

BRICKWORKS

LIMITED

24 February 2004

For electronic lodgement

AUSTRALIAN STOCK EXCHANGE (SYDNEY) LIMITED
20 Bond Street
Sydney NSW 2000

Attention: Companies Department

Dear Sir / Madam

Please find attached herewith the documents comprising Brickworks Limited's Half Year Report (Appendix 4D) for the 6 months ended 31 December 2003.

Yours faithfully
BRICKWORKS LIMITED



Iain Thompson
Company Secretary

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BRICKWORKS LIMITED

ABN 17 000 028 526

Wallgrove Road, Horsley Park NSW 2164; PO Box 6550, Wetherill Park NSW 1851

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Internet Address: <http://www.brickworks.com.au> E.Mail Address: info@brickworks.com.au

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

APPENDIX 4D
HALF-YEAR REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE PERIOD ENDED 31 DECEMBER 2003

RESULTS	PERCENTAGE MOVEMENT	CURRENT PERIOD 31 DEC 2003	PREVIOUS PERIOD 31 DEC 2002
Revenues from ordinary activities (\$000's)	UP 276% TO	416,807	110,764
Profit (loss) from ordinary activities after tax attributable to members (\$000's)	UP 221% TO	105,013	32,682
Net profit (loss) for the period attributable to members (\$000's)	UP 221% TO	105,013	32,682
Basic earnings per share (cents per share)	UP 221% TO	79.7	24.8
Net tangible assets per share (cents per share)	UP 6% TO	462.1	436.5

DIVIDENDS

	Amount per security (cents)	Franked amount per security (cents)	Total amount paid / payable (\$000's)	Foreign source dividend per security
Proposed interim ordinary dividend (payable 16 April 2004)	9.0	9.0	11,855	0.0
Previous corresponding period (paid 10 April 2003)	7.0	7.0	9,221	0.0

**Record date for determining entitlements
to the dividend**

2 APRIL 2004

There were no dividend reinvestment plans in operation at any time during or since the end of the financial half year.

Refer to the attached Review of Operations for an explanation of the results of the half year.

Refer to the attached financial statements for additional details regarding these results.

This report and the attached accounts 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

BRICKWORKS LTD GROUP

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

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

DIRECTORS' REPORT

The directors of Brickworks Limited present their report and the financial report of the Brickworks Group for the half year ended 31 December 2003.

Directors

The names of the directors in office at any time during or since the end of the half year are:

Robert D. Millner FAICD (Chairman)
Michael J. Millner
Alan J. Bentley FAICD
Timothy V. Fairfax FAICD
Lindsay R. Partridge BSc. Hons. Ceramic Eng; SFCDA; Dip. CD
The Hon. Robert J. Webster
David N. Gilham FCIT; FAIM; FAICD (Appointed 1 August 2003)

All directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Result of Operations

The consolidated net profit for the half year ended 31 December 2003 of the Brickworks Group after income tax expense, amounted to \$105,013,000 compared with \$32,682,000 for the previous corresponding half year.

Review of Operations

Refer attached document for a complete review of operations.

Rounding of amounts

The Brickworks Group has applied the relief available to it under ASIC Class Order 98/100 and accordingly certain amounts in the half year financial report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the directors at Sydney.

Dated 24 February 2004.

Director: R.D. Millner

Director: R.J. Webster

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	NOTE	CONSOLIDATED	
		31 December 2003 \$000	31 December 2002 \$000
Sales revenue		250,184	96,533
Cost of sales		<u>(152,215)</u>	<u>(56,166)</u>
Gross profit		97,969	40,367
Other revenues from ordinary activities		166,623	14,231
Distribution expenses		(23,469)	(12,153)
Administration expenses		(11,058)	(4,702)
Selling expenses		(15,761)	(5,853)
Borrowing costs expense		(16,307)	(2,333)
Other expenses from ordinary activities	2	(78,749)	(7,694)
Share of net profits of associates accounted for using the equity method		<u>12,766</u>	<u>16,513</u>
Profit from ordinary activities before income tax expense	2	132,014	38,376
Income tax attributable to profit from ordinary activities		<u>(27,001)</u>	<u>(5,694)</u>
Profit from ordinary activities after related income tax expense		<u>105,013</u>	<u>32,682</u>
Net profit attributable to members of the parent entity		<u>105,013</u>	<u>32,682</u>
Share of net (increase) / decrease in reserves of associates accounted for using the equity method		<u>(2,360)</u>	<u>(3,656)</u>
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Brickworks Ltd		<u>102,653</u>	<u>29,026</u>
Basic earnings per share (cents per share)		79.7	24.8
Diluted earnings per share (cents per share)		72.9	24.8

