operations was $41 million, up significantly from $22 million in the prior corresponding period. The increase was due primarily to the much higher profit generated from property revaluations in the first half of 2019.

Net tangible assets ('NTA') per share was $13.04 at 31 January 2019, up from $12.42 at 31 July 2018 and total shareholders' equity was up $62 million to $2.134 billion.

Significant items reduced NPAT from continuing operations by $12 million for the period. This comprised:

- A $71 million gain (net of tax) on the sale of 7.9 million WHSP shares, due to the weighted average selling price of $26.37 per share, being significantly above the book value.
- A non-cash goodwill impairment of $52 million in relation to Bristile Roofing and Austral Masonry, reflecting the cashflow forecasts of these businesses, in accordance with AASB 136.
- Transaction costs of $8 million in relation to the Glen-Gery acquisition.
- Restructuring costs of $5 million (net of tax), including redundancies and asset impairments, primarily associated with the mothballing of Horsley Park Plant 2 in New South Wales.
- Costs of $10 million in relation to WHSP significant items.
- A $7 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.

Significant items ($m) – Continuing Operations	Gross	Tax	Net
Gain on sale of WHSP Shares	110	(38)	71
Bristile Roofing and Austral Masonry goodwill impairment	(52)	-	(52)
Acquisition costs	(8)	-	(8)
Restructuring activities	(7)	2	(5)
Significant items relating to WHSP	(10)	-	(10)
Income tax arising from the carrying value of WHSP		(7)	(7)
Total (Continuing Operations)	**31**	**(43)**	**(12)**

Portfolio Mangement

Brickworks is focussed on actively managing its portfolio of assets to maximise returns to shareholders and build asset value over the long term. During the period, the company took a number of significant steps to refocus its portfolio of assets, enhance growth prospects and further strengthen the balance sheet.

As previously noted, in November Brickworks completed the acquisition of Glen Gery, a leading United States based brick manufacturer. This investment represents the company's first major overseas expansion, and is consistent with the Building Products strategy, to deliver growth by investing in affiliated businesses.

Brickworks has a long and proud history as a brick maker, its heritage business. Austral Bricks delivers strong returns on capital across the cycle, having established a competitive advantage within the industry on the back of its scale, unrivalled technical expertise and relationships with key suppliers and partners. Brick operations, through vast associated land holdings, also provide the legacy land assets that have supported the growth of the company's Property business.

Brickworks is now one of the largest brick makers in the world, and the leading manufacturer in Australia. With limited opportunities available in Australia, expansion into new markets overseas represents the only meaningful growth opportunity available within bricks.

The sale of WHSP shares in November and December was the first sale by Brickworks since the initial investment in 1969. In addition to providing funds for the purchase of Glen-Gery, this sale strengthened the balance sheet and partially rebalanced the Group portfolio. As previously noted, Brickworks has no plans to sell any further shares in WHSP at this stage.

A portfolio review within Building Products Australia has also resulted in the reclassification of the hardwood operations of Auswest Timbers as held for sale.

Despite significant restructuring initiatives, Auswest hardwood operations, based in Greenbushes (Western Australia) and East Gippsland (Victoria) have delivered unsatisfactory returns on invested capital. These businesses are faced with a number of structural challenges, and require significant investment in plant and equipment to materially improve performance.

Following the strategic review, Brickworks has determined that further investment in these assets is not justified, given other capital priorities across the Group. Brickworks is now focussed on realising the maximum value possible from these assets, through an orderly exit, including the initiation of a sale process. As a result, these assets have been reclassified as held for sale, and are not reported in underlying continuing operations.

On the reclassification, an after-tax impairment of $30 million to Auswest Timbers hardwood assets was recorded. This comprises an impairment of $15 million to the carrying value of inventory and an impairment of $15 million to buildings, plant and equipment.

The strategic review process re-affirmed that Auswest Timbers' softwood mill in Fyshwick (ACT) remains a core strategic asset for the company. This asset delivers acceptable returns on invested capital, and provides vertical integration, through supply of roof-tile battens to Bristile Roofing (and other customers). The financial performance of the softwood operation is now reported as part of Bristile Roofing, however it continues to operate under separate management, as a stand-alone business unit.

To ensure consistency, first half 2018 financials have been restated on the same basis.

Building Products Australia

Summary of Housing Commencements – 6 Months to December 2018

Estimated Starts[2]	Detached Houses			Other Res			Total		
	Dec 18	Dec 17	Change	Dec 18	Dec 17	Change	Dec 18	Dec 17	Change
New South Wales	15,436	15,885	(3%)	18,367	20,390	(10%)	33,803	36,275	(7%)
Queensland	12,771	13,623	(6%)	9,400	7,592	24%	22,171	21,215	5%
Victoria	18,623	19,487	(4%)	12,451	16,011	(22%)	31,074	35,498	(13%)
Western Australia	6,673	7,300	(9%)	1,933	2,972	(35%)	8,606	10,272	(16%)
South Australia	4,048	4,104	(1%)	1,516	2,384	(36%)	5,564	6,488	(14%)
Tasmania	1,277	993	29%	148	371	(60%)	1,425	1,364	5%
Total Australia[3]	**59,910**	**62,230**	**(4%)**	**47,357**	**52,171**	**(9%)**	**107,267**	**114,401**	**(6%)**

Total dwelling commencements for Australia were down 6% to 107,267 for the six months ended 31 December 2018. Despite the decline, this level of building activity remains elevated compared to historical averages.

The decline in activity was caused primarily by a 9% reduction in other residential commencements, following unprecedented growth in this segment in recent years. Detached housing, where Brickworks products have the greatest exposure, were down a more modest 4%.

Detached housing commencements in **New South Wales** remain relatively strong, albeit down by 3% on the prior corresponding period. However, following a sustained period of high growth, other residential construction is now passed the peak, with a decline of 10% recorded for the six months to 30 December 2018.

Queensland was the only major state to experience an increase in overall activity, with commencements up 5% on the prior corresponding period. Driving growth in this state was other residential activity, up 24%.

In **Victoria**, building activity remains elevated, despite the decrease in total commencements for the 6 months to 31 December 2018. Compared to the prior corresponding period, detached houses were down 4%, and other residential activity declined by 22%.

Weakness in **Western Australia** persisted during the period, with both detached houses and other residential activity continuing to decline. 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.

The value of approvals in the **non-residential** sector in Australia decreased by 15% to $21.946 billion for the six months to 31 December 2018. Within the non-residential sector, **Commercial** building approvals decreased by 15% to $8.298 billion for the period and **Industrial** building approvals decreased 11% to $2.650 billion. The **Educational** sub-sector, an important driver for bricks and masonry demand, was down 15% to $2.475 billion.

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[2] Original data sourced from ABSCat. 8752.0 (Sep 2018 quarter). December 2018 quarter estimate from BIS Shrapnel.
[3] Includes Northern Territory and ACT, not shown separately on table.

Overview of Building Products Australia Result (Continuing Operations)

Half Year Ended January		2019	2018	Change %
Revenue	$mill	**375**	376	-
EBITDA	$mill	**41**	55	(25%)
EBIT	$mill	**26**	41	(35%)
Capital Expenditure	$mill	**18**	26	(31%)
EBITDA margin	%	**11**	14	(21%)
EBIT margin	%	**7**	10	(30%)
Net Tangible Assets	$mil	**689**	665	4%
Return on Net Tangible Assets	%	**8**	12	(33%)
FTE Employees[4] (vs. Jul 18)		**1,471**	1,485	(1%)
Safety (TRIFR)[5] (vs. Jul 18)		**20.6**	20.4	1%
Safety (LTIFR)[6] (vs. Jul 18)		**1.4**	1.7	(18%)

Revenue from continuing operations, for the half year to 31 January 2019, was approximately in line with the prior period, at $375 million. An increase in revenue in Austral Masonry and Austral Precast was offset by lower revenue in Austral Bricks and Bristile Roofing.

