BRICKWORKS
LIMITED

26 March 2020

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 2020, incorporating the interim financial report for that period, for immediate release to the market.

This announcement has been authorised for release by the Brickworks Board of Directors.

Yours faithfully

BRICKWORKS LIMITED

S Leppinus

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 2020
Results for announcement to the market

	31 January 2020	31 January 2019	% Change
Revenues from continuing operations ($000's)	448,622	442,468	1.39
Net profit after tax from continuing operations before significant items ($000's)	100,293	159,693	(37.20)
Profit from ordinary activities before tax attributable to members ($000's)[1]	68,169	184,255	(63.00)
Profit from ordinary activities after tax attributable to members ($000's)[1]	58,165	114,565	(49.23)
Net profit for the period attributable to members ($000's)[1]	58,165	114,565	(49.23)
Basic earnings per share (cents per share)	38.8	76.6	(49.33)
Net tangible assets per share (cents per share)[2]	1,262.26	1,294.77	(2.51)
Interim dividend declared – 100% franked (cents per share) (Record date: 14 April 2020)	20.0	19.0	5.26

[1]Including discontinued operations in both periods
[2]Following the adoption of AASB 16 Leases on 1 August 2019, the net tangible assets calculation excludes right-of-use assets. Lease liabilities are included and reduce the net tangible assets amount per share.

On 27 August 2019 the Group acquired 100% of the shares of Sioux City Brick & Tiles Company. Refer note 5.1 of the interim financial report for further details.

On 23 October 2019 the Group sold 100% of the shares of Auswest Timbers Pty Ltd. 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.

DIVERSIFIED PORTFOLIO & BALANCE SHEET STRENGTH UNDERPINS DIVIDEND, UP 5%

- **Statutory NPAT** including significant items down 49% to $58 million
- **Underlying NPAT** from continuing operations, before significant items down 37% to $100 million
  - **Building Products Australia EBIT** down 62% to $10 million, EBITDA $39 million
  - **Building Products North America EBIT** $6 million, EBITDA $13 million
  - **Property EBIT** down 33% to $89 million, net trust assets up $77 million
  - **Investments EBIT** down 36% to $39 million, WHSP market value $2.032 billion
- **Operating cash flow** -$18 million, impacted by tax payment on WHSP share sale in the prior period
- **Gearing increased** to 21% following US acquisitions
- **Total shareholder's equity** up $17 million since 31 July 2019, to $2.184 billion
- **Interim dividend** of 20 cents per share, up 5%
- Emergence of the COVID-19 pandemic in March has impacted some operations, and has created an uncertain outlook.

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 2020

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 2020.

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
- **Malcolm P. Bundey** B.Bus Accounting, GAICD (from 1 October 2019)
- **Robyn N. Stubbs** B.Bus M.Sc., GAICD (from 1 January 2020)

HIGHLIGHTS

- **Statutory NPAT** including significant items down 49% to $58 million
- **Underlying NPAT from continuing operations**, before significant items down 37% to $100 million
  - Building Products Australia EBIT down 62% to $10 million, EBITDA $39 million
  - Building Products North America EBIT $6 million, EBITDA $13 million
  - Property EBIT down 33% to $89 million, net trust assets up $77 million
  - Investments EBIT down 36% to $39 million, WHSP market value $2.032 billion
- **Operating cash flow** -$18 million, impacted by tax payment on WHSP share sale in prior period
- **Gearing** increased to 21% following US acquisitions
- **Total shareholder's equity** up $17 million since 31 July 2019, to $2.184 billion
- **Interim dividend** of 20 cents per share,up 5%
- Emergence of the COVID-19 pandemic in March has impacted some operations, and has created an uncertain outlook.

OVERVIEW

Brickworks Group (ASX: BKW) posted a Statutory Net Profit After Tax (**'NPAT'**) of $58 million for the half year ended 31 January 2020, down 49% on the previous corresponding period. Underlying NPAT from continuing operations was $100 million, down 37% on the prior period.

On sales revenue of $338 million, **Building Products Australia** Earnings Before Interest and Tax from continuing operations ('**EBIT**') was $10 million, down 62% on the previous corresponding period (EBITDA was $39 million). The lower earnings were primarily due to a significant decline in building activity across the country, intense competition in Western Australia, numerous brick plant shutdowns to complete upgrades and maintenance, and higher gas prices on the east coast.

Building Products North America performance was very strong and has exceeded initial expectations following the market entry in the prior year. Sales revenue was $110 million for the period to 31 January 2020, with particularly strong demand across residential and commercial segments in New York City and surrounding regions. EBIT for the period was $6 million and EBITDA was $13 million. Sioux City Brick was successfully integrated during the half following completion of this acquisition in August.

Property EBIT was $89 million for the first half, driven primarily by a significant revaluation profit within the Joint Venture Industrial Property Trust[1] ('Property Trust'). Brickworks' share of the net asset value within the Property Trust increased by $77 million during the period and now stands at $710 million. The increasing value of Property Trust assets reflects a wider structural change across the economy, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

Investments EBIT was $39 million, down 36%, due primarily to a decline in New Hope Corporation earnings.

Statutory Earnings Per Share ('**EPS**') was 39 cents, down 49% on the previous corresponding period. Underlying EPS from continuing operations was 67 cents, down 37%**.**

Directors have declared a fully franked interim **dividend** of 20 cents per share for the half year ended 31 January 2020, up 5% from 19 cents. The record date for the interim dividend will be 14 April 2020, with payment on 5 May 2020.

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

FINANCIAL ANALYSIS

Total **cash flow from operating activities** was -$18 million, compared to $65 million in the previous corresponding period. This decrease in cash generation is primarily due to the payment of $54 million in tax on the December 2018 sale of 7.9 million WHSP shares and lower Building Products Australia earnings.

Capital expenditure was $57 million during the period, with significant project spend including deployment of a new enterprise resource planning (ERP) system across Australia and the United States, a new masonry plant at Oakdale East in New South Wales, and major upgrades to brick plants at Golden Grove in South Australia and Iberia in Ohio.

Total interest-bearing debt was $500 million at 31 January 2020. After including cash on hand, **net debt**[2] at the end of the period was $461 million, an increase of $208 million during the half. The increase was primarily due to the settlement payment for the Sioux City Brick acquisition ($47 million), the up-front payment in relation to the Redland Brick acquisition ($15 million) and the lower cash flow from operating activities (including the $54 million tax payment in relation to the WHSP share sale).

Gearing (net debt to equity) was 21% at 31 January 2020, up from 12% at 31 July 2019, due to the higher net debt.

Total borrowing costs increased to $12 million, including $2 million in interest costs on leases being recognised due to AASB 16. Excluding this impact, borrowing costs were marginally lower.

Net working capital was $270 million at 31 January 2020, including **finished goods inventory** of $227 million, up significantly due to the Sioux City Brick acquisition ($25 million impact). Excluding the impact of the acquisition, finished goods inventory in continuing operations was up $5 million during the half, due primarily to Austral Bricks and Glen-Gery inventory increasing over the Christmas and New Year period.

Statutory **income tax** from continuing operations was $13 million for the period. The underlying income tax expense from continuing operations was $22 million, down from $41 million in the prior corresponding period.

Net tangible assets ('NTA') per share was $12.62 at 31 January 2020. On a like for like basis, excluding the impact of AASB 16 (Leases), net tangible assets per share was $13.28, unchanged from 31 July 2019. During the half total shareholders' equity was up $17 million to $2.184 billion.

Significant items reduced NPAT from continuing operations by $35 million for the period. This comprised:

- Transaction costs of $8 million, primarily in relation to the acquisitions of Sioux City Brick and Redland Brick assets. This is offset by a $4 million gain on a "bargain purchase", recognised upon the Sioux City Brick acquisition, representing the excess fair value of net assets compared to the purchase price.
- Restructuring costs of $5 million (net of tax) associated with the plant closure at Redfield (Ohio), mothballing of Cardup (Western Australia), significant redundancy costs in Australian Building Products in response to decreased activity, and payments in relation to a take-or-pay gas contract in Western Australia.
- Costs of $33 million in relation to WHSP significant items.
- A $6 million benefit arising from the net impact of the income tax expense in respect of the equity accounted WHSP profit, 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) – Continuous Operations	Gross	Tax	Net
Acquisition costs, net of "bargain purchase"	(4)	-	(4)
Restructuring activities	(7)	2	(5)
Significant items relating to WHSP	(33)		(33)
Income tax arising from the carrying value of WHSP		6	6
Total (Continuing Operations)	**(44)**	**8**	**(35)**

[2] Net debt and related metrics such as gearing exclude the impact of AASB 16 (Leases).

PEOPLE

Full-time equivalent **employee** numbers were 2,078 at 31 January 2020, comprising 1,300 based in Australia and 778 in the United States.