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2003

	NOTE	CONSOLIDATED	
		31 December 2003 \$000	30 June 2003 \$000
CURRENT ASSETS			
Cash assets		31,179	39,924
Receivables		62,192	24,204
Other financial assets		385	984
Inventories		74,424	28,202
Other		<u>4,831</u>	<u>3,673</u>
TOTAL CURRENT ASSETS		<u>173,011</u>	<u>96,987</u>
NON-CURRENT ASSETS			
Other financial assets		-	65,406
Inventories		17,873	1,574
Investments accounted for using the equity method		270,459	320,424
Property, plant and equipment		547,758	217,838
Deferred tax assets		13,445	5,000
Intangibles	5	<u>248,706</u>	<u>-</u>
TOTAL NON-CURRENT ASSETS		<u>1,098,241</u>	<u>610,242</u>
TOTAL ASSETS		<u>1,271,252</u>	<u>707,229</u>
CURRENT LIABILITIES			
Payables		59,552	13,545
Current interest-bearing liabilities		295,527	70,000
Current tax liabilities		11,970	1,504
Provisions		<u>23,244</u>	<u>10,402</u>
TOTAL CURRENT LIABILITIES		<u>390,293</u>	<u>95,451</u>
NON-CURRENT LIABILITIES			
Provisions		12,897	4,076
Deferred tax liabilities		<u>10,703</u>	<u>601</u>
TOTAL NON-CURRENT LIABILITIES		<u>23,600</u>	<u>4,677</u>
TOTAL LIABILITIES		<u>413,893</u>	<u>100,128</u>
NET ASSETS		<u>857,359</u>	<u>607,101</u>
EQUITY			
Contributed equity	4	302,168	139,409
Reserves		255,861	258,220
Retained profits		<u>299,330</u>	<u>209,472</u>
TOTAL EQUITY		<u>857,359</u>	<u>607,101</u>

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	CONSOLIDATED	
	31 December	31 December
	2003	2002
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	252,945	110,907
Payments to suppliers & employees	(203,944)	(86,663)
Interest received	1,019	534
Borrowing costs	(13,071)	(2,298)
Dividends received	18,756	21,121
Income tax paid	<u>(18,501)</u>	<u>(4,993)</u>
Net cash flows from operating activities	<u>37,204</u>	<u>38,608</u>
Cash flows from investing activities		
Proceeds from the sale of investments	3,951	2,638
Purchases of investments	(10,414)	(1,360)
Proceeds from disposal of controlled entity	119,889	-
Payment for controlled entity net of cash acquired	(432,509)	-
Proceeds from sale of property, plant & equipment	842	3,762
Purchases of property, plant & equipment	<u>(19,775)</u>	<u>(5,115)</u>
Net cash used in investing activities	<u>(338,016)</u>	<u>(75)</u>
Cash flows from financing activities		
Proceeds from borrowings	508,741	-
Repayment of borrowings	(351,216)	-
Proceeds from issue of shares	161,799	-
Loan (to) from other entity	15,200	-
Dividends paid by subsidiary to outside equity interests	(25,333)	-
Dividends paid	<u>(17,124)</u>	<u>(11,855)</u>
Net cash flows from / (used in) financing activities	<u>292,067</u>	<u>(11,855)</u>
Net increase (decrease) in cash held	(8,745)	26,678
Cash at beginning of half year	39,924	11,513
Effect of exchange rates on cash holdings in foreign currencies	<u>-</u>	<u>(4)</u>
Cash at end of half year	<u><u>31,179</u></u>	<u><u>38,187</u></u>

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

NOTE 1: BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared in accordance with the historical cost convention, except for current listed shares measured at market value.