EBIT from continuing operations was $26 million, down 35% on the prior corresponding period, and **EBITDA** was $41 million. Margins declined on the prior corresponding period, particularly within Austral Bricks, where price increases were insufficient to recover increasing energy costs. In addition, the opportunity was taken during the period to complete necessary maintenance work on several brick kilns that had been operating continuously for up to 8 years.

Lower sales volume, particularly in New South Wales and Western Australia also impacted earnings within Austral Bricks. During the first 2 months of the financial year, sales volume more broadly was adversely impacted by tightening credit availability that caused widespread project delays in housing construction.

Full-time equivalent **employee** numbers were 1,471 at 31 January 2019, down by 14 compared to 31 July 2018. The decrease was primarily due to the mothballing of Horsley Park Plant 2 in New South Wales, in response to lower production requirements.

There were 2 Lost Time **Injuries** ('LTIs') during the half. This translates to a Lost Time Injury Frequency Rate ('LTIFR') of 1.4, down from 1.7 for the year to July 2018. The Total Reportable Injury Frequency Rate ('TRIFR') remained relatively steady at 20.6.

Divisional Analysis

Austral Bricks earnings decreased by 23% for the six months ended 31 January 2019, with sales revenue down marginally to $208 million.

Sales volume was down around 6%, approximately in line with the overall decline in residential building activity across the country. Volume declines in New South Wales and Western Australia were partially offset by increases in other states. The increase in volume in Victoria was particularly pleasing, given the decline in building activity in that state.

An increase in manufacturing costs, primarily due to higher energy prices and plant maintenance activities, resulted in margins decreasing in all states. The impact of higher energy prices across the east coast, resulted in a $6 million cost increase on the prior corresponding half. This incorporates the impact of a gas price increases of between 29-45%, depending on the state, that took effect on 1 January 2019.

The impact of higher energy costs is being partially mitigated by a sustained investment program, to replace older inefficient kilns, with modern plants. Following significant investments in Victoria, Western Australia and Queensland in recent years, the focus for capital investment has now turned to New South Wales, where there has been limited investment for three decades. A review of the future operational footprint within the Horsley

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

Park precinct has been completed, and plans for a new face brick plant at the current Horsley Park Plant 2 site are being developed.

Bristile Roofing, now including the Fyshwick roof batten mill, delivered higher earnings for the half, despite a 7% decrease in sales revenue to $63 million.

Demand remained resilient in Victoria, with price increases in that state supporting an increase in revenue and earnings. In the other major east coast markets, sales were adversely impacted by reduced detached house construction activity, and margins were impacted by strong competition.

In Western Australia sales revenue was down, however earnings improved due to lower costs, with this state now being serviced by high quality imported terracotta tiles from La Escandella in Spain, supplemented by bought-in concrete roof tiles.

The Fyshwick batten mill delivered higher earnings, on the back of an increase in sales volume and improved unit production costs, due to the mill operating at capacity for the entire period.

Austral Masonry earnings were lower, despite a 6% increase in sales revenue to $55 million for the half. Excluding UrbanStone sales (acquired in November 2017), revenue was down 6%, on a like-for-like basis.

An improved result was delivered in South East Queensland, due to higher other residential activity in that state, and a significant increase in sales of higher margin block, retaining wall and paving products in both the residential and commercial sectors. A full six-month contribution from Urbanstone also boosted the result. However, these gains were more than offset by a decline in earnings in New South Wales, due primarily to the slowdown in apartment construction in Sydney.

In New South Wales, preliminary earthworks are now underway, in preparation for the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East. This plant is scheduled for commissioning in mid-2020.

Austral Precast earnings were in line with the prior corresponding period, with revenue increasing by 14% to $40 million for the half.

In New South Wales, extended delays in the commencement of some major projects resulted in lower sales revenue and earnings. However, demand in this state remains strong, with a balanced pipeline of work in place, including increasing exposure to the infrastructure and industrial sector, offsetting lower sales to multi-residential developments. To meet demand, and improve the efficiency of the automated plant, a second production line to cater for specialised panels is being installed at Wetherill Park, and is expected to be completed in April.

Earnings increased significantly in Queensland, with the Salisbury plant operating at capacity for the entire period, to supply the Clarence Correctional Centre project.

Some major multi-residential projects drove increased revenue in Western Australia, however the short-term outlook is poor in this state due to a limited pipeline of committed work at the end of the half.

Construction of the **Southern Cross Cement** terminal has progressed well during the period. Civil works are scheduled for completion this month, with work on mechanical and electrical installation, and the erection of silos, now underway. Commissioning of the terminal, and the first shipment of cement to shareholders, is expected in early financial year 2020.

Building Products North America

Brickworks completed the acquisition of Glen-Gery on 23 November 2018. Sales revenue for the initial period, to 31 January 2019, was $26 million, ahead of internal forecasts. EBIT, although negative, was also ahead of expectations, due primarily to profits on the sale of surplus clay material from the Capitol site. EBITDA was marginally positive for the period.

Due to harsh winter conditions, the December-February months are characterised by reduced sales volume, and plant shutdowns. During the period, all plants were closed for extended periods.

A differentiated brick business – a north-east, architecturally focussed player

Glen-Gery has a unique market position within the US brick industry, holding a leading position in the north-east, mid-west and mid-atlantic states. This region, incorporates major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

In many cases, building covenants are in place, mandating the use of brick, in order to maintain the heritage of the region. In other cases, Glen-Gery bricks are specified, in the construction of buildings such as schools, hospital and retail outlets.

Glen-Gery's product mix reflects the traditional building styles of this region, with higher margin architectural products into the non-residential, multi-residential and paving segments making up 65% of total Glen-Gery sales. This compares to the wider US brick industry, where sales into these sectors make up around 25% of the total.

Glen-Gery has established a strong reputation within the industry for premium products, and has a plant network that is well equipped to service this market. Across its nine brick plants, it is able to offer a range of specialty moulded, handmade and glazed bricks, in addition to a full range of the more common extruded bricks. It also operates a thin brick production line, a product category that is gaining traction in the US, and offered by Glen-Gery as part of the "Thin Tech" façade system.

Integration progress

Since the acquisition, significant progress has been made to integrate the business, including the relocation of two senior executives from Australia, the implementation of a range of branding and marketing initiatives, and advanced planning for the transition of critical IT infrastructure.

Progress is underway on key strategic initiatives, in support of Glen-Gery's focus on high margin architectural products, including:

- Securing exclusive agreements with Brickworks European partners, for the supply of premium imported products into the United States;
- The development of plans to renovate the existing New York design studio and to establish a new studio in central Philadelphia; and
- As part of the operational improvement plan, the company is investigating a new state of the art plant at the Mid-Atlantic site, in addition to a heavy refit of the existing plant at the same location. This 600-acre site in Pennsylvania is ideally located to service the north-eastern region of the United States. By investing in the country's largest and most efficient single production line, the company will be well placed to service this key region for decades to come.

Property

Overview of Property Result

Half Year ended January ($million)	2019	2018	Change %
Net Trust Income	12	11	9%
Revaluation of properties	67	7	>500%
Development Profit	19	34	(44%)
Property Trust	**99**	**51**	**94%**
Property Sales	35	-	NA
Property Admin and Other	(2)	(2)	-
Total	**132**	**50**	**167%**

Property delivered EBIT of $132 million for the half year ended 31 January 2019, up 167% on the prior corresponding period, due primarily to land sales and increased revaluation profits within the Property Trust.

The settlement of the Punchbowl property sale in August, resulted in a EBIT contribution from **land sales** of $35 million.

The **Property Trust** delivered an EBIT contribution of $99 million, up 94%.

Net trust income was $12 million, an increase of 9% on the prior corresponding period. In addition to rental growth across the portfolio, rental income was received from three new facilities at Oakdale South.

A revaluation profit of $67 million was recorded during the half. This was driven by continued industry-wide capitalisation rate compression for prime industrial property assets. A New South Wales portfolio review was completed in December 2018, resulting in a 50-basis point reduction in capitalisation rates across the portfolio.