Employee numbers in Australia were reduced by 194 during the half, with significant decreases across all operations in response to the reduced market activity, and the sale of Auswest Timbers hardwood assets resulting in the loss of 118 employees.

In the United States, the addition of more than 200 people as a result of the Sioux City Brick acquisition was offset by a reduction of around 50 employees, primarily associated with plant rationalisation and efficiency improvement initiatives.

The completion of the Redland Brick acquisition in February (following the end of the period) has resulted in an additional 110 employees joining the Company, and therefore brings total Brickworks employees to 2,188.

SAFETY

In Australia, there was 1 Lost Time **Injury** ('LTIs') during the half. This translates to a Lost Time Injury Frequency Rate ('LTIFR') of 0.8, down from 1.7 for the year to July 2019. The Total Reportable Injury Frequency Rate ('TRIFR') for the period was 8.4, down significantly from 19.6.

In the North American operations, there were 3 LTI's during the half, translating to an LTIFR of 4.4. The TRIFR for the period was 27.6.

A sustained decrease in injuries across Australian operations has been achieved over the past decade, through disciplined implementation of safety management systems and procedures, together with behavioural leadership and safety training programs. These initiatives will be rolled out across our recently acquired operations in North America where injury rates are significantly higher than Australia.

BUSHFIRE SUPPORT

In January Brickworks announced a bushfire support package, for homeowners impacted by the devastating fires that swept across the east coast of the country in December and January.

These unprecedented fires left thousands of homes destroyed, families displaced, and many regional communities faced with a long road to recovery as they rebuild from the ground up.

To support the recovery effort, for any house lost in the fires, Brickworks will replace Austral Bricks free of charge and provide a 50% discount on any other Brickworks product used in the new build.

Clay bricks have natural fire-resistant qualities, making them ideal for use in bushfire prone areas, unlike some other "deemed to comply" non-combustible products which will disintegrate in a fire.

Building Products Australia

Market conditions

Residential building activity has been in decline across Australia for the past eighteen months. Australian Bureau of Statistics (ABS) commencements data for the six months to end September 2019, a proxy for relevant activity during the first half given the typical 3-6 month lag for the use of building materials on site, estimated a total of 89,000 residential starts. This represents a 24% decline compared to the previous corresponding period.

Detached housing starts were down a relatively modest 16%, with multi-residential starts down 33%. The decline in multi-residential construction was most severe in Queensland, down 42% and New South Wales[3], down 39%.

Across the states, total residential starts declined 32% in New South Wales, 30% in Queensland, 16% in Victoria, 14% in South Australia and 8% in Western Australia, where commencements are now at their lowest level in 25 years.

In contrast to the residential construction downturn, the value of commencements in the non-residential sector in Australia increased by 8% to $24.320 billion. Within the non-residential sector, Commercial building commencements increased by 5% to $8.663 billion for the period and Industrial building commencements increased 11% to $3.646 billion. The Educational sub-sector, an important driver for bricks and masonry demand, was up 24% to $3.613 billion.

Towards the end of the period an unprecedented combination of additional factors also impacted operating conditions. In addition to the drought impacting regional areas across New South Wales, Queensland and South Australia, the east coast was hit by devastating bushfires throughout December and January. More broadly, business confidence was then hit by the emergence of the Coronavirus in January. Although it is difficult to determine the individual impact of each of these events, in combination they compounded the market challenges faced during the period.

[3] Includes ACT to align with Brickworks selling regions.

Overview of Building Products Australia Result (Continuing Operations)

1st Half ($million)	2020[4]	2019	Change
Revenue	**338**	375	(10%)
EBITDA	**39**	41	(5%)
EBIT	**10**	26	(62%)
EBITDA margin	**11%**	11%	-
EBIT margin	**3%**	7%	(57%)

Revenue for the half year to 31 January 2020, was $338 million, down 10% on the prior corresponding period. Excluding Aussie Concrete Products (ACP) sales (acquired in May 2019), revenue was down 12%, on a like-for-like basis.

Demand was relatively resilient, considering the 24% decline in residential building activity for the period.

An increase in revenue in Austral Masonry, following the acquisition of ACP, was offset by declines in Austral Bricks, Bristile Roofing and Austral Precast.

EBIT was down 62% on the prior corresponding period to $10 million and **EBITDA** was $39 million. Earnings for the period were impacted by:

- A sharp slowdown in building activity across the country, particularly multi-residential construction in New South Wales and Queensland, and this had a significant impact on Austral Precast and Austral Masonry, both with a high exposure to these markets;
- Continued intense competition in Western Australia;
- Numerous brick plant shutdowns on the east coast to complete significant maintenance and upgrades. Whilst this adversely impacted earnings by around $5 million during the half, the works are necessary to ensure capacity is available to meet expected demand in the coming years; and
- A net $4 million increase in gas costs during the period.

When compared to the previous corresponding period, the new accounting treatment for leases (AASB 16) resulted in $2 million uplift to EBIT and a $16 million uplift to EBITDA.

Austral Bricks earnings decreased by 27% for the six months ended 31 January 2020, with sales revenue down 10% to $193 million. In addition to the broad-based decline in market activity, sales in regional areas were adversely impacted by the drought, particularly in New South Wales.

The performance of Austral Bricks on the east coast was resilient, with the decline in sales volume less than the decrease in detached housing construction. Earnings from these operations were approximately in line with the prior period, after excluding the impact of higher gas costs and plant shutdowns.

Two factories were closed for extended periods, due to upgrades that were required to meet regulatory requirements. These works included the installation of emissions control technology at Horsley Park Plant 3 in New South Wales, and the construction of a new high voltage sub-station at the Rochedale plant in Queensland.

The lower sales provided an opportunity to undertake extensive maintenance on other plants during the half, including an extrusion plant upgrade at Golden Grove in South Australia and a refractory reline of the Ceric kiln, also at Horsley Park Plant 3.

In addition, after almost 10 years continuous operation, the Wollert West kiln in Victoria was closed for inspection, prior to its warranty period expiring.

Whilst these plant shutdowns had a significant negative impact on earnings in the first half, they will provide improved production reliability over the medium and longer term.

This production stability is particularly critical given that Horsley Park Plant 2, which has historically provided reserve capacity on the east coast, will remain offline over the medium term. The new face brick plant planned for this site will be the most advanced brick making facility in the world, incorporating a high output JC Steele 120 extruder that will drive industry leading production efficiency. Construction of this facility remains subject to final regulatory approvals, and in any case will be delayed due to the uncertainty in relation to the COVID-19 pandemic.

[4] Comparative numbers for 1H2019 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable 1H2020 EBIT is $8 million and EBITDA is $23 million.

If there is a strong resurgence in demand prior to the completion of the new plant, additional supply will likely be sourced from imports, despite idle capacity existing in Western Australia, due to the failure of successive governments to address the cabotage issues that result in exorbitant domestic shipping costs.

In Western Australia production was reduced to one plant at Bellevue. With building activity now at 30-year lows in Western Australia, the industry remains in a state of flux amidst excess capacity and widespread corporate restructuring activity.

The transition to the wholesale gas market on the east coast went smoothly during the period. Taking effect from January 2020, this has finally provided some relief from rising energy costs. However, despite this, local prices remain more than 3 times the international price, a clear sign of a broken market and yet another example of the difficulties faced by manufacturers in Australia.

For the half, gas costs were around $4 million higher than the previous corresponding period, with the lower costs in January following the transition to wholesale gas supply only partially offsetting the higher costs during August-December.

The reliable supply of electricity continues to be a challenge for some operations, particularly in South Australia, where the Golden Grove plant was forced to utilise back-up generators for long periods during summer.

Bristile Roofing, earnings were down on the prior corresponding period, with a 14% decrease in revenue to $54 million for the half. This includes sales from the Fyshwick roof tile batten mill, operating as the newly branded “Capital Battens”, following the sale of Auswest Timbers hardwood assets.

Sales across all major east coast markets were lower, on the back of the reduced detached house construction activity, and margins were impacted by strong competition, particularly in Queensland. In contrast to the overall trend, there was continued strong demand for imported terracotta tiles from La Escandella in Spain. Increased earnings were recorded in South Australia, a relatively small but growing market for Bristile Roofing.

Capital Battens revenue and earnings were relatively steady, with the mill operating at capacity for the entire period.

Austral Masonry earnings were lower, despite an 11% increase in sales revenue to $62 million for the half. Excluding ACP sales, revenue was down 4%, on a like-for-like basis.

An improved result was delivered in New South Wales, with increased sales of higher margin block, retaining wall and paving products offsetting a decline in commodity grey block sales. The gains in New South Wales were more than offset by a decline in earnings in other states. Queensland was particularly hard hit, with sales of grey block significantly impacted by the sharp decline in apartment construction in south east Queensland.