It is recommended that this financial report should be read in conjunction with the Annual Report for the year ended 30 June 2003 and any public announcements made by Brickworks Limited and its controlled entities during the half year ended 31 December 2003 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the group and are consistent with those of the most recent annual financial report for the year ended 30 June 2003.

The half-year report does not include full disclosures of the type normally included in the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

	CONSOLIDATED	
31 December	31 December	
2003	2002	
\$000	\$000	

**NOTE 2: PROFIT FROM ORDINARY ACTIVITIES
BEFORE INCOME TAX**

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

Consideration on disposal of subsidiary (Brickworks Securities Pty Ltd (BSPL)) holding portfolio of listed investments	158,390	-
Carrying amount of net assets sold	70,107	-
Net gain on disposal of subsidiary	88,283	-
Contribution to profit of investment portfolio disposed of during the half year through the sale of subsidiary (excluding gain on disposal)	4,060	3,461
Contribution to profit of subsidiary (Bristile Ltd) acquired during the half year on consolidation	18,594	-
Contribution to profit of associate (Bristile Ltd) during the half year accounted for using the equity method	767	3,675
	19,361	3,675
Amortisation of Goodwill on acquisition of Bristile Ltd	(5,570)	-

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	CONSOLIDATED	
	31 December 2003 \$000	31 December 2002 \$000
NOTE 3: DIVIDENDS		
Final ordinary dividend of 13 cents per share fully franked at the tax rate of 30% and paid on 3 November 2003 (2002 - 9 cents fully franked paid 4 November 2002) not recognised as a liability in the previous half	17,124	11,855
Group's share of dividend received by associated company	<u>(1,969)</u>	<u>(1,828)</u>
	<u>15,155</u>	<u>10,027</u>
Proposed interim ordinary dividend of 9.0 cents per share fully franked at the tax rate of 30% but not recognised as a liability at half year end	<u>11,855</u>	<u>9,221</u>

There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.

NOTE 4: CONTRIBUTED EQUITY

On 17 October 2003 the company issued 1,650,000 redeemable preference shares (PAVERS) of \$100 each. The PAVERS may be converted to ordinary shares at the discretion of Brickworks Ltd on specified reset dates, the first of which is 1 December 2008. The conversion rate to ordinary shares is based upon the daily volume weighted average sale price of ordinary shares traded on the ASX during the 20 business days immediately preceding the conversion date. The PAVERS pay a dividend of 6.565% p.a, payable in June and December each year.

NOTE 5: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the half year, The Austral Brick Company Pty Ltd, a wholly owned subsidiary of Brickworks Ltd, successfully completed the acquisition of Bristile Ltd. Control over Bristile was gained on 23 July 2003, with 100% ownership achieved on 9 October 2003. Total consideration paid to acquire the remaining 77% of issued capital not owned at 30 June 2003 was \$435.6 million, supported by borrowings.

On 9 December 2003, Brickworks Ltd disposed of the majority of its listed investment portfolio through the sale of its 100% owned subsidiary, Brickworks Securities Pty Ltd (BSPL). Proceeds on sale were in \$119.9 million cash (used to repay borrowings), and 38.5 million shares at \$1 each in the purchaser. Profit on disposal before tax was \$88.3 million.