A $19 million development profit was also recorded, following the completion of three new assets at Oakdale South.

Property administration **expenses** totalled $2 million, in line with 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 was $1.406 billion, as at 31 January 2019. The entire Property Trust portfolio consists of "A grade" facilities, each less than nine years old, with long lease terms and stable tenants. The annualised gross rent from the Property Trust is $79 million, average capitalisation rates are 5.4% and there are currently no vacancies.

Summary of Leased Property Trust Assets

Estate	Asset Value ($m)	Gross Lettable Area (m²)	Gross Rental ($m p.a.)	WALE[7] (yrs)	Cap. Rate
M7 Hub (NSW)	149	64,180	8	2.8	5.6%
Interlink Park (NSW)	412	192,207	24	4.0	5.6%
Oakdale Central (NSW)	565	245,205	30	5.4	5.3%
Oakdale South (NSW)	102	46,430	5	11.3	5.3%
Rochedale (QLD)	178	95,636	10	12.6	5.8%
Total	**1,406**	**643,658**	**79**	**6.0**	**5.4%**

Including $308 million worth of land to be developed, the total value of assets held within the Property Trust was $1.715 billion at the end of the period. Borrowings of $466 million are held within the Property Trust, giving a total net asset value of $1.249 billion. Brickworks' 50% share of net asset value was $625 million at 31 January 2019, up $87 million (or 16%) over the 6-month period since 31 July 2018. This uplift was due to the revaluation of the New South Wales portfolio, and the completion of three new facilities.

As a result of the increased valuation, gearing on leased assets decreased to a conservative 32% at the end of the period.

The total return on the leased property assets in the Trust, including the revaluation profit, was 22% during the first half of 2019.

[7] Weighted average lease expiry (by income)

$million	Jan 2019	Jul 2018	Change %
Leased properties	1,406	1,168	20%
Land to be developed	308	360	(14%)
Total Property Trust assets	**1,715**	**1,527**	**12%**
Borrowings on leased assets	(456)	(451)	(1%)
Borrowings on developments	(10)	-	-
Net Property Trust assets	**1,249**	**1,076**	**16%**
Brickworks 50% share	**625**	**538**	**16%**
Rental return on leased assets[8]	6%	6%	-
Revaluation return on leased assets[9]	16%	7%	129%
Total return on leased assets	**22%**	**13%**	**69%**
Gearing on leased assets[10]	32%	39%	(18%)

INVESTMENTS

The EBIT from Investments was steady at $61 million in the half year ended 31 January 2019.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

The investment in WHSP returned an underlying contribution of $60 million for the half year ended 31 January 2019, down slightly from $61 million in the previous corresponding period. Strong underlying contributions were delivered by New Hope Corporation, TPG Telecom and property transactions during the period.

Brickworks sold 7.9 million WHSP shares in November and December, at a weighted average price of $26.37 per share, delivering total cash proceeds of $208 million. This transaction enabled Brickworks to take advantage of the increased demand for WHSP shares upon inclusion in the MSCI index, and allowed the company to reduce debt soon after the acquisition of Glen-Gery.

Including dividends received, this parcel of shares has delivered a return of 13.7% compounded annually for 49 years, since the initial purchase in 1969[11].

Brickworks now holds 94.3 million WHSP shares; equivalent to a 39.4% interest in WHSP. This shareholding in WHSP is an important source of earnings and cashflow diversification for the company, and has been a key contributor to Brickworks' success for more than four decades.

The market value of Brickworks shareholding in WHSP was $2.481 billion at 31 January 2019 (39.4%), up $250 million from $2.231 billion at 31 July 2018 (42.7%).

During the period cash dividends of $34 million were received, up 3% on the prior period.

WHSP has delivered outstanding returns over the long term, outperforming the ASX All Ordinaries Accumulation Index by 5.4% p.a. over fifteen years.

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

[8] Based on annualised Net Trust Income of $24m (2 x 1H19), divided by $425m. This represents Brickworks share of leased properties (net of borrowings), less $51 million of newly completed assets that did not contribute any rent during the period
[9] Methodology as above, but assuming annualised revaluation profit of $67 million (in line with 1H19)
[10] Borrowings on leased assets / total leased assets
[11] Total return assumes re-investment of dividends and other special shareholder distributions

OUTLOOK

Building Products Australia

Market fundamentals remain supportive for new housing construction, with employment levels healthy, low interest rates and high immigration levels.

However, the banking royal commission and tighter lending controls imposed by APRA have impacted credit availability, and this has led to financing constraints, causing delays and cancellations of home building contracts. The initial impact of this credit squeeze was felt early in the first half. Since then detached housing activity on the east coast (and Austral Bricks sales volume) has been relatively resilient, due to a strong pipeline of work being in place.

Decreasing consumer confidence due to declining house prices is now exacerbating the impact of the tighter credit controls. Some east coast builders are reporting that new house sales are down 20-40% from their peak, and reports are also emerging of a decrease in land sales to developers. These reports indicate that the existing pipeline of work will be progressively built out. As a result, sales volume is expected to decline in the last quarter of the financial year.

Meanwhile, in the more volatile high-rise apartment segment, approvals on the east coast have been in steep decline for 12 months, and this is now translating into a rapid slowdown in construction activity in that sector.

On the other side of the country in Western Australia, conditions remain very difficult, with building activity at cyclical low levels, and brick volumes and selling prices continuing to fall.

In January 2019, gas price increases of 29-45% took effect in east coast states. This follows increases of 20-65% the previous year. The full impact of energy price increases over 2018 and 2019 will result in additional annual costs of $24 million per annum. Due to the timing of the price increases, this impact is being progressively felt over financial years 2018, 2019 and 2020. The estimated impact in financial year 2019 is a $12 million increase compared to the prior year.

In a declining market, cost increases of this magnitude are beyond the company's ability to recover through price rises, and will therefore have an adverse impact on the full year result.

From 1 January 2020, the company will get some relief, with a new wholesale gas supply arrangement to take effect at lower prices. This will offset some of the energy cost increases currently being incurred.

On the back of the exorbitant energy price increases, caused by a lack of pro-active government policy, any additional imposts placed on business and consumers will threaten the viability of domestic investment. For example, the proposed changes by the federal opposition to industrial relations regulation will reduce workplace flexibility, and changes to tax policy will adversely impact housing construction activity. Ultimately, business investment will be driven offshore.

Building Products North America

Brickworks considers the United States to be an attractive country to invest, with pro-business policies that support investment, efficient building approval processes and well-established transport infrastructure.

The outlook for construction activity in the United States is relatively positive in the short term, with steady growth anticipated in non-residential and residential activity forecast over the coming years[12]. Looking further ahead, the current level of housing starts remains significantly below the historical average, indicating that further growth in building activity is likely over the longer term. Glen-Gery currently has a healthy forward order book, with a particularly large number of school development projects.

With a focus on premium architectural products, Glen-Gery has a broad end-market exposure, including non-residential building, multi-residential and detached housing. Geographically, sales are concentrated primarily in the north-east and mid-west states.

With a strong platform now established following the Glen-Gery acquisition, Brickworks is well placed to pursue growth in the United States, and participate in the ongoing industry consolidation that is underway. Unlike Australia, the United States brick industry is highly fragmented, with significant over-capacity, and consists of numerous players operating at sub-optimal factory utilisation. As a result, Brickworks is actively investigating bolt-on acquisition opportunities in the United States, that will drive cost savings through realisation of operational and administrative synergies. Any additional acquisitions are expected to be funded from existing debt facilities.

Consistent with our strategy, Brickworks will bring a long-term focus to operations in North America, and opportunities will be evaluated with a disciplined and methodical assessment process. It is anticipated that the transition to a highly efficient and fully utilised plant network, incorporating bolt-on acquisitions, plant upgrades and rationalisation of facilities, will take approximately three to five years to complete.

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[12] BIA Annual Report (July 2018) - Industry Insights market forecast.

Property Trust

The outlook for the Property Trust remains 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.