A strong result was delivered by the newly acquired ACP business, a leading concrete sleeper retaining wall manufacturer, based in Brisbane. This acquisition has provided immediate market leadership in a fast-growing product category, and Austral Masonry’s nationwide distribution network has provided opportunities to expand sales into new regions.

In New South Wales, work continues on the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East.

Austral Precast earnings were down on the prior corresponding period, with revenue decreasing 29% to $28 million for the half. The decrease in revenue was driven by Queensland and Western Australia, where demand has rapidly deteriorated over the past 12 months. The impact of lower demand has been compounded by intense competition in these markets, as manufacturers compete for the limited work available.

Manufacturing operations in these states were significantly impacted, with the labour force reduced to the minimum possible size. The viability of operations in Western Australia and Queensland is currently under review.

By contrast, sales in New South Wales remained strong during the period, with this market benefiting from the greater usage of precast panels in industrial projects (compared to markets such as Brisbane with a higher prevalence of tilt-up concrete). To meet demand, and improve the efficiency of the automated plant, a second production line to cater for specialised panels was commissioned at Wetherill Park during the period.

Austral Precast continues to focus on a range of product development initiatives. In August 2019, “Double Wall” was launched, a cost effective permanent structural framework that offers significant advantages over alternative systems.

Southern Cross Cement is now providing quality, cost effective cement to Austral Masonry and Bristile Roofing operations in Brisbane, as well as to other Joint Venture shareholders. This follows the completion of construction of the terminal during the first half.

The commissioning process is progressing well, with 3 shipments of cement having now been received. In total the terminal is expected to supply in excess of 200,000 tonnes to shareholders on an annual basis.

Building Products North America

Market Leading Position Established

In February, Brickworks completed the acquisition of assets from Redland Brick. This marked the Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

These acquisitions followed a thorough strategic review that identified the US brick industry as an attractive long-term growth opportunity for Brickworks. Importantly, the market entry into the US has been disciplined and methodical, with each acquisition being of appropriate scale, at a sensible price and undertaken in a staged manner to manage risk and resourcing requirements.

A business of significant scale has quickly been established, with Brickworks North America now having:

- Market leadership in key states across the Northeast, Midwest and Mid-Atlantic regions;
- A portfolio of well recognised, premium brands;
- Almost 900 employees;
- 12 operating brick plants and one manufactured stone plant;
- Circa 400 million brick sales per annum;
- Circa AU$290 million sales revenue per annum; and
- An extensive reseller network and company operated retail outlets.

Brickworks now 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.

Brickworks product mix reflects the traditional building styles of this region, with higher margin architectural products into the non-residential and multi-residential segments making up 65% of sales. This compares to the wider US brick industry, where sales into these sectors make up only 27% of the total.

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. As an example, a large order has recently been received to refurbish the Chrysler Building in New York City, using bricks from the Hanley Plant, first supplied from the same plant in the 1930's.

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 twelve 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.

Market Conditions

Residential building activity in the United States continued to steadily increase during the first half. US Census Bureau commencements data for the six months to end September 2019, estimated a total of 698,000 residential starts, up marginally on the previous corresponding period.

The two key statistical regions for Brickworks North American operations are the Northeast and Midwest. In the Northeast region total residential starts were up 7% to 65,000 for the period. A sharp increase in multi-residential construction, up 38% was partially offset by a decline in single family construction, down 14%.

In the Midwest region total residential starts were down 7% to 107,000. In this region the decline was driven by the multi-residential segment, down 13%, with single family construction relatively steady.

Non-residential construction was also strong during the period. For the six months to January 2020, the total value of non-residential construction put in place was US$400 billion, up 5% on the prior corresponding period. Within the non-residential sector, spending on office, health care and educational buildings increased by 7%, 5% and 3% respectively, offset by a 1% decline in commercial building.

Overview of Building Products North-America Result[5]

1st Half ($million)	2020[6]	2019 (~2 months)
Revenue ($US)	**75**	18
EBITDA ($US)	**8**	0
EBIT ($US)	**4**	(1)
Revenue ($AU)	**110**	26
EBITDA ($AU)	**13**	0
EBIT ($AU)	**6**	(1)
EBITDA margin	**12%**	
EBIT margin	**6%**	

Performance of Building Products North America continues to exceed expectations.

Sales **revenue** for the 6 months to 31 January 2020 was AU$110 million. This period includes 5 months operation of the acquired Sioux City Brick plants, but excludes the impact of the Redland Brick acquisition, completed post the end of the period.

During the period, demand was particularly strong in the Northeast region, underpinned by commercial and residential projects in New York City and surrounding areas such as Philadelphia, Cleveland, Baltimore and Washington.

EBITDA for the period was AU$13 million and EBIT was AU$6 million.

North American earnings are highly seasonal, with the cold winter months of December and January characterised by plant shutdowns and reduced sales volume. Unlike the prior corresponding period, production rationalisation initiatives enabled some plants such as Mid Atlantic, Hanley and York to continue operating during this period, and the relatively mild weather allowed most customer deliveries to be maintained. Nevertheless, EBITDA was approximately break-even during this period.

Manufacturing costs were lower across most facilities, as efficiency improvement initiatives were rolled out across the plant network. A particularly strong operational performance was achieved at the Landmark (Kentucky) manufactured stone plant, with unit costs at this facility reducing by almost 30%. At the Marseilles (Illinois) and Hanley (Pennsylvania) brick plants, the engineering team undertook a comprehensive review of operations and completed a range of minor upgrades to plant and equipment.

The installation of a new extruder at Iberia (Ohio) was completed during the period and will support increased efficiency and an expanded product range going forward.

A range of synergies have already been achieved following the Sioux City Brick acquisition, with consolidation of both manufacturing operations and retail outlets. In September, the Redfield plant was closed, with volume transferred to nearby Adel, allowing significant manufacturing efficiencies to be achieved. In January the Sioux City Brick Des Moines sales centre was closed and merged into the Glen-Gery sales centre in West Des Moines.

Significant progress has also been made on other key strategic initiatives.

Exclusive North American supply agreements are now in place with European suppliers of premium imported products, new design studios will soon be opened in central Philadelphia and New York, and new marketing and promotional material has been developed. In addition, a dedicated pricing team has been established to drive new revenue opportunities and roll-out new pricing policies and procedures. A successful price rise on new orders was implemented towards the end of the period.

Integration of Redland Brick

The acquisition of assets of Redland Brick was completed on 10 February 2020, post the end of the half. The extended period before completion was necessary to manage available resources following the Sioux City Brick acquisition and allowed significant planning and preparation work to be undertaken prior to completion.

A dedicated integration team is in place, with a full transition onto Glen-Gery IT platforms completed on day 1 and other integration activities proceeding well.

---

[5] An average exchange rate of 1AUD=0.68 USD has been used to convert earnings.
[6] AASB 16 (Leases) has no material impact on Building Products North America earnings comparatives (1H20 vs 1H19).

Property

Overview of Property Result

1st half ($ millions)	2020	2019	Change
Net Trust Income	15	12	25%
Revaluation of properties	52	67	(22%)
Development Profit	24	19	26%
Property Trust	**90**	**99**	**(9%)**
Property Sales	0	35	-
Admin and Other	(2)	(2)	-
Total	**89**	**132**	**(33%)**

Property delivered EBIT of $89 million for the first half, down 33% on the prior corresponding period. The decrease in earnings is primarily due to there being no land sales during the first half (compared to $35 million EBIT from the sale and leaseback of the Punchbowl brick plant in the prior corresponding period).

The **Property Trust** delivered an EBIT contribution of $90 million, down 9% on the prior period.

Net trust income was up 25% to $15 million for the half. This reflects the rental contribution from three new facilities at Oakdale South and rent increases across the balance of the portfolio.

All Property Trust assets were revalued during the period and this resulted in another strong revaluation profit of $52 million. This reflects a 25 to 50 basis point compression across the portfolio, and follows the 50 basis points tightening that occurred in financial year 2019.

Development activity at Oakdale South continued during the period, with the completion of facilities resulting in development profits of $24 million being recorded. A 31,400m^2 facility for DHL was completed in December 2019, and a 30,000m^2 facility, including 15,000m^2 for Linfox, was completed in January 2020.

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

As at 31 January 2020, the total value of leased assets held within the Property Trust was $1.661 billion. The entire Property Trust portfolio consists of "A grade" facilities, each less than ten years old. The annualised gross rent generated from the Property Trust is $85 million, the weighted average lease expiry is over 5 years and the average capitalisation rate is 5.0%. The only vacancy across the portfolio is a 15,000m^2 facility at Oakdale South, completed in January 2020.