NOTE 6: EVENTS OCCURRING AFTER BALANCE DATE

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

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

NOTE 8: STATEMENT OF OPERATIONS BY SEGMENTS

(a) Business segments

	Building Products		Property		Investment (excl. associates)		Equity Accounted Associates		Consolidated	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
REVENUE										
Sales to customers outside the group	<u>249,973</u>	<u>96,351</u>	<u>959</u>	<u>7,855</u>	<u>165,875</u>	<u>6,558</u>	<u>12,766</u>	<u>16,513</u>	<u>429,573</u>	<u>127,277</u>
Total revenue from ordinary activities									<u>429,573</u>	<u>127,277</u>
RESULT										
Segment EBITDA	60,899	23,850	774	2,707	93,780	4,199	12,766	16,513	168,219	47,269
Less depreciation	<u>(11,398)</u>	<u>(5,741)</u>	-	-	-	-	-	-	<u>(11,398)</u>	<u>(5,741)</u>
Segment EBITA	<u>49,501</u>	<u>18,109</u>	<u>774</u>	<u>2,707</u>	<u>93,780</u>	<u>4,199</u>	<u>12,766</u>	<u>16,513</u>	<u>156,821</u>	<u>41,528</u>
Less amortisation of intangibles	<u>(6,739)</u>	-	-	-	-	-	-	-	<u>(6,739)</u>	-
Segment result	<u>42,762</u>	<u>18,109</u>	<u>774</u>	<u>2,707</u>	<u>93,780</u>	<u>4,199</u>	<u>12,766</u>	<u>16,513</u>	<u>150,082</u>	<u>41,528</u>
Unallocated expenses									<u>18,068</u>	<u>3,152</u>
Profit from ordinary activities before income tax expense									132,014	38,376
Income tax expense									<u>(27,001)</u>	<u>(5,694)</u>
Profit from ordinary activities after income tax expense									<u>105,013</u>	<u>32,682</u>

(b) Geographical Segments

The economic entity's business segments are located in Australia, with some product manufactured by the clay products division exported to countries within South-East Asia. Total revenue from sales outside of Australia in the period ended 31 December 2003 was \$3.568 million (2002 \$1.846 million).

(c) Business Segments

The economic entity has the following four business segments:

Building products division manufactures vitrified clay products used in the building industry. Major product lines include clay bricks, blocks, pavers, roof tiles, and terracotta floor tiles, concrete blocks and roof tiles and ceramic bathroom fittings.

Property division considers further opportunities to better utilise land owned by the Brickworks Group.

Investment division invests in the Australian share market, both for dividend income and capital growth.

Equity accounted associates includes the economic entity's investment in Washington H Soul Pattinson and Company Ltd, Brickworks Investment Company Ltd and Auswest Timbers Pty Ltd.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 2 to 8:
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2003 and its performance for the half year ended on that date of the consolidated entity.
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 at Sydney.

Dated 24 February 2004

Director: R.D. Millner

Director: R.J. Webster

Independent review report to members of Brickworks Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Brickworks Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

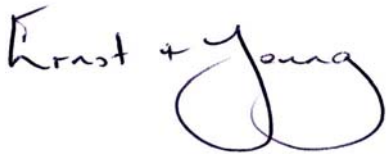
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2003 and of its performance for the six months ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 “Interim Financial Reporting” and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Graham Ezzy
Partner
Sydney
24 February 2004



HALF YEARLY RESULTS

SIX MONTHS ENDED 31 DECEMBER 2003

OVERVIEW

- **PROFIT UP 221% TO \$105 MILLION, BRICKWORKS BECOMES A NATIONAL BUILDING PRODUCTS BUSINESS**
- **PROFIT UP 31% TO \$42.8 MILLION (EXCLUDING SIGNIFICANT AND INTANGIBLE ITEMS)**

The six months to 31 December 2003 was a watershed period for Brickworks. During the period the company made the transition from being a state-based clay products and investment company to a national building products business with a presence in all Australian states.

Brickworks is now Australia's biggest brick and a major roof and floor tile producer with building products its most substantial component of recurring earnings.

Bristile has been integrated successfully and proven a natural fit in terms of corporate culture, product lines and markets. A strong management team has been formed from the two companies with Brickworks now focused on improving efficiency and margins.

The six months to 31 December 2003 included five months of earnings from Bristile and has resulted in a record profit after tax of \$105.0 million, up 221% from \$32.7 million in the previous corresponding period.

Directors have declared an increased ordinary dividend of 9 cents per share fully franked, 7 cents previously, payable on 16 April.

Brickworks has now increased its first half profit for seven consecutive years.

Profit after tax for the six months includes a one-off profit of \$70.7 million from sale of the investment portfolio to Brickworks Investment Company Limited, in which Brickworks has retained a 25.2 per cent shareholding.