At **Oakdale South**, development of a 33,000m^2 facility for DHL is proceeding well, with completion forecast in September 2019. A pre-commitment for a 31,400m^2 warehouse to Linfox has recently been secured, and construction of this facility will commence soon. An additional 30,000m^2 speculative development will also commence in the current period. The last land sale at Oakdale South, consisting of 51,000m^2 of developable land at the southern end of the Estate, is due to complete in April 2019.

The pre-commitment of the Coles Group to a 66,000m^2 facility at **Oakdale West** provides significant impetus to the development of this Estate. Whilst the agreement is still conditional on several approvals, progress has been made on the development application which is expected to be secured by mid-2019. This will support the Property Trust's construction of a new access road into the Estate by mid-2020. Development will then continue for up to a decade, including delivery of the Coles facility in early 2022.

Plans are now in place for the development of 10 hectares of surplus land at the 88-hectare Plant 3 site, known as **Oakdale East** (subject to approvals). The proposed sale of this land into the Property Trust in late 2019 will facilitate the pre-commitment of Austral Masonry to a long-term lease for its new manufacturing operations at this site, with construction of further warehouse facilities to follow.

At **Rochedale**, the southern section of the Estate is now fully occupied, and activity is focussed on the remaining 6-hectare lot, where over 35,000m^2 of mixed-use buildings will be developed.

Property Sales

Aside from the sale of the 10 hectares at Oakdale East into the Property Trust, there are limited major land sales opportunities for Brickworks in the short term. The company is considering a range of strategies to generate earnings from property sales, and development activities, to supplement the strong earnings outlook of the Property Trust.

Investments

The earnings, dividends and market value of WHSP are expected to grow over the long term, albeit the contribution to Brickworks will be impacted by the reduced shareholding to 39.4% (from 42.7%), following the recent sale of 7.9 million shares.

Rounding of amounts

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

Auditor's independence declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 13 for the half year ended 31 January 2019, and forms part of this report.

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

Dated 21 March 2019

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

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Brickworks Limited

As lead auditor for the review of the half-year financial report of Brickworks Limited for the half-year ended 31 January 2019, 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

Ernst & Young

Anthony Jones
Partner
21 March 2019

CONSOLIDATED INCOME STATEMENT

	Note	31 January 2019 $'000	31 January 2018[1] $'000
Continuing operations			
Revenue	2.2	442,468	377,246
Cost of sales		(288,701)	(249,277)
Gross profit		**153,767**	**127,969**
Other income	2.2	111,638	676
Distribution expenses		(36,066)	(33,547)
Administration expenses		(18,207)	(15,493)
Selling expenses		(42,944)	(39,395)
Impairment of non-current assets		(55,401)	(124)
Business acquisition costs	5.2	(8,576)	(776)
Other expenses		(10,173)	(11,031)
Share of net profits of associates and joint ventures	2.3	148,811	105,852
Profit from continuing operations before finance cost and income tax		**242,849**	**134,131**
Finance costs	2.2	(10,613)	(6,003)
Profit from continuing operations before income tax		**232,236**	**128,128**
Income tax expense from continuing operations	2.4	(84,109)	(29,566)
Profit from continuing operations after tax		**148,127**	**98,562**
Discontinued operations			
Loss from discontinued operations, net of income tax benefit	5.3	(33,562)	(1,553)
Profit for the period		**114,565**	**97,009**
Profit attributable to:			
Shareholders of Brickworks Limited		114,565	97,009
Earnings per share attributable to the shareholders of Brickworks Limited			
Basic (cents per share)		76.6	65.0
Diluted (cents per share)		76.6	65.0
Basic (cents per share) from continuing operations		99.0	66.0
Diluted (cents per share) from continuing operations		99.0	66.0

[1]*The January 2018 comparative numbers of the Group have been restated to present the discontinued operations separately from the continuing operations.*

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 January 2019 $'000	31 January 2018 $'000
Profit after tax	**114,565**	**97,009**
Other comprehensive income, net of tax		
Items that may be subsequently reclassified to Income Statement in subsequent periods		
Net fair value gain on available-for-sale financial assets	-	1,809
Share of (decrements)/ increments in reserves attributable to associates and joint ventures	1,519	109
Foreign currency translation	19	30
Income tax expense relating to these items	(457)	(574)
Net other comprehensive income to be reclassified to Income Statement in subsequent periods	**1,081**	**1,374**
Items not to be subsequently reclassified to Income Statement in subsequent periods		
Net fair value gain on financial assets at fair value through other comprehensive income	984	-
Share of (decrements)/ increments in reserves attributable to associates and joint ventures	(19,056)	-
Income tax benefit relating to these items	5,422	-
Net other comprehensive loss not to be reclassified to Income Statement in subsequent periods	**(12,650)**	**-**
Other comprehensive (loss)/ income, net of tax	**(11,569)**	**1,374**
Total comprehensive income	**102,996**	**98,383**
Total comprehensive income, attributable to:		
Shareholders of Brickworks Limited	102,996	98,383

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

CONSOLIDATED BALANCE SHEET

	Note	31 January 2019 $'000	31 July 2018 $'000
Cash and cash equivalents		87,567	21,167
Receivables		98,646	122,216
Inventories		236,761	207,104
Land held for resale		-	7,383
Derivative financial assets	4.2	5	376
Prepayments		15,501	10,227
Contract assets		13,208	-
Assets held for sale	5.3	30,752	-
Total current assets		**482,440**	**368,473**
Inventories		7,248	7,356
Financial assets at fair value through other comprehensive income	4.2	2,165	1,181
Investments accounted for using the equity method	3.1	1,770,710	1,771,504
Property, plant and equipment		560,151	510,493
Intangible assets		181,145	216,130
Total non-current assets		**2,521,419**	**2,506,664**
TOTAL ASSETS		**3,003,859**	**2,875,137**
Payables		87,299	107,909
Borrowings	4.1	178,866	-
Derivative financial instruments	4.2	322	501
Current income tax liability		60,949	19,577
Contract liabilities		9,005	-
Liabilities held for sale	5.3	5,192	-
Provisions		69,479	49,668
Total current liabilities		**411,112**	**177,655**
Borrowings	4.1	150,383	324,105
Derivative financial instruments	4.2	3,640	1,922
Provisions		11,860	10,494
Deferred income tax liability		293,315	289,883
Total non-current liability		**459,198**	**626,404**
TOTAL LIABILITIES		**870,310**	**804,059**
NET ASSETS		**2,133,549**	**2,071,078**
Issued capital	4.3	345,332	345,873
Reserves	4.4	272,006	309,094
Retained profits		1,516,211	1,416,111
TOTAL EQUITY		**2,133,549**	**2,071,078**

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 2019					
Balance at 1 August 2018		345,873	309,094	1,416,111	2,071,078
Adjustment on the adoption of AASB 15 (net of tax)	5.6	-	-	883	883
Adjustment on the adoption of AASB 9 (net of tax)	5.6	-	(16,113)	16,113	-
Restated balance at 1 August 2018		345,873	292,981	1,433,107	2,071,961
Profit after tax		-	-	114,565	114,565
Total other comprehensive loss, net of tax		-	(11,569)	-	(11,569)
Net dividends paid	2.5	-	-	(43,822)	(43,822)
Issue of shares through employee share plan	4.3	(22)	-	-	(22)
Change in ownership interest in the associate	4.3	-	(12,265)	12,361	96
Purchase of shares through employee share plan	4.3	(590)	-	-	(590)
Shares vested to employees	4.3	71	(71)	-	-
Share based payments expense		-	2,930	-	2,930
Balance at 31 January 2019		**345,332**	**272,006**	**1,516,211**	**2,133,549**
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 transfer 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**