Property Trust Assets

Estate	Asset Value ($m)	Gross Lettable Area (m^2)	Gross Rental ($m p.a.)	WALE[7] (yrs)	Cap. Rate
M7 Hub (NSW)	162	64,180	8.3	2.0	5.1%
Interlink Park (NSW)	441	192,207	24.3	3.0	5.0%
Oakdale Central (NSW)	596	245,205	30.0	4.8	4.9%
Oakdale South (NSW)	264	111,338	12.5	8.6	4.9%
Rochedale (QLD)	198	95,636	10.2	11.9	5.3%
Total	**1,661**	**708,566**	**85.3**	**5.4**	**5.0%**

Including $295 million worth of land to be developed, the total value of assets held within the Property Trust was $1.956 billion at the end of the period. Borrowings of $536 million are held within the Property Trust, giving a total net asset value of $1.420 billion. Brickworks' 50% share of net asset value is $710 million, up by $77 million during the half.

[7] Weighted average lease expiry (by income).

The increase in value is due to the property revaluations and completion of developments.

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

The total return on the leased property assets in the Trust, including the revaluation profit, was 17% during the half.

$million	Jan 2020	July 2019	Change
Leased properties	1,661	1,411	18%
Land to be developed	295	345	(14%)
Total Property Trust assets	**1,956**	**1,756**	**11%**
Borrowings on leased properties	(536)	(490)	9%
Net Property Trust assets	**1,420**	**1,266**	**12%**
Brickworks 50% share	**710**	**633**	**12%**
Rental return on leased assets[8]	6%	6%	11%
Reval. return on leased assets[9]	11%	15%	3%
Total return on leased assets	**17%**	**21%**	**5%**
Gearing on leased assets[10]	32%	34%	(7%)

INVESTMENTS

The EBIT from Investments was $39 million in the half year ended 31 January 2020, down 36% on the prior corresponding period.

Washington H. Soul Pattinson and Company Limited ('WHSP')

ASX Code: SOL

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

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

The market value of Brickworks shareholding in WHSP was $2.032 billion at 31 January 2020, down $109 million for the half.

WHSP has delivered strong returns over most time periods, with 20-year total shareholder return of 13.2% per annum, 4.5% per annum ahead of the All Ordinaries Accumulation Index.

The investment in WHSP returned an underlying contribution of $39 million for the half year ended 31 January 2020, down from $60 million in the previous corresponding period. The decline was mainly driven by lower earnings from New Hope Corporation.

During the period cash dividends of $32 million were received, down 3% on the prior period.

[8] Based on annualised Net Trust Income of $30m (2 x 1H20), divided by $487m. This represents Brickworks share of leased properties (net of borrowings), excluding $151 million of newly completed assets that did not contribute any rent during the period.
[9] Methodology as above, but assuming annualised revaluation profit of $52 million (in line with 1H20).
[10] Borrowings on leased assets / total leased assets.

OUTLOOK

COVID-19 (Coronavirus)

The Coronavirus pandemic has resulted in significant uncertainty for Brickworks and the broader economy. This public health crisis, the like of which we have not seen for around 100 years, continues to evolve with far reaching consequences that are difficult to predict.

Brickworks continues to monitor the situation closely and is primarily focussed on ensuring the safety and well-being of all employees and customers. The Company has put in place a range of procedures to protect employees, including:

- Self-isolation of at-risk employees who may have travelled to, or been in close contact with others from high risk countries;
- Daily temperature checks for all employees and visitors before entering work sites;
- Working from home in cases where it is practical to do so;
- Cancelation of all international travel and all non-essential domestic travel;
- Social distancing protocols at all workplaces; and
- Segregation of work teams, including production workers at shift change-overs.

Brickworks is well prepared to safely and effectively manage operations in these unique and challenging times. Most sites were already fully equipped with biomedical kits and medical supplies, enabling the Company to quickly put in place procedures to protect staff.

Brickworks also has advanced video-conferencing infrastructure set up at virtually all sites across Australia and the United States and on all laptop computers, and this allows for effective communication amongst the executive team while at home as they respond to the evolving circumstances on a daily basis.

In terms of direct impacts on Brickworks to date, Building Products North America has been significantly impacted. In Pennsylvania, the Governor ordered the closure of all non life-sustaining businesses on 19 March, and as a result all 5 Pennsylvania brick plants were closed and all sales activity ceased in that State. Subsequently, on 25 March, the Governor granted an exemption approval for Brickworks to operate yards at those plants, and for sales offices to reopen, thus allowing product distribution and sales to re-commence. Inventory within these yards is expected to provide adequate supply for at least 2-3 months.

On 23 March an order was made in Michigan, resulting in the closure of our distribution outlet in that state.

Elsewhere, some of our European suppliers of premium imported products have indicated that operations have already been, or will soon be suspended. Whilst the impact of this will not be significant, it may result in an inability to supply any major new projects

There have been no other significant supply chain issues within the Building Products businesses at this stage, and all development activity within the Property Trust remains unaffected.

However, significant further disruption to operations appears inevitable over the coming months, and a decrease in demand is anticipated for at least the remainder of the current financial year. In recent weeks, builders have reported reduced activity at display homes and are imposing restrictions on the number of trades on site.

With regard to manufacturing operations, whilst there are no immediate concerns, key medium-term supply chain risks include access to critical spare parts for the factory and the supply of specialty brick glazes from overseas.

It is also possible that further lockdowns and restrictions will be imposed by governments to contain the spread of the virus. In any case, if the situation continues to escalate, Brickworks will not hesitate to cease manufacturing operations in order to protect the health and safety of its workforce.

Other related risks are also emerging, including customer credit risk, with increasing debtor days and the potential for bad debts to emerge.

In response to these difficult conditions and ongoing uncertainty, Brickworks is taking significant action. The Company has developed business planning and scenario modelling tools to support decision making over the coming months. To preserve cash, all non-contracted capital spend and non-essential expenditure has been delayed, and employees who need to take time off work, will utilise accrued leave where possible.

Given the level of uncertainty as to the extent and duration of the Coronavirus pandemic and the efficacy of Government and Central Bank responses, it is not currently possible to quantify how it will affect the Group. As such, Brickworks is withdrawing any previous outlook statements and is unable to provide any earnings guidance at this stage.

Building Products Australia

Prior to the emergence of the Coronavirus there were several positive signs to suggest that the worst of the building downturn was behind us.

Increasing house prices and strong auction clearance rates, typical drivers of development activity, indicated a renewed level of consumer confidence. This was reflected in building approvals data, trending upwards after moving through a cyclical low during the first half.

Home builders were reporting higher, and in some cases record sales, and increased traffic flow through displays, particularly in New South Wales, Victoria and even Western Australia. This feedback was consistent with the growing order intake across most Building Products businesses from November last year.

In March, Building Products orders and sales strengthened further, with many customers wishing to ensure access to stock, and a surge in DIY demand. As such, under normal circumstances, an increase in sales would be anticipated in the second half of financial year 2020.

However, given the uncertainty caused by the COVID-19 pandemic, the business is now preparing for a significant downturn in activity over the coming months, including plant shutdowns if required from April to control stock and preserve cash.

Building Products North America

Building Products North America sales volume was at record levels during February and early March, prior to the government imposed closure of facilities in Pennsylvania.

With operations now severely disrupted, the business is focussed on workforce management, minimising costs, and putting in place plans that will allow operations to quickly ramp up when conditions allow.

During February, the business successfully completed the acquisition of Redland Brick and commenced the integration of these operations.

Integration activities will include a staged plant rationalisation and upgrade program, to deliver a modern network of efficient and highly utilised manufacturing facilities. Whilst this program may have short term impacts on production and earnings whilst being implemented over the next 24 months, ultimately we expect significant savings to be achieved. Following the forced closure of Pennsylvania plants due to the COVID-19 pandemic, and the potential for additional closures, there may be an opportunity to accelerate these plant rationalisation activities.

In addition, Brickworks is focussed on delivering additional earnings growth through introducing new products, and applying our unique market strategy focussed on style and premium product positioning.

Property Trust

The continuing strong demand for industrial land reflects structural changes across the industry, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

The COVID-19 pandemic has accelerated behavioural changes amongst the community, with an even greater uptake of on-line shopping, and this is likely to further accelerate current trends and the demand for industrial warehouse space.

This is driving an evolution towards more sophisticated and specialised facilities, incorporating features such as robotics, automation, cold-storage and multi-storey warehousing. The development of these advanced facilities will become a critical competitive advantage for many businesses in the new economy and will continue to support the increasing value of prime industrial land.

The Property Trust is ideally placed to take advantage of these trends, with well-located prime industrial land on large lot sizes.

In addition to the favourable long-term outlook, current development activity at Oakdale in New South Wales and Rochedale in Queensland is expected to drive growth in rent and asset value over both the short and medium term.

At **Oakdale South**, following the completion of DHL and Linfox facilities in the first half, focus has turned to securing a tenant for an approved 30,000m^2 facility (“Site 1C”) that could commence construction in mid-2020. Following this a further 73,000m^2 (“Sites 2a and 2b”) will be available for development, pending demand.