Excluding this one-off contribution, one-off funding costs (\$1.8 million) and the write-off of goodwill and brand names (\$6.7 million), net profit after tax was up 31 per cent to \$42.8 million.

Brickworks has also substantially improved its debt position following the \$523.2 million acquisition of Bristile.

The acquisition of Bristile increased total assets to \$1.271 billion, up 80 per cent on June 2003. While this also increased total group borrowings to \$566 million in August 2003, Brickworks has reduced this to \$295 million at 31 December through the proceeds of the sale of the investment portfolio (\$120 million) and also \$162 million raised through the issue of Reset Preference Shares known as PAVERS.

There was also activity in the area of property realisation with progress being made on a number of sites. This activity provided cash flow in the half (\$15.2 million) with profit deferred until final development and sales have been completed.

With Brickworks now focused on expanding the national building products business, the roll out of a new national brand name and continuing revenue from property, supplemented by income from the holding in WHSP, the company is now well positioned for further strategic expansion.

BUILDING PRODUCTS

During the period, EBITA increased 173% to \$49.5 million on sales of \$250.0 million. Five months trading of Bristile propelled the result to this exceptional level.

The EBITA to Sales Margin improved to 19.8% up from 18.8% previously. For the first time this included the supply and fix roof tile operations which operate at much lower margins.

Demand from most major customers is being met as required although supply is tightest in Western Australia. Up to six months delivery is being quoted on some lines in New South Wales and Western Australia.

Victoria's soft start to the financial year has allowed some stock to build up. As a result, product is being shipped from Victoria to Western Australia, South Australia, New South Wales and New Zealand in an effort to meet demand and reduce delays in those markets.

The assimilation of Bristile has progressed smoothly and over the next six months final steps will be taken to completely integrate the operations. The response by clients and staff nationally has been positive to the Bristile merger and this has been borne out in the solid results and by the fact that over 500 of our 1500 employees have become shareholders. Brickworks has launched a national rebranding campaign to bring all the brick products under one brand, Austral Bricks. The new national Austral Bricks brand is being rolled out this month and customers and staff have been briefed on the new direction. It has been decided that Bristile will become the new national roof tile brand, unifying the Company's diverse roof tile operations.

All factories performed well during the period while maintaining absolute maximum capacity with most plants working over the Christmas and New Year period and many producing bricks on Christmas Day.

Continued bottleneck elimination and efficiency improvements enabled many plants to set new production records and reduce production costs. Year on year production remained stable despite the permanent closure of the Eastwood facility on 30 November.

The strong production performance across the group enabled inventories to increase slightly overall, although they are still inadequate to meet the order bank.

CAPITAL EXPENDITURE

The Company's philosophy is to continue to invest in upgrading plants to improve efficiency and maintain market position. During the period, capital expenditure in the building products business totalled \$16.9 million compared to depreciation of \$11.4 million. Major items included a new grinding plant for Bowral and a new robot based dehacker (unloading and packaging machine) at Rochedale which is now being commissioned. This, combined with some other modifications, will make Rochedale the highest output plant in the group.

The long term future for Queensland looks particularly bright with combined net interstate and overseas immigration running at approximately 60,000 people per year. BIS Shrapnel forecasts that Queensland will have the highest underlying housing demand through to 2008. Production from Queensland has been extensively used for export and to supplement selected product lines in NSW, Victoria and South Australia. This is made possible by the extremely low manufacturing costs in Queensland.

Consequently, today the Board decided to double the output from Riverview lifting Queensland production to significantly more than 200 million. This expansion not only offers exceptional value, it will also guarantee Austral's number one position in Queensland now and into the future. In addition, it will act as a back-up to all other East Coast operations.

The demand in Western Australia has been very strong with excessive delays likely to damage the market if left unattended. As a result, expansion of our West Australian production capacity is being considered. This will be a major project and will likely take 1.5 to 2 years to complete. While a number of other competitors' projects have been mentioned for Western Australia, the Board believes the project is in the long term interests of the WA operations as it will assist in consolidating and improving the efficiency of the division while improving the range and mix of products. In the event of a downturn, it will allow one of the older plants to become a swing plant guaranteeing the current situation is not repeated.