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 2019 $'000	31 January 2018 $'000
Cash flows from operating activities			
Receipts from customers		443,439	457,230
Payments to suppliers and employees		(435,151)	(411,281)
Proceeds from land held for sale		41,000	-
Interest received		360	151
Interest and other finance costs paid		(9,581)	(7,741)
Dividends and distributions received		45,909	43,450
Income tax paid		(21,167)	(7,566)
Net cash from operating activities		**64,809**	**74,243**
Cash flows from investing activities			
Purchases of property, plant and equipment		(17,681)	(25,790)
Proceeds from sale of property, plant and equipment		2,553	934
Purchase of investments in joint ventures		(1,160)	(10,248)
Proceeds from sale or return of investments		208,323	-
Purchase of controlled entities, net of cash acquired	5.2	(141,276)	(13,308)
Net cash provided by / (used in) investing activities		**50,759**	**(48,412)**
Cash flows from financing activities			
Proceeds from borrowings		279,876	112,000
Repayments of borrowings		(275,000)	(89,000)
Dividends paid		(53,918)	(50,799)
Net cash used in financing activities		**(49,042)**	**(27,799)**
Net increase / (decrease) in cash held		**66,526**	**(1,968)**
Effects of exchange rate changes on cash		(126)	**-**
Cash at the beginning of the period		21,167	19,641
Cash at the end of the period		**87,567**	**17,673**

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 2018 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 2018, except for the adoption of new and amended standards set out in note 5.6. New accounting standards. The Group has not early adopted any other standard, interpretation or amendments that has been issued but not yet effective.

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 2018.

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, discontinued operations and assets held for sale).

[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 Australia	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.
Building Products North America	Manufacture of vitrified clay and concrete products used in the building industry. Major product lines include bricks and masonry blocks 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).

31 January 2019

	Building Products Australia $'000	Building Products North America [2] $'000	Property $'000	Investments $'000	Continuing operations $'000	Discontinued operations [3] $'000	Consolidated $'000
REVENUE							
Sale of goods[4]	289,744	26,041	-	-	315,785	16,466	332,251
Revenue from supply and install contracts[5]	84,765	-	-	-	84,765	-	84,765
Sale of land held for resale[4]	-	-	41,000	-	41,000	-	41,000
Interest received	-	-	-	360	360	-	360
Rental revenue	143	104	205	-	452	199	651
Other operating revenue	106	-	-	-	106	-	106
Revenue	**374,758**	**26,145**	**41,205**	**360**	**442,468**	**16,665**	**459,133**
RESULT							
Segment EBITDA	40,884	301	132,349	60,606	234,140	(4,941)	229,199
Depreciation and amortisation	(14,400)	(1,306)	-	-	(15,706)	(749)	(16,455)
Segment EBIT	**26,484**	**(1,005)**	**132,349**	**60,606**	**218,434**	**(5,690)**	**212,744**
Unallocated expenses							
- Significant items					31,378	(42,291)	(10,913)
- Borrowing costs					(10,613)	-	(10,613)
- Other unallocated expenses					(6,963)	-	(6,963)
Profit/ (loss) before income tax					**232,236**	**(47,981)**	**184,255**
Income tax (expense)/benefit[1]					(84,109)	14,419	(69,690)
Profit/ (loss) after income tax					**148,127**	**(33,562)**	**114,565**

[1] Included in the income tax expense is tax expense related to significant items amounting to $30,257,000.
[2] Reflects results in the post-acquisition period commencing 23 November 2018. Refer to Business combinations – Note 5.2. (a).
[3] Refer to Discontinued operations and Assets held for sale – Note 5.3.
[4] Recognised at a point in time.
[5] Recognised over time.

2. FINANCIAL PERFORMANCE (CONTINUED)

31 January 2018

	Building Products Australia $'000	Building Products North America [2] $'000	Property $'000	Investments $'000	Continuing operations $'000	Discontinued operations [3] $'000	Consolidated $'000
REVENUE							
Sale of goods[9]	291,803	-	-	-	291,803	17,087	308,890
Revenue from supply and install contracts[10]	84,352	-	-	-	84,352	-	84,352
Interest received	-	-	-	151	151	-	151
Rental revenue	272	-	357	-	629	199	828
Other operating revenue	311	-	-	-	311	9	320
Revenue	**376,738**	**-**	**357**	**151**	**377,246**	**17,295**	**394,541**
RESULT							
Segment EBITDA	54,724	-	49,508	60,909	165,141	(1,152)	163,989
Depreciation and amortisation	(13,688)	-	-	-	(13,688)	(593)	(14,281)
Segment EBIT	**41,036**	**-**	**49,508**	**60,909**	**151,453**	**(1,745)**	**149,708**
Unallocated expenses							
- Significant items					(10,398)	(401)	(10,799)
- Borrowing costs					(6,003)	-	(6,003)
- Other unallocated expenses					(6,924)	-	(6,924)
Profit/ (loss) before income tax					**128,128**	**(2,146)**	**125,982**
Income tax expense/(benefit)[1]					(29,566)	593	(28,973)
Profit/ (loss) after income tax					**98,562**	**(1,553)**	**97,009**

Significant items

	Note	31 January 2019 $'000	31 January 2018 $'000
Gain on sale of 7.9 million WHSP shares[4]		109,509	-
Impairment of goodwill[5]	5.1	(52,017)	-
Acquisition costs[7]	5.2	(8,576)	(776)
Restructuring activities[6]		(7,058)	(1,587)
Cost on commissioning of manufacturing facilities[6]		-	(1,686)
Significant items from continuing operations before income tax (excluding associates)		**41,858**	**(4,049)**
Income tax expense related to sale of WHSP shares		(38,082)	-
Income tax benefit / (expense) on other significant items (excluding associates)		2,198	1,214
Significant items from continuing operations after income tax (excluding associates)		**5,974**	**(2,835)**
Significant one-off transactions of associate[8]		(10,480)	(6,348)
Income tax benefit/ (expense) arising from the carrying value of the investment in the associates (WHSP)		(7,060)	(9,165)
Significant items after income tax (associates)		**(17,540)**	**(15,513)**
Significant items from continuing operations after income tax (including associates)		**(11,566)**	**(18,348)**
Impairment loss recognised on the measurement to fair value less costs to sell[11]	5.3	(42,174)	-
Other significant items		(117)	(401)
Significant items from discontinued operations before income tax		**(42,291)**	**(401)**
Income tax benefit		12,687	120
Significant items from discontinued operations after income tax		**(29,604)**	**(281)**

[1] Included in the income tax expense is tax expense related to significant items amounting to $7,830,000.
[2] Reflects results in the post-acquisition period commencing 23 November 2018. Refer to Business combinations – Note 5.2. (a).
[3] Refer to Discontinued operations and Assets held for sale – Note 5.3.
[4] Disclosed in 'Other income' line on the Income Statement.
[5] Disclosed in 'Impairment of non-current assets' line on the Income Statement.
[6] Disclosed in 'Other expenses' line on the Income Statement.
[7] Disclosed in 'Business acquisition costs' line on the Income Statement.
[8] Disclosed in 'Share of net profits of associates and joint ventures' line on the Income Statement.
[9] Recognised at a point in time.
[10] Recognised over time.
[11] Disclosed in the 'Losses from discontinued operations'.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 Revenues and expenses

	31 January 2019 $'000	31 January 2018 $'000
REVENUE		
Revenue from contracts with customers		
Sale of goods[1]	315,785	291,803
Revenue from supply and install contracts[2]	84,765	84,352
Sale of land held for resale[1]	41,000	-
	441,550	**376,155**
Other operating revenue		
Interest received – other corporations	360	151
Rental revenue	452	629
Other	106	311
Total operating revenue from continuing operations	**442,468**	**377,246**
OTHER INCOME		
Gain on sale of 7.9 million WHSP shares	109,509	-
Net gain on disposal of property, plant and equipment	2,106	-
Proceeds from insurance	-	495
Other items	23	181
Total other income from continuing operations	**111,638**	**676**
FINANCE COSTS		
Interest and finance charges paid/payable	8,914	7,130
Net fair value change on interest rate swaps	1,699	(1,127)
Total finance costs from continuing operations	**10,613**	**6,003**