Civil works have commenced at **Oakdale West**, including a new four lane road to service the Estate. The pad area for the 66,000m^2 Coles Group facility will be ready toward the end of 2020, allowing construction to commence in 2021. Enquiry for other developments on the Estate has been strong and is expected to increase further now that civil works are underway.

Brickworks expects to soon receive approval for the development of 10 hectares of surplus land at the 88-hectare Plant 3 site, known as **Oakdale East**. This will allow the sale of the land into the Property Trust and triggers the pre-commitment of Austral Masonry to a long-term lease for its new manufacturing operations at this site. The construction of other warehouse facilities will 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

The sale of 10 hectares at Oakdale East into the Property Trust is expected to occur in May 2020, and the Company is also considering other land sales opportunities across the portfolio.

Investments

Notwithstanding the potential for short term impacts in relation to COVID-19, the diversified nature of our holding in WHSP’s investments is expected to deliver steadily increasing earnings and dividends to Brickworks over the long term.

Group

Although economic conditions and the outlook has deteriorated significantly over the past few weeks, following the rapid escalation of the Coronavirus pandemic, Brickworks confronts these challenges in a strong position. The Company has a diversified portfolio of attractive assets and a robust balance sheet that provides resilience to overcome the anticipated downturn in the months ahead.

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 14 for the half year ended 31 January 2020, and forms part of this report.

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

Dated 26 March 2020

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

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

Building a better
working world

Auditor's Independence Declaration to the Directors of Brickworks Limited

As lead auditor for the review of Brickworks Limited for the half-year ended 31 January 2020, 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
26 March 2020

CONSOLIDATED INCOME STATEMENT

	Note	31 January 2020 $'000	31 January 2019 $'000
Continuing operations			
Revenue	2.2	448,622	442,468
Cost of sales		(329,213)	(288,701)
Gross profit		**119,409**	**153,767**
Gain on a bargain purchase	5.1	3,776	-
Other income	2.2	593	111,638
Distribution expenses		(32,578)	(36,066)
Administration expenses		(24,545)	(18,207)
Selling expenses		(51,250)	(42,944)
Impairment of non-current assets		(502)	(55,401)
Business acquisition costs	2.1	(8,074)	(8,576)
Other expenses		(12,184)	(10,173)
Share of net profits of associates and joint ventures	2.3	96,162	148,811
Profit from continuing operations before finance cost and income tax		**90,807**	**242,849**
Finance costs	2.2	(12,452)	(10,613)
Profit from continuing operations before income tax		**78,355**	**232,236**
Income tax expense from continuing operations	2.4	(13,531)	(84,109)
Profit from continuing operations after tax		**64,824**	**148,127**
Discontinued operations			
Loss from discontinued operations, net of income tax benefit	5.2	(6,659)	(33,562)
Profit for the period		**58,165**	**114,565**
Profit attributable to:			
Shareholders of Brickworks Limited		58,165	114,565
Earnings per share attributable to the shareholders of Brickworks Limited			
Basic (cents per share)		38.8	76.6
Diluted (cents per share)		38.8	76.6
Basic (cents per share) from continuing operations		43.3	99.0
Diluted (cents per share) from continuing operations		43.2	99.0

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 January 2020 $'000	31 January 2019 $'000
Profit after tax	**58,165**	**114,565**
Other comprehensive income, net of tax		
Items that may be subsequently reclassified to Income Statement in subsequent periods		
Share of increments/(decrements) in reserves attributable to associates and joint ventures	9,459	1,519
Foreign currency translation	619	19
Income tax expense relating to these items	(2,837)	(457)
Net other comprehensive income to be reclassified to Income Statement in subsequent periods	**7,241**	**1,081**
Items not to be subsequently reclassified to Income Statement in subsequent periods		
Net fair value gain/(loss) on financial assets at fair value through other comprehensive income	(28)	984
Share of increments/(decrements) in reserves attributable to associates and joint ventures	-	(19,056)
Income tax benefit relating to these items	8	5,422
Net other comprehensive loss not to be reclassified to Income Statement in subsequent periods	**(20)**	**(12,650)**
Other comprehensive income/(loss), net of tax	**7,221**	**(11,569)**
Total comprehensive income	**65,386**	**102,996**
Total comprehensive income, attributable to:		
Shareholders of Brickworks Limited	65,386	102,996

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

CONSOLIDATED BALANCE SHEET

	Note	31 January 2020 $'000	31 July 2019 $'000
Cash and cash equivalents		38,946	74,881
Receivables		97,869	133,319
Inventories		289,403	247,106
Prepayments		29,689	10,588
Contract assets		12,712	12,781
Current income tax asset		7,742	991
Assets held for sale		-	15,358
Total current assets		**476,361**	**495,024**
Inventories		7,029	7,248
Financial assets at fair value through other comprehensive income	4.2	1,434	1,462
Investments accounted for using the equity method	3.1	1,881,553	1,813,027
Right-of-use assets	5.5	98,915	-
Property, plant and equipment		656,525	597,571
Intangible assets		179,703	178,652
Deferred income tax asset		8,491	-
Total non-current assets		**2,833,650**	**2,597,960**
TOTAL ASSETS		**3,310,011**	**3,092,984**
Payables		98,425	128,276
Derivative financial liabilities	4.2	499	644
Current income tax liability		-	68,335
Post-employment liabilities		683	679
Contract liabilities		6,358	7,067
Lease liabilities	5.5	27,035	-
Liabilities held for sale		-	3,302
Provisions		58,793	53,495
Total current liabilities		**191,793**	**261,798**
Borrowings	4.1	497,109	324,241
Derivative financial liabilities	4.2	8,400	8,198
Post-employment liabilities		19,101	19,277
Lease liabilities	5.5	77,130	-
Provisions		10,981	12,153
Deferred income tax liability		321,572	299,959
Total non-current liability		**934,293**	**663,828**
TOTAL LIABILITIES		**1,126,086**	**925,626**
NET ASSETS		**2,183,925**	**2,167,358**
Issued capital	4.3	351,383	351,229
Reserves	4.4	292,247	283,357
Retained profits		1,540,295	1,532,772
TOTAL EQUITY		**2,183,925**	**2,167,358**

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 2020					
Balance at 1 August 2019		351,229	283,357	1,532,772	2,167,358
Adjustment on the adoption of AASB 16 (net of tax)	5.5	-	-	(4,491)	(4,491)
Restated balance at 1 August 2019		351,229	283,357	1,528,281	2,162,867
Profit after tax		-	-	58,165	58,165
Total other comprehensive income – net of tax		-	7,221	-	7,221
Net dividends paid	2.5	-	-	(47,148)	(47,148)
Issue of shares through employee share plan	4.3	(10)	-	-	(10)
Net movement in associate reserve	4.4	-	(997)	997	-
Shares vested to employees	4.3	164	(164)	-	-
Share based payments expense	4.4	-	2,830	-	2,830
Balance at 31 January 2020		**351,383**	**292,247**	**1,540,295**	**2,183,925**
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)		-	-	883	883
Adjustment on the adoption of AASB 9 (net of tax)		-	(16,113)	16,113	-
Restated balance at 1 August 2018		**345,873**	**292,981**	**1,433,107**	**2,071,961**
Profit for the year		-	-	114,565	114,565
Total other comprehensive income – 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)
Purchase of shares through employee share plan	4.3	(590)	-	-	(590)
Change in ownership interest in the associate	4.4	-	(12,265)	12,361	96
Shares vested to employees	4.3	71	(71)	-	-
Share based payments expense	4.4	-	2,930	-	2,930
Balance at 31 January 2019		**345,332**	**272,006**	**1,516,211**	**2,133,549**

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 2020 $'000	31 January 2019 $'000
Cash flows from operating activities			
Receipts from customers		524,943	443,439
Payments to suppliers and employees		(506,132)	(435,151)
Proceeds from land held for sale		-	41,000
Interest received		216	360
Interest and other finance costs paid		(11,643)	(9,581)
Dividends and distributions received		46,156	45,909
Income tax paid		(71,167)	(21,167)
Net cash from/(used in) operating activities		**(17,627)**	**64,809**
Cash flows from investing activities			
Purchases of property, plant and equipment		(57,453)	(17,681)
Proceeds from sale of property, plant and equipment		1,083	2,553
Purchase of investments in joint ventures		(111)	(1,160)
Proceeds from sale or return of investments		-	208,323
Proceeds from sale of subsidiary		3,543	-
Purchase of controlled entities, net of cash acquired		(63,203)	(141,276)
Net cash provided by/(used in) investing activities		**(116,141)**	**50,759**
Cash flows from financing activities			
Proceeds from borrowings		204,240	279,876
Repayments of borrowings		(37,000)	(275,000)
Payment of principal portion of lease liabilities	5.5	(13,869)	-
Dividends paid		(56,976)	(53,918)
Net cash provided by/(used in) financing activities		**96,395**	**(49,042)**
Net increase/(decrease) in cash held		**(37,373)**	**66,526**
Effects of exchange rate changes on cash		1,438	(126)
Cash at the beginning of the period		74,881	21,167
Cash at the end of the period		**38,946**	**87,567**

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 2019 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 2019, except for the adoption of new and amended standards set out in note 5.5. 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 2019.