The \$12 million project to upgrade the plant at Bowral is well advanced and will continue throughout the year.

EXPORT

Export sales continued to grow strongly, doubling on last year. Exceptionally strong sales to New Zealand, due to a resurgence in the use of face bricks and strong housing starts, have underpinned the export effort. Hong Kong and Japan have also continued strongly. Export sales are now equal to the full capacity of one factory.

LAND AND PROPERTY REALISATION

The six months period has seen significant activity in the Brickworks property realisation program. During the period, the second payment for the Eastwood property of \$8.2 million and the first payment for the Golden Grove property in Adelaide of \$7 million were received. The profit on these transactions has been deferred until the Eastwood land is sold and the Golden Grove contract becomes unconditional.

In addition to this, major developments have taken place in relation to the SEPP 59 property, known as the Vineyard. An extensive tender process to select a Joint Venture Partner to develop the property was commenced in July 2003. Competition for the property was strong with all of the major industrial developers involved.

Macquarie Goodman was finally selected as the successful party, largely due to the extent of guaranteed returns provided to Brickworks. A Heads of Agreement (HoA) was signed with Macquarie Goodman on 21 December 2003. Under this agreement Brickworks will receive guaranteed payments amounting to around \$150 million over the next 10 to 12 years with a significant portion of this amount being received in the next three to four years. Brickworks will also share in the profits from the development. Macquarie Goodman will now fund and manage the infrastructure to the site and the sub-division and sale of the land to third parties. The contract is conditional on the approval of the Precinct Plan for the site which is expected before the end of 2004.

Development of the Eastwood site, by Clarendon Apartments and Boulderstone Hornibrook, has progressed well over the last six months. This included the development agreement for the site becoming unconditional due to the adoption of the Master plan. A major risk in the project was removed in December 2003 with the approval of the DA for the filling of the remainder of the pit allowing Austral to completely vacate the site on in December. This has triggered the next payment of \$10.25 million to Austral, due on 20 June 2004.

One of the immediate projects in the Bristle property realisation program is the development of land at Golden Grove. The land at Golden Grove was already under a contract for sale at the time of the merger and development has progressed well with several rezoning milestones being achieved and a payment of \$7 million being received in December, as mentioned above.

The acquisition of land at Horsley Park for the construction of the Orbital/M7 Westlink road also commenced. An offer was received from the RTA in November for part of the "Vineyard" property and the front section of land on the main Horsley Park site. Agreement has been reached on the sale of 2.16 hectares of the "Vineyard" property for \$2.4 million and negotiations are continuing for a 2.6 hectare strip of land on the main Horsley Park site.

Progress has been slower on the sub-division of the Mamre Road site at Erskine Park. A report proposing a solution to the biodiversity issues in the entire Erskine Park area, which recommends support of Austral's proposed retention of bushland on the site, has been prepared and lodged with Council. The landowners, including Austral, are now seeking Council support for the plan to allow the sub-division application to be approved.

WASTE MANAGEMENT

The Horsley Park waste facility has continued to operate well over the last six month period. Collex has continued to deposit waste at Horsley Park providing royalties of \$886,000. Creation of more airspace has also continued and two further cells were handed over to Collex in December.

Approval for landfilling at the Bolinda Road property, Campbellfield, Melbourne has continued. Finalisation of the process is dependent on changes being made to the Environmental Protection Authorities Regional Waste Plan. Lobbying is continuing to have the site included in this plan.

INVESTMENT IN WASHINGTON H. SOUL PATTINSON (WHSP)

The market value of WHSP was \$659.6 million at December 31 2003, up \$61 million since June 2003 and up \$130 million during the last 12 months.

The equity accounted contribution related to the six months to 31 July 2003 was \$13.1 million, a 2% increase on the previous corresponding period. Dividends received were \$15.3 million, fully franked. This included a special dividend of \$5.1 million by way of shares in New Hope Corporation on the basis of 1 New Hope share for every 8 WHSP shares. These new shares and associated options were sold with the share portfolio.