2.3 Share of net profits of associates and joint ventures

		31 January 2019 $'000	31 January 2018 $'000
Share of net of profits of associates	3.2	49,766	54,410
Share of net profits of joint ventures	3.3	99,045	51,442
		148,811	**105,852**

[1] Recognised at a point in time.
[2] Recognised over time.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.4 Income tax expense

		31 January 2019 $'000	31 January 2018 $'000
Profit from continuing operations before income tax		232,236	128,128
Loss from discontinued operations before income tax benefit	5.3	(47,981)	(2,146)
Profit before income tax for the period		**184,255**	**125,982**
Prima facie tax expense calculated at 30%		55,277	37,795
(Decrease) / increase in income tax expense due to:			
Franked dividend income		(10,124)	(9,817)
Goodwill impairment losses		15,605	-
Share of net profits of associates		2,253	2,658
Sale of 7.9 million WHSP shares		5,376	-
Business acquisition costs		2,336	47
Other non-allowable items		1,422	986
Research and development tax incentive		(2,221)	(2,303)
Overprovided in prior years		(159)	(392)
Utilisation of carried forward capital losses		(75)	(1)
Income tax expense attributable to profit		**69,690**	**28,973**
Current tax expense		61,106	16,472
Deferred tax expense relating to movements in deferred tax balances		8,818	12,894
Overprovided in prior years		(159)	(392)
Utilisation of carried forward capital losses		(75)	(1)
Total income tax expense on profit		**69,690**	**28,973**
Income tax expense / (benefit) attributable to:			
Profit from continuing operations		84,109	29,566
(Loss) from discontinued operations	5.3	(14,419)	(593)
Income tax expense attributable to profit		**69,690**	**28,973**

2.5 Dividends and franking credits

	31 January 2019 $'000	31 January 2018 $'000
2018 Final ordinary dividend – 36.0 cents per share paid on 28/11/2018 (PY: 34.0 cents paid on 29/11/2017)	53,918	50,799
Group's share of dividend received by associated company	(10,096)	(9,535)
	43,822	**41,264**
2019 Proposed interim ordinary dividend 19.0 cents per share not recognised as a liability (PY: 18.0 cents paid 1/5/2018)	28,457	26,894

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 2019 $'000	31 July 2018 $'000
Associated companies	3.2	1,182,164	1,270,049
Joint ventures	3.3	588,546	501,455
Total investments accounted for using the equity method		**1,770,710**	**1,771,504**

3.2. Associated company

	Group's interest		Contribution to Group profit before tax		Carrying value		Market value of shares	
	31 Jan 2019 %	31 Jul 2018 %	31 Jan 2019 $'000	31 Jan 2018 $'000	31 Jan 2019 $'000	31 Jul 2018 $'000	31 Jan 2019 $'000	31 Jul 2018 $'000
Washington H. Soul Pattinson and Company Limited	39.40	42.72	49,766	54,410	1,182,164	1,270,049	2,481,424	2,231,266

In addition to the Group owning 39.40% (2018: 42.72%) of issued ordinary shares of WHSP, at 31 January 2019 WHSP owned 43.83% (2018: 43.94%) of issued ordinary shares of Brickworks Limited.

During the period ended 31 January 2019, the Group sold 7.9 million WHSP shares, representing 7.77% of its holding in this entity. The gain on sale (before income tax expense) amounted to $109,509,000 (Refer to Significant items – Note 2.1). Following the sale, the Group holds 94.3 million WHSP shares representing a 39.40% interest and continues to account for this investment using the equity method.

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 2019 %	31 Jul 2018 %	31 Jan 2019 $'000	31 Jan 2018 $'000	31 Jan 2019 $'000	31 Jul 2018 $'000	
Domiciled in Australia							
BGAI CDC Trust	50.00	50.00	-	-	272	277	Property development, management and leasing
BGAI Erskine Trust	50.00	50.00	18,115	5,934	126,805	113,473	As above
BGAI Capicure Trust	50.00	50.00	1,418	321	12,374	11,281	As above
BGAI Heritage Trust	50.00	50.00	7,987	1,007	40,522	33,704	As above
BGAI Oakdale Trust	50.00	50.00	46,557	20,771	187,956	146,488	As above
BGAI Oakdale South Trust	50.00	50.00	19,681	-	71,667	52,167	As above
BMGW Rochedale Trust	50.00	50.00	5,443	10,824	64,825	60,784	As above
BMGW Oakdale West Trust	50.00	50.00	-	-	67,484	67,483	As above
Gain recognised on recognition as investment property			-	12,382	-	-	
Property trusts			**99,201**	**51,239**	**571,905**	**485,657**	
Southern Cross Cement	33.33	33.33	4	-	10,065	9,061	Import of cement
Domiciled in New Zealand							
NZ Brick Distributors	50.00	50.00	(160)	203	6,576	6,737	Import and distribution of building products
Total			**99,045**	**51,442**	**588,546**	**501,455**	

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

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

	31 January 2019 $'000	31 January 2018 $'000
Share of fair value adjustment of properties held by joint venture	86,716	28,202
Share of joint venture property rental profits	12,485	10,655
Gain recognised on recognition as investment property	-	12,382
Total equity accounted profit from Property Trusts	**99,201**	**51,239**

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 2019 $'000	31 July 2018 $'000
Current		
Interest-bearing loans	178,866	-
Unamortised borrowing costs	-	-
	178,866	**-**
Non-current		
Interest-bearing loans	151,000	325,000
Unamortised borrowing costs	(617)	(895)
	150,383	**324,105**

An unsecured $355 million variable interest rate syndicated loan facility was established in December 2016. As at 31 January 2019 the facility was drawn to $36.0 million (2018: $208.0 million).

In December 2018, the Group extended its working capital facility of $100.0 million until December 2020. At 31 January 2019 the facility was drawn to $15.0 million (2018: $17.0 million).

In February 2018 the Group entered into a $100 million syndicated Institutional Term Facility (ITL). The ITL facility was fully drawn as at 31 January 2019 and consists of 3 Tranches as follows:

- Facility A - $25.0 million, fixed interest rate
- Facility B – $35.0 million, fixed interest rate
- Facility C - $40.0 million, floating interest rate.

The ITL facility is guaranteed by all members of the cross-guarantor group and includes financial covenants consistent with the existing Syndicated Debt Facility.

In November 2018 the Group entered into a USD $150 million Bridge Facility (floating interest rate) for a 12-month period to fund the acquisition of Glen-Gery Corporation (Refer to Business combination - Note 5.2 (a)). At 31 January 2019 the Bridge Facility was drawn to USD $130.0 million (AUD $178.9 million). As at 31 January 2019 the amount drawn under this facility has been classified as current.

The Group designated the Bridge Facility as a hedging instrument to hedge the currency risk associated with translation of the Group's net investment in the newly acquired US operations into the Group's functional currency (AUD).

Exchange differences arising on the consolidation of these net assets are deferred in equity until the foreign operation is disposed of or liquidated. They are recognised in the consolidated income statement, on disposal or liquidation, as part of the gain or loss on disposal. The foreign currency gains or losses on the hedging instrument are deferred in other comprehensive income, to the extent that the hedge is effective, until the subsidiary is disposed of or liquidated, when they become part of the gain or loss on disposal.

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).

4. CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

(a) Financial assets at fair value through other comprehensive income

The Group's financial assets at fair value through other comprehensive income 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 2019 $'000	31 Jul 2018 $'000
Trading equities - Listed	2,165	1,181
Total	**2,165**	**1,181**

(b) Derivative financial instruments

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 2.94% (2018: 3.06%). 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.

The fair value of interest rate swaps is outlined below.

	Notional Principal Amount		Average Interest Rate		Fair value liability/ (asset)	
	31 Jan 2019 $'000	31 Jul 2018 $'000	31 Jan 2019 %	31 Jul 2018 %	31 Jan 2019 $'000	31 Jul 2018 $'000
Less than 1 year	50,000	75,000	3.29	3.49	322	501
1 to 3 years	50,000	125,000	2.97	2.89	705	1,491
3 to 5 years	100,000	50,000	2.76	2.86	2,935	431
Total	**200,000**	**250,000**			**3,962**	**2,423**

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.