1.3. 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 2020

	Building Products Australia $'000	Building Products North America $'000	Property $'000	Investments $'000	Continuing operations $'000	Discontinued operations [2] $'000	Consolidated $'000
REVENUE							
Sale of goods	281,443	109,996	-	-	391,439	8,022	399,461
Revenue from supply and install contracts	56,296	-	-	-	56,296	-	56,296
Sale of land held for resale	-	-	-	-	-	-	-
Interest received	-	-	-	216	216	-	216
Rental revenue	45	14	107	-	166	98	264
Other operating revenue	291	214	-	-	505	-	505
Revenue	**338,075**	**110,224**	**107**	**216**	**448,622**	**8,120**	**456,742**
RESULT							
Segment EBITDA	38,791	12,947	88,522	38,878	179,138	(1,633)	177,505
Amortisation of right-of-use assets[3]	(12,671)	(1,017)	-	-	(13,688)	-	(13,688)
Depreciation and amortisation	(16,028)	(5,725)	-	-	(21,753)	-	(21,753)
Segment EBIT	**10,092**	**6,205**	**88,522**	**38,878**	**143,697**	**(1,633)**	**142,064**
Unallocated expenses							
- Significant items					(43,963)	(8,553)	(52,516)
- Borrowing costs					(12,453)	-	(12,453)
- Other unallocated expenses					(8,926)	-	(8,926)
Profit/(loss) before income tax					**78,355**	**(10,186)**	**68,169**
Income tax (expense)/benefit[1]					(13,531)	3,527	(10,004)
Profit/(loss) after income tax					**64,824**	**(6,659)**	**58,165**

[1] Included in the income tax expense is tax benefit related to significant items amounting to $11,292,000.
[2] Refer to Discontinued operations - Note 5.2.
[3] Refer to New accounting standards - Note 5.5.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.1 Segment reporting (continued)

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	289,744	26,041	-	-	315,785	16,466	332,251
Revenue from supply and install contracts	84,765	-	-	-	84,765	-	84,765
Sale of land held for resale	-	-	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**

Significant items

	Note	31 January 2020 $'000	31 January 2019 $'000
Business acquisition costs	5.1	(8,074)	(8,576)
Restructuring activities[6]		(6,727)	(7,058)
Gain on bargain purchase	5.1	3,776	-
Gain on sale of 7.9 million WHSP shares[4]		-	109,509
Impairment of goodwill[5]		-	(52,017)
Significant items from continuing operations before income tax (excluding associates)		**(11,025)**	**41,858**
Income tax expense related to sale of WHSP shares		-	(38,082)
Income tax benefit/(expense) on other significant items (excluding associates)		2,067	2,198
Significant items from continuing operations after income tax (excluding associates)		**(8,958)**	**5,974**
Significant one-off transactions of associate[7]		(32,938)	(10,480)
Income tax benefit/(expense) arising from the carrying value of the investment in the associates (WHSP)		6,427	(7,060)
Significant items after income tax (associates)		**(26,511)**	**(17,540)**
Significant items from continuing operations after income tax (including associates)		**(35,469)**	**(11,566)**
Loss on disposal of business[8]	5.2	(6,567)	-
Impairment loss recognised on the measurement to fair value less costs to sell[8]	5.2	-	(42,174)
Other significant items[8]	5.2	(1,986)	(117)
Significant items from discontinued operations before income tax		**(8,553)**	**(42,291)**
Income tax benefit[8]		2,798	12,687
Significant items from discontinued operations after income tax		**(5,755)**	**(29,604)**

[1] Included in the prior period 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 5.1. (c).
[3] Refer to Discontinued operations – Note 5.2.
[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 'Share of net profits of associates and joint ventures' line on the Income Statement.
[8] Disclosed in 'Losses from discontinued operations' line on the Income Statement.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 Revenues and expenses

		31 January 2020 $'000	31 January 2019 $'000
REVENUE			
Revenue from contracts with customers			
Sale of goods		391,439	315,785
Revenue from supply and install contracts		56,296	84,765
Sale of land held for resale		-	41,000
		447,735	**441,550**
Other operating revenue			
Interest received – other corporations		216	360
Rental revenue		166	452
Other		505	106
Total operating revenue from continuing operations		**448,622**	**442,468**
OTHER INCOME			
Recovery of legal costs		415	-
Net gain on disposal of property, plant and equipment		174	2,106
Gain on sale of 7.9 million WHSP shares		-	109,509
Other items		4	23
Total other income from continuing operations		**593**	**111,638**
FINANCE COSTS			
Interest and finance charges paid/payable		10,399	8,914
Net fair value change on interest rate swaps		57	1,699
Interest on lease liabilities	5.5	1,996	-
Total finance costs from continuing operations		**12,452**	**10,613**

2.3 Share of net profits of associates and joint ventures

		31 January 2020 $'000	31 January 2019 $'000
Share of net of profits of associates	3.2	5,724	49,766
Share of net profits of joint ventures	3.3	90,438	99,045
		96,162	**148,811**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.4 Income tax expense

		31 January 2020 $'000	31 January 2019 $'000
Profit from continuing operations before income tax		78,355	232,236
Loss from discontinued operations before income tax benefit	5.2	(10,186)	(47,981)
Profit before income tax for the period		**68,169**	**184,255**
Prima facie tax expense calculated at 30%		20,451	55,277
(Decrease)/increase in income tax expense due to:			
Franked dividend income		(9,620)	(10,124)
Gain on bargain purchase	5.1	(995)	-
Goodwill impairment losses		-	15,605
Share of net profits of associates		1,475	2,253
Sale of 7.9 million WHSP shares		-	5,376
Business acquisition costs		1,320	2,336
Disposal of subsidiary		(232)	-
Tax rate differences in overseas entities		(165)	31
Other non-allowable items		758	1,391
Research and development tax incentive		(2,171)	(2,221)
Overprovided in prior years		(567)	(159)
Utilisation of carried forward capital losses		(250)	(75)
Income tax expense attributable to profit		**10,004**	**69,690**
Current tax expense		(2,449)	61,106
Deferred tax expense relating to movements in deferred tax balances		21,761	8,818
Disposal of subsidiary		(8,491)	-
Overprovided in prior years		(567)	(159)
Utilisation of carried forward capital losses		(250)	(75)
Total income tax expense on profit		**10,004**	**69,690**
Income tax expense/(benefit) attributable to:			
Profit from continuing operations		13,531	84,109
Loss from discontinued operations	5.2	(3,527)	(14,419)
Income tax expense attributable to profit		**10,004**	**69,690**

2.5 Dividends and franking credits

	31 January 2020 $'000	31 January 2019 $'000
2019 Final ordinary dividend – 38.0 cents per share paid on 27/11/2019 (PY: 36.0 cents paid on 28/11/2018)	56,976	53,918
Group's share of dividend received by associated company	(9,828)	(10,096)
	47,148	**43,822**
2020 Proposed interim ordinary dividend 20.0 cents per share not recognised as a liability (PY: 19.0 cents paid 30/4/2019)	29,988	28,457

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 2020 $'000	31 July 2019 $'000
Associated companies	1,203,473	1,212,072
Joint ventures	678,080	600,955
Total investments accounted for using the equity method	**1,881,553**	**1,813,027**

3.2. Associated company

	Group's interest		Contribution to Group profit before tax		Carrying value		Market value of shares	
	31 Jan 2020 %	31 Jul 2019 %	31 Jan 2020 $'000	31 Jan 2019 $'000	31 Jan 2020 $'000	31 Jul 2019 $'000	31 Jan 2020 $'000	31 Jul 2019 $'000
Washington H. Soul Pattinson and Company Limited	39.40	39.40	5,724	49,766	1,203,473	1,212,072	2,032,485	2,141,890

In addition to the Group owning 39.40% (2019: 39.40%) of issued ordinary shares of WHSP, at 31 January 2020 WHSP owned 43.78% (2019: 43.83%) of issued ordinary shares of Brickworks Limited.

3.3 Joint ventures

Information relating to joint ventures is outlined below.