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 2019 $'000	31 Jul 2018 $'000
USD forward contracts	61	378
EUR forward contracts	(56)	(2)
Net derivative asset	**5**	**376**
Less than 1 year	5	376

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. CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

4.3. Contributed equity

	31 January 2019 Number of shares	31 January 2018 Number of shares	31 January 2019 $'000	31 January 2018 $'000
Contributed equity				
Ordinary shares, fully paid	149,771,794	149,408,331	363,515	357,387
Treasury shares	(1,227,130)	(1,192,472)	(18,183)	(16,640)
			345,332	**340,747**
Movement in ordinary issued capital				
Opening balance 1 August	149,408,331	149,105,838	357,387	353,234
Issue of shares through employee share plan	363,463	302,493	6,150	4,170
Share issue costs			(22)	(17)
Closing balance	**149,771,794**	**149,408,331**	**363,515**	**357,387**
Movement in treasury shares				
Opening balance 1 August	(838,147)	(869,044)	(11,514)	(12,420)
Issue of shares through employee share plan	(363,463)	(302,493)	(6,150)	(4,170)
Purchase of shares through employee share plan	(34,867)	(40,798)	(590)	(562)
Shares allocated as part of Dividend Election Plan	-	-	-	-
Shares vested to employees	9,347	19,863	71	512
Closing balance	**(1,227,130)**	**(1,192,472)**	**(18,183)**	**(16,640)**

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 2018	88,102	36,125	(1,463)	5,537	1,181	198,391	(18,779)	309,094
Adjustment on the adoption of AASB 9 (net of tax)	-	-	-	-	-	(23,019)	6,906	(16,113)
Restated balance at 1 August 2018	88,102	36,125	(1,463)	5,537	1,181	175,372	(11,873)	292,981
Other comprehensive loss for the year	-	-	19	-	984	(17,537)	4,965	(11,569)
Change in ownership interest in the associate	-	-	-	-	-	(13,328)	1,063	(12,265)
Shares vested to employees	-	-	-	(71)	-	-	-	(71)
Share based payments expense	-	-	-	2,930	-	-	-	2,930
Balance at 31 January 2019	**88,102**	**36,125**	**(1,444)**	**8,396**	**2,165**	**144,507**	**(5,845)**	**272,006**
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**

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, discontinued operations and assets held for sale).

5.1. Intangible assets

Impairment assessment

In the current period market conditions in the Australian building sector have deteriorated compared to 31 July 2018. Furthermore, the recent acquisition of Glen-Gery Corporation in North America has led to a reassessment of the Group's capital allocation priorities.

Based on management's assessment these circumstances are considered to represent indicators of impairment in respect of the Austral Masonry and Bristile Roofing CGU's.

Based on a goodwill impairment assessment at 31 January 2019, the Group recognised an impairment loss of $52,017,000 which represents the carrying value of goodwill for those CGUs. The impairment charge is recorded within 'Impairment of non-current assets' in the consolidated income statement.

(iii) Key assumptions

Calculation method	The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost to sell. VIU calculations use cash flows projections, inclusive of working capital movements, and are based on financial projections approved by the Board covering 4.5 years. Estimates beyond this period are calculated with a growth rate that reflects the long-term growth rate.
Sales volumes	Sales volumes are management forecasts reflecting independent external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates. A major driver of sales volumes is the level of activity in the relevant segment in the building sector. Management has assessed the reported forecast housing construction activity data from sources such as BIS Shrapnel and Housing Industry Association (HIA) over the budget period.
Sales prices	Management expects to obtain price growth over the forecast period. This assumption takes into account the deterioration of market conditions compared to 31 July 2018. The assumed increases differ by CGU and between different states where the CGU operates.
Costs	Costs are calculated taking into account historical gross margins, known cost increases, and estimated inflation rates over the period that are consistent with the locations in which the CGUs operate.
Terminal value earnings	Terminal value earnings are based on average historical earnings (5-7 years) moderated to reflect structural changes to the market in which the CGU operates.
Long-term growth rates	Long-term growth rates used in cash flow valuation reflect 2.5% (2018: 2.5%).
Discount rate	Management uses an independent external advisor to calculate the appropriate discount rate applied consistently across all CGUs. For 2019, the pre-tax discount rate was 12.64% (2018: 12.13%).

(iii) Sensitivity to changes in assumptions

For the Bristile Roofing and Austral Masonry units, the estimated recoverable amount is equal to its carrying value. Consequently, any adverse change in a key assumption could result in further impairment losses. The key assumptions for the recoverable amount are discussed above.

5. OTHER DISCLOSURES (CONTINUED)

5.2. Business combinations

(a) Acquisition of Glen-Gery Corporation

During the period ended 31 January 2019 the Group acquired Glen-Gery Corporation, the fourth-largest brick manufacturer in the United States. Glen-Gery has leading positions in the Midwest, Northeast and Mid-Atlantic states.

The purchase consideration was fully paid in cash and has been provisionally allocated as follows. As part of the process of finalising the purchase price allocation, management has engaged valuation specialists to assist with valuation of property, plant and equipment, intangible assets and pension plan liabilities.

Business acquired	**Glen-Gery**
Date acquired	23 November 2018
Consideration	
Cash paid ($'000)	143,863
Less post-closing adjustment receivable from vendor	(3,073)
Total consideration ($'000)	**140,790**
Assets acquired	
Cash ($'000)	2,587
Receivables ($'000)	21,743
Inventory ($'000)	65,391
Prepayments ($'000)	1,433
Other assets ($'000)	166
Property, plant and equipment ($'000)	74,726
Deferred tax assets ($'000)	3,068
Liabilities assumed	
Provisions (includes pension plan) ($'000)	(30,150)
Payables ($'000)	(15,280)
Fair value of net assets ($'000)	**123,684**
Goodwill arising on acquisition ($'000)	**17,106**
Direct costs relating to acquisition ($'000)	8,576

Acquisition costs of $8,576,000 were expensed and are included in Business acquisition costs.

Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,587
Cash paid in the period	(143,863)
Net cash flow on acquisition	(141,276)

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

		Goodwill $'000
Cost		298,865
Accumulated impairment losses		(129,759)
Net carrying amount 31 January 2019		**169,106**
Cost at 1 August 2018		281,801
Acquisition of Glen-Gery		17,106
Exchanges differences on translation		(42)
Cost amount 31 January 2019		**298,865**
Accumulated impairment losses at 1 August 2018		(77,742)
Impairment losses recognised during the period	5.1	(52,017)
Accumulated impairment losses amount 31 January 2019		**(129,759)**

5. OTHER DISCLOSURES (CONTINUED)

(b) Information on prior year acquisition

On 22 November 2017, 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. There have been no adjustments to the provisional allocation disclosed in the annual consolidated financial statements for the year ended 31 July 2018.

5.3. Discontinued operations and Assets held for sale

In January 2019, following a strategic review, the Group decided to exit the Auswest Timbers hardwood operations and initiated an active program to locate a buyer for its Auswest Timbers division.

As a result, as at 31 January 2019 the assets and liabilities associated with the hardwood operations of Auswest Timbers have been classified as held for sale. Their results for the period ended 31 January 2019 have been presented as discontinued operations (net of tax) including a restatement to comparative period.