	Group's interest		Contribution to Group profit before tax		Carrying value		Principal activity
	31 Jan 2020 %	31 Jul 2019 %	31 Jan 2020 $'000	31 Jan 2019 $'000	31 Jan 2020 $'000	31 Jul 2019 $'000	
Domiciled in Australia							
BGAI CDC Trust	50.00	50.00	-	-	266	267	Property development, management and leasing
BGAI Erskine Trust	50.00	50.00	17,459	18,115	138,024	123,725	As above
BGAI Capicure Trust	50.00	50.00	1,763	1,418	13,766	12,383	As above
BGAI Heritage Trust	50.00	50.00	6,076	7,987	45,497	40,528	As above
BGAI Oakdale Trust	50.00	50.00	20,717	46,557	203,083	188,012	As above
BGAI Oakdale South Trust	50.00	50.00	34,572	19,681	102,234	68,810	As above
BMGW Rochedale Trust	50.00	50.00	9,722	5,443	74,969	67,117	As above
BMGW Oakdale West Trust	50.00	50.00	-	-	82,235	82,235	As above
Property trusts			**90,309**	**99,201**	**660,074**	**583,077**	
Southern Cross Cement	33.00	33.33	(41)	4	10,885	10,926	Import of cement
Fastbrick Australia	50.00	50.00	-	-	168	169	Construction services
Domiciled in New Zealand							
NZ Brick Distributors	50.00	50.00	170	(160)	6,953	6,783	Import and distribution of building products
Total			**90,438**	**99,045**	**678,080**	**600,955**	

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

3.3 Joint ventures (continued)

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

	31 January 2020 $'000	31 January 2019 $'000
Share of fair value adjustment of properties held by joint venture	75,757	86,716
Share of joint venture property rental profits	14,552	12,485
Total equity accounted profit from Property Trusts	**90,309**	**99,201**

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 2019 $'000
Current		
Interest-bearing loans	-	-
Unamortised borrowing costs	-	-
	-	**-**
Non-current		
Interest-bearing loans	500,107	327,768
Unamortised borrowing costs	(2,998)	(3,527)
	497,109	**324,241**

In December 2019 the Group extended its $100.0 million working capital facility to 11 December 2021.

There were no other changes to the Group's loan facilities in the current period.

The maturity profile of the Group's loan facilities at 31 January 2020 is outlined below.

Facility	Currency	Limit ($m)	Drawn ($m)	Available ($m)	Maturity date
Tranche A	AUD	100	15	85	August 2023
Tranche B	AUD	175	-	175	August 2024
Tranche C	AUD	80	80	-	August 2022
Syndicated loan facility	AUD	**355**	**95**	**260**	
Tranche A1	USD	100	100	-	August 2023
Tranche B1	USD	100	48	52	August 2024
Syndicated loan facility	USD	**200**	**148**	**52**	
Facility A-ITL	AUD	25	25	-	February 2028
Facility B-ITL	AUD	35	35	-	February 2026
Facility C-ITL	AUD	40	40	-	February 2026
Syndicated ITL facility	AUD	**100**	**100**	**-**	
Working capital facility	AUD	**100**	**85**	**15**	December 2021

The Group designated its USD unsecured debt facilities as a hedging instrument to hedge the currency risk associated with translation of the Group's net investment in the US operations into the Group's functional currency (AUD).

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)

4.2. Financial instruments (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 2020 $'000	31 Jul 2019 $'000
Equities - Listed	1,434	1,462
Total	**1,434**	**1,462**

(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 2.83% (2019: 2.88%). 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	
	31 Jan 2020 $'000	31 Jul 2019 $'000	31 Jan 2020 %	31 Jul 2019 %	31 Jan 2020 $'000	31 Jul 2019 $'000
Less than 1 year	50,000	50,000	2.97	3.43	499	642
1 to 3 years	75,000	25,000	2.70	2.27	5,809	8,198
3 to 5 years	25,000	100,000	2.93	2.76	2,591	-
Total	**150,000**	**175,000**	**2.83**	**2.88**	**8,899**	**8,840**

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 2020 $'000	31 Jul 2019 $'000
USD forward contracts	-	-
EUR forward contracts	-	2
Derivative liability	**-**	**2**

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 2020 Number of shares	31 January 2019 Number of shares	31 January 2020 $'000	31 January 2019 $'000
Contributed equity				
Ordinary shares, fully paid	149,937,589	149,771,794	366,455	363,515
Treasury shares	(960,697)	(1,227,130)	(15,072)	(18,183)
			351,383	**345,332**
Movement in ordinary issued capital				
Opening balance 1 August	149,771,794	149,408,331	363,515	357,387
Issue of shares through employee share plan	165,795	363,463	2,950	6,150
Share issue costs			(10)	(22)
Closing balance	**149,937,589**	**149,771,794**	**366,455**	**363,515**
Movement in treasury shares				
Opening balance 1 August	(810,821)	(838,147)	(12,286)	(11,514)
Issue of shares through employee share plan	(165,795)	(363,463)	(2,950)	(6,150)
Purchase of shares through employee share plan	-	(34,867)	-	(590)
Shares allocated as part of Dividend Election Plan	-	-	-	-
Shares vested to employees	15,919	9,347	164	71
Closing balance	**(960,697)**	**(1,227,130)**	**(15,072)**	**(18,183)**

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 2019	88,102	36,125	(657)	5,532	1,461	164,397	(11,603)	283,357
Other comprehensive income for the year	-	-	619	-	(28)	9,459	(2,829)	7,221
Net movement in associate reserve	-	-	-	-	-	(997)	-	(997)
Shares vested to employees	-	-	-	(164)	-	-	-	(164)
Share based payments expense	-	-	-	2,830	-	-	-	2,830
Balance at 31 January 2020	**88,102**	**36,125**	**(38)**	**8,198**	**1,433**	**172,859**	**(14,432)**	**292,247**
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**

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. Business combinations

(a) Acquisition of Sioux City Brick

In the current period, the Group acquired the assets and business of Sioux City Brick & Tile Co ("Sioux City Brick"). Sioux City Brick has a leading marketing position in the Midwest region of the United States. The purchase consideration was fully paid in cash and has been provisionally allocated as follows.

Business acquired	Sioux City Brick
Date acquired	27 August 2019
Consideration	
Cash paid ($'000)	**49,526**
Assets acquired	
Cash acquired ($'000)	1,195
Receivables ($'000)	6,417
Inventories ($'000)	25,230
Prepayments ($'000)	149
Property, plant and equipment ($'000)	30,608
Right-of-use assets ($'000)	1,441
Liabilities assumed	
Trade and other payables ($'000)	(3,290)
Lease liabilities ($'000)	(1,441)
Deferred tax liabilities ($'000)	(127)
Provisions ($'000)	(6,842)
Fair value of net assets ($'000)	**53,340**
Gain on bargain purchase ($'000)	**3,814**[1]
Direct costs relating to acquisition ($'000)	4,857

Acquisition costs of $4,857,000 were expensed and are included in Business acquisition costs.

The consideration for the acquisition has been apportioned against the fair value of the assets and liabilities acquired. The preliminary fair value of the identifiable assets and liabilities of Sioux City Brick at the acquisition date exceeded the sum of the consideration transferred with the excess amount recognised in other income as bargain purchase gain.

Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash flows from investing activities) ($'000)	1,195
Cash paid in the period ($'000)	(49,526)
Net cash flow on acquisition ($'000)	(48,331)

(b) Acquisition of Redland Brick

On 5 November 2019, the Group entered into an agreement to acquire assets of Redland Brick. Redland Brick has a leading market position in the Northeast and Mid-Atlantic regions of the United States. The purchase consideration comprises USD 10.0 million upon signing the agreement, USD 25.0 million on completion and up to USD 13.0 million in deferred payments, subject to certain conditions being met.

Upon signing the binding agreement, an upfront payment of USD 10.0 million, equivalent to AUD 14.8 million was made. The Group determined control was not transferred at reporting date hence no acquisition accounting or consolidation is applicable. Given the acquisition was completed in February 2020, the preliminary acquisition balance sheet will be disclosed in the full year financial report for the year ending 31 July 2020.

[1] Reflects the gain on bargain purchase translated using the spot rate at the acquisition date. The equivalent amount translated using the average rate for the period recognised in the Income Statement amounts to $3,776,000 with the difference on translation recognised in Foreign currency translation reserve in equity.

5. OTHER DISCLOSURES (CONTINUED)

5.1. Business combinations (continued)

(c) Information on prior year acquisition

Acquisition of Glen-Gery Corporation

In the prior year 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.

In the current period management finalised the purchase price allocation. The only change since the allocation disclosed in the prior year was an adjustment to the fair value of Property, plant and equipment ($935,000) which resulted in an increase in goodwill ($689,000) and a decrease in deferred tax liabilties ($247,000). Final acquisition balance sheet is presented below:

Business acquired	**Glen-Gery**
Date acquired	23 November 2018
Consideration	
Cash paid ($'000)	**140,790**
Assets acquired	
Cash ($'000)	2,587
Receivables ($'000)	18,317
Inventories ($'000)	62,857
Prepayments ($'000)	1,312
Property, plant and equipment ($'000)	87,306
Brand names ($'000)	8,276
Liabilities assumed	
Payables ($'000)	(12,045)
Current income tax liability ($'000)	(14)
Deferred tax liabilities ($'000)	(3,000)
Post-employment liabilities ($'000)	(19,052)
Provisions ($'000)	(10,977)
Fair value of net assets ($'000)	**135,567**
Goodwill arising on acquisition ($'000)	**5,223**

5. OTHER DISCLOSURES (CONTINUED)

5.2. Discontinued operations

In the prior year, 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. The results for the period ended 31 January 2020 and the prior period have been presented as discontinued operations (net of tax).