	31 January 2019 $'000	31 January 2018 $'000
Results of discontinued operations		
Revenue	16,665	17,295
Expenses	(22,472)	(19,441)
Operating loss	**(5,807)**	**(2,146)**
Impairment loss recognised on the measurement to fair value less costs to sell	(42,174)	-
Finance costs	-	-
Loss before tax	**(47,981)**	**(2,146)**
Income tax benefit	14,419	593
Loss after tax	**(33,562)**	**(1,553)**
Income tax benefit related to operating loss	1,767	593
Income tax benefit on loss recognised on the measurement to fair value less costs to sell	12,652	-
Income tax benefit	**14,419**	**593**
Cash flows from discontinued operations		
Net cash used in operating activities	(2,556)	1,384
Net cash used in investing activities	(655)	(3,157)
Net cash from financing activities	-	-
Net cash outflow	(3,211)	(1,773)
Basic (cents per share) from discontinued operations	(22.4)	(1.0)
Diluted (cents per share) from discontinued operations	(22.4)	(1.0)

	31 January 2019 $'000
Assets and liabilities classified as held for sale	
Receivables	5,006
Inventories	21,179
Property, plant and equipment	530
Current tax assets	1,981
Deferred tax assets	2,056
Assets classified as held for sale	**30,752**
Payables	(1,571)
Provisions	(2,786)
Other liabilities	(835)
Liabilities held for sale	**(5,192)**
Net assets	**25,560**

During the period, an impairment charge before tax of $42,174,000 was recognised against the Auswest Timbers' inventory ($21,147,000) and property, plant and equipment ($21,027,000). This was to reflect the losses on measurement of assets held for sale at the lower of cost and fair value less cost to sale.

The fair value of the Assets held for sale was calculated based on valuation techniques that include inputs that are not based on observable market data. These are categorised as "Level 3" in the fair value hierarchy.

5. OTHER DISCLOSURES (CONTINUED)

Recognition and measurement

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and sales is considered highly probable. They are measured at the lower of the their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from the employee benefits and financial assets.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in the excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition. Non-current assets classified as held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is component of the entity that has been disposed of or is classified as held for sale and that represents a cash-generating unit or a group of cash-generating units and is part of a single co-ordinated plan to dispose of such line of business or area of operations. The results of discontinued operations are presented separately in the consolidated income statement.

5.4. Commitments and contingencies

(a) Commitments

	31 January 2019 $'000	31 July 2018 $'000
Contracted capital expenditure		
Within one year	4,437	7,167

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 2019 $'000	31 July 2018 $'000
Bank guarantees issued in the ordinary course of business	37,558	34,874

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

5.5. Events occurring after balance date

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

5.6. New accounting standards

(a) New standards, interpretations and amendments adopted by the Group

The Group has adopted all amendments to Australian Accounting Standards which became applicable from 1 August 2018.

- **AASB 15 *Revenue from Contracts with Customers***

AASB 15 replaced AASB 118 *Revenue* and AASB 111 *Construction Contracts*. AASB 15 establishes a principle-based approach for goods, services, and construction contracts, which requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to those obligations.

5. OTHER DISCLOSURES (CONTINUED)

(i) Impact on the financial statements

The Group adopted AASB 15 during the current period, using the modified retrospective approach, which requires a cumulative catch-up adjustment to retained earnings and no restatement of comparative amounts. The Group performed a detailed assessment of the impact of AASB 15 in accordance with the five-step model. The timing and amount of revenue recognised was consistent with existing accounting standards as majority of the transactions are for sales of goods, where limited judgement is required in assessing when the performance obligation is satisfied and transfer of control occurs. Accordingly, no adjustment to retained earnings has been made.

The following table shows the adjustment recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

	31 July 2018 as originally presented $'000	Effects of the adoption of AASB 15 $'000	1 August 2018 restated $'000
Current assets			
Receivables	122,216	(18,254)	103,962
Contract assets	-	16,025	16,025
Current liabilities			
Payables	(107,909)	11,361	(96,548)
Provisions	(49,668)	1,101	(48,567)
Contract liabilities	-	(10,233)	(10,233)

Presentation of assets and liabilities related to contracts with customers
The Group has changed the presentation of certain amounts in the consolidated balance sheet to reflect the terminology of AASB 15:

- Contract liabilities in relation to Customer incentive programs of $1,990,000 were previously presented as part of payables.
- Contract assets recognised in relation to costs to fulfil supply and install contracts such as work in progress inventory and labour costs of $16,025,000 were previously presented as part of receivables.
- Contract liabilities in relation to advances received from customers (supply and install contracts) of $8,243,000 were previously presented as part of payables ($9,371,000), provisions ($1,101,000) or as a reduction of receivables ($2,229,000).

(ii) Building Products

Sale of goods
The Group's contracts for the sale of goods and associated freight generally include one performance obligation. The Group has concluded that revenue should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of AASB 15 did not result in an impact on the timing of recognition.

Revenue from supply and install contracts
Performance obligations arising from supply and install contracts have been assessed to be satisfied over time. On that basis, the Group continues to recognise revenue from these contracts over time.

Variable consideration
The Group continues to recognise revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Under AASB 15, trade discounts and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Some contracts with customers offer variable consideration such as trade discounts and volume rebates. The Group's assessment did not identify any material impact on the recognition of such arrangements on adoption of AASB 15.

Warranties
Warranties currently offered by the Group will continue to be accounted for under AASB 137 *Provisions, Contingent liabilities and Contingent Assets*.

5. OTHER DISCLOSURES (CONTINUED)

(iii) Property

The revenue from leases is specifically excluded from the scope of the new revenue standard.

(iii) Investment

The share of profit or loss from its associate and joint ventures are scoped out from the new revenue standard.

In the current period the Group recognised its share of the impact on the initial adoption of AASB 15 by its associate (WHSP). The amount of $883,000 (net of tax) has been reflected in the statement of changes in equity as an adjustment to the opening balance of retained earnings.

(iii) Presentation and disclosure requirements

As required for the half-year financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 2.2. Revenue and expenses for the disclosure on disaggregated revenue.

- **AASB 9 *Financial instruments***

(i) Impact on the financial statements

The Group adopted the standard using the modified retrospective approach which means that the cumulative impact of adoption has been recognised in retained earnings as of 1 August 2018 and that comparatives have not been restated. AASB 9 replaces the classification and measurement model in AASB 139 Financial instruments: Recognition and Measurement with a new model that classifies financial instruments based on the business model within which the financial instruments are managed, whether the contractual cash flows under the instrument solely represent the payment of principal and interest.

Receivables
The receivables are measured at amortised cost. The new guidance under AASB 9 has not resulted in any significant changes to the classification and measurement of its financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9.

Financial assets at fair value through other comprehensive income (previously "available-for-sale financial assets")
The change in classification from available-for-sale to financial assets at fair value through other comprehensive income did not have a significant impact, as the fair value movements continue to be recognised within the other comprehensive income. However, the accounting at derecognition has changed, where all increments and decrements are no longer recycled to the profit or loss, and instead, are recognised within the other comprehensive income.

Financial liabilities
The accounting for the Group's financial liabilities under AASB 9 remains largely the same as it was under AASB 139.

Hedging accounting
AASB 9 introduces changes to hedge effectiveness and eligibility requirement to align more closely with an entity's risk management framework. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's current relationships qualify as continuing hedges upon adoption of AASB 9. Management has therefore assessed there is no material impact on hedged amounts reported with the adoption of AASB 9.

Impairment model – Receivables
An assessment was performed on the impact of the expected credit loss impairment model. Based on the assessment, the Group concluded that the impact on transition was not material. Accordingly, no adjustment to retained earnings has been made.

5. OTHER DISCLOSURES (CONTINUED)

Associates
In the current period the Group recognised the impact on the initial adoption of AASB 9 by its associate (WHSP). The amount of $16,113,000 (net of tax) has been reflected in the statement of changes in equity as an adjustment to the opening balance of retained earnings and reserves. This amount relates primarily to long-term equity classified as Fair Value Through Other Comprehensive Income (FVTOCI) that have been previously impaired through profit or loss under AASB 139.

(i) Changes in accounting policies

Impairment - Trade receivables
The Group applies the simplified approach to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(b) New standard 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 is substantially progressed with the 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.

Directors'

DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 14 to 35, 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 2019 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 21 March 2019

R.D. MILLNER
Director

L.R. PARTRIDGE AM
Director

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2019, 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 2019 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 2019 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
21 March 2019