In the current period the Group completed the sale of Auswest Timber division. The completion date for the transaction was 23 October 2019. Further as a result of the finalisation of the sale, the Group recorded a loss on sale before tax of $6.6 million.

(a) Financial performance and cashflow information

	31 January 2020 $'000	31 January 2019 $'000
Results of discontinued operations		
Revenue	8,120	16,665
Expenses	(9,753)	(22,472)
Operating loss	**(1,633)**	**(5,807)**
Loss on disposal of subsidiary	(6,567)	-
Other significant items	(1,986)	-
Impairment loss recognised on the measurement to fair value less costs to sell	-	(42,174)
Finance costs	-	-
Loss before tax	**(10,186)**	**(47,981)**
Income tax benefit	3,527	14,419
Loss after tax	**(6,659)**	**(33,562)**
Income tax benefit related to operating loss	729	1,732
Income tax benefit related to other significant items	596	35
Deferred tax asset relating to discontinued operations	(6,289)	-
Capital losses arising on disposal	8,491	-
Income tax benefit on loss recognised on the measurement to fair value less costs to sell	-	12,652
Income tax benefit	**3,527**	**14,419**
Cash flows from discontinued operations		
Net cash used in operating activities	(3,397)	(2,556)
Net cash from/(used) in investing activities	3,458	(655)
Net cash from financing activities	-	-
Net cash outflow	**61**	**(3,211)**
Basic (cents per share) from discontinued operations	**(4.44)**	**(22.4)**
Diluted (cents per share) from discontinued operations	**(4.44)**	**(22.4)**

(b) Details of the sale of the Auswest Hardwood business

The details of the disposal are set out below:

	$'000
Cash received	5,043
Transaction costs	(1,781)
Net consideration	**3,262**
Carrying amount of net assets sold	(9,829)
Loss on sale before tax	**(6,567)**
Deferred tax asset relating to discontinued operations	(6,289)
Tax benefit associated with capital losses arising on disposal	8,491
Income tax benefit	**2,202**
Loss on sale after tax	**(4,365)**

5. OTHER DISCLOSURES (CONTINUED)

5.2. Discontinued operations (continued)

(b) Details of the sale of the Auswest Hardwood business (continued)

The carrying amount of the assets and liabilities as at the date of the sale (23 October 2019) were:

	$'000
Inventory	10,706
Prepayments	166
Property, plant and equipment	736
Total assets	**11,608**
Provisions	1,779
Total liabilities	**1,779**
Net assets disposed	**9,829**

5.3. Commitments and contingencies

(a) Commitments

	31 January 2020 $'000	31 July 2019 $'000
Contracted capital expenditure		
Within one year	26,735	29,719

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 2020 $'000	31 July 2019 $'000
Bank guarantees issued in the ordinary course of business	48,575	36,530

The entities forming the Group are parties to various legal actions against them that are not provided for in the financial statements. These actions are being defended and the Group does not anticipate that any of these actions will result in material adverse consequences for the Group.

5.4. Events occurring after balance date

On 10 February 2020, the Group completed the acquisition of assets of Redland Brick. For more details, refer to Note 5.1. (b).

Subsequent to the half year-end, the spread of the COVID-19 virus has rapidly escalated and resulted in significant market disruptions with the potential to adversely influence customer confidence and global supply chains.

On 19 March 2020, the Pennsylvania Governor Tom Wolf has ordered all non-life sustaining business in Pennsylvania to close their physical locations to slow the spread of the COVID-19 virus. This means five out of the Group's twelve brick plants currently in operation in the USA are now closed. This includes the plants at Harmer, Bigler, Hanley, York and Mid Atlantic. Subsequently, on 25 March, the Governor granted an exemption approval for Brickworks to operate yards at those plants, and for sales offices to reopen, thus allowing product distribution and sales to re-commence. Inventory within these yards is expected to provide adequate supply for at least 2-3 months. The other Group plants in North America remain in operation.

Given the level of uncertainty as to the extent and duration of the impact of the COVID-19 virus and the efficacy of Government and Central Bank responses to the pandemic it is not possible at this time to quantify how it will affect the Group.

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

5. OTHER DISCLOSURES (CONTINUED)

5.5. 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 2019.

- **AASB 16 *Leases***

On 1 August 2019, the Group applied AASB 16 Leases using the modified retrospective transition option. Accordingly, the comparative information in this half year financial report has not been restated.

The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for new lease contracts. The Group is a lessee under a number of arrangements previously classified as operating leases. These arrangements relate predominantly to major plant and equipment, property and mobile plant.

(i) Nature of the effect of adoption of AASB 16

The effect of adopting AASB 16 as at 1 August 2019 is, as follows:

	31 July 2019 as reported $ '000	AASB 16 adjustments $ '000	1 August 2019 post transition $ '000
Balance sheet 1 August 2019			
Right-of-use (ROU) assets	-	109,270	109,270
Investments accounted for using the equity method	1,813,027	(878)	1,812,149
Deferred tax liabilities from continuing operations	299,959	(1,909)	298,050
Lease liabilities	-	114,792	114,792
Retained earnings	1,532,772	(4,491)	1,528,281

The lease liabilities recognised upon transition at 1 August 2019 can be reconciled to the operating lease commitments as of 31 July 2019 as follows:

	$ '000
Operating lease commitments as 31 July 2019	**92,367**
Weighted average incremental borrowing rate as at 1 August 2019	3.70%
Discounted operating lease commitments at 1 August 2019	(15,927)
Add:	
Reasonably certain extension options	38,352
Lease liability as at 1 August 2020	114,792

<u>*Associates*</u>

In the current period the Group recognised the impact on the initial adoption of AASB 16 by its associate (WHSP). The amount of $615,000 (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.

(ii) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

<u>*Right-of-use assets*</u>

The Group recognises right-of-use assets at the commencement of the lease (i.e. the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of liabilities recognised and lease payments made at or before the commencement date, less any incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Unless the Group is reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments under AASB 136 *Impairments of Assets*.

5. OTHER DISCLOSURES (CONTINUED)

5.5. New accounting standards (continued)

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

- **AASB 16 *Leases (continued)***

(iii) Summary of new accounting policies (continued)

Lease liabilities

At the commencement of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include renewal periods where the Group is reasonably certain to exercise the renewal option. Outgoings and other variable lease payments that do not depend on an index or a rate are recognised as expense as incurred.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term lease and leases of low-value assets

The Group applies a recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies a recognition exemption to leases that are considered of low value. Lease payments on short-term and low-value leases are recognised as expense on a straight-line basis overt the lease term.

Judgements in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within control and affects its ability to exercise (or not to exercise) the option to renew.

(iv) Amounts recognised in the consolidated balance sheet and consolidated income statement

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets				
	Property $'000	Equipment $'000	Vehicles $'000	Total $'000	Liabilities $'000
As at 1 August 2019, post transition	86,710	16,703	5,857	109,270	(114,792)
New and modified leases	1,427	1,924	248	3,599	(3,599)
Leases exited	(204)	(122)	(30)	(356)	453
Depreciation	(8,893)	(3,238)	(1,557)	(13,688)	-
Financing component of lease (payments)	-	-	-	-	13,869
Foreign exchange difference	44	20	26	90	(96)
As at 31 January 2020	**79,084**	**15,287**	**4,544**	**98,915**	**(104,165)**

The Group recognised rent expense of $642,000 from short-term leases and variable lease payments for the six months ended 31 January 2020.

5. OTHER DISCLOSURES (CONTINUED)

5.5. New accounting standards (continued)

(b) New standards not yet applicable

A number of new accounting standards (including amendments and interpretations) have been issued but were not effective during the period. The Group has not elected to early adopt any of these new accounting standards in these financial statements. Certain amendments were made to the definition of materiality, which were applicable to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and consequential amendments to other AASBs, which (i) use a consistent definition of materiality through AASBs and the Conceptual Frameworks for Financial Reporting; (ii) clarify when information is material; and (iii) incorporate some of the guidance in AASB 101 about immaterial information. These amendments are issued but are applicable to the Group in future financial periods.

Other pronouncements are not expected to have a material impact on the Group's results or financial position.

Directors'

DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 36, 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 2020 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 26 March 2020

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

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

Building a better working world

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 2020, 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 2020 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 2020 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.

Building a better
working world

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
26 March 2020