The investment in WHSP has a 15 year compound return of 16.3% compared to 9.5% in the ASX All Ordinary Accumulation Index.

OTHER INVESTMENTS

Dividends and realised gains from this portfolio increased 30% to \$5.5 million excluding the pre-tax gain of \$88.3 million from the sale of the long term share portfolio to Brickworks Investment Company (BKI). The value of the portfolio at the time of sale was \$156.5 million compared to \$152.0 million at June 2003. Brickworks' 25.2% interest in BKI was valued at \$41.8 million at 31 December 2003.

FINANCE

Brickworks has undergone a significant financial transformation during the six months to December 2003 with the acquisition of the balance of Bristle Limited for \$435.6 million. This acquisition was initially funded by short term borrowings from NAB.

The Company raised \$165 million in the fully subscribed issue of Reset Preference Shares known as "PAVERS" which was used to offset borrowings. These securities will pay a fully franked dividend of 6.565% per annum payable in June and December each year.

Debt was further reduced in December following the sale of Brickworks' long term share portfolio to a new publicly listed entity, Brickworks Investment Company Limited (BKI). Brickworks received \$120 million in cash and now holds a 25.2% equity interest which it will account for as an Equity Accounted Associate. These shares have traded between

95c and \$1.00 each since listing on 12 December 2003 causing Brickworks to Equity Account a loss of \$1.3 million in the final December accounts. At 31 December 2003, net asset backing was 99.6 cents per share net of likely capital gains tax .

These transactions, combined with several smaller property transactions, have resulted in the Company's debt level increasing from \$70 million in June 2003 to \$295 million at 31 December 2003. At the same time, Total Assets increased from \$707.2 million to \$1,271.3 million with the acquisition of Bristle.

The Net Debt to Capital Employed was 23.6% at 31 December, 2003 and 38.2% if the reset preference shares "PAVERS" are included as debt, as will be the case under new International Accounting Standards.

Interest cover ratio was 4.1 times after excluding the net gain from the disposal of BKI and the one-off funding costs of \$2.6 million written off during the period.

FUTURE

Building Products

Low stock levels, high order levels and the substantial pipeline of work will ensure a record finish to this financial year. Anecdotal evidence from builders reporting reduced display traffic will take a few more months to work its way through. However, most forecasters are predicting overall flat trading conditions for the balance of this financial year.

Longer term, while interest rates remain low, employment levels are robust and immigration remains high, the housing industry will continue to perform well and strong trading conditions are anticipated.

Brickworks Limited

Brickworks has undergone a significant financial re-engineering in the last six months with an increased focus on the building products division and a reduced focus on investments. This, combined with the hybrid pavers, has improved the balance sheet substantially. Future cash flows will be significant when operating revenues are combined with income from contracted future land sales which are in excess of \$200 million.

Consequently, the low gearing and strong predicted cash flow puts Brickworks in a perfect position to undertake further strategic expansion.

BRICKWORKS LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 000 028 526

FIVE YEAR SUMMARY

	1999 \$000	2000 \$000	2001 \$000	2002 \$000	2003 \$000	% Growth
Total revenue	89,364	99,519	96,068	127,276	429,573	238%
Building Products revenue	76,027	58,349	74,090	96,350	249,973	159%
Net profit before income tax						
Building products <i>(inc amortisation)</i>	13,973	11,073	14,812	18,109	49,501	173%
Property	-	-	(99)	2,121	(38)	(102%)
Waste mgmt	-	-	-	586	812	39%
Investments (excluding associates)	3,274	4,892	3,597	4,199	93,780	2133%
Associates *	9,068	32,481	14,241	16,513	12,766	(23%)
Unallocated expenses	-	(770)	(2,091)	(3,152)	(18,068)	473%
Intangibles	-	-	-	-	(6,739)	
	<u>26,315</u>	<u>47,676</u>	<u>30,460</u>	<u>38,376</u>	<u>132,014</u>	244%
Income tax	<u>5,486</u>	<u>4,097</u>	<u>4,266</u>	<u>5,694</u>	<u>27,001</u>	374%
Net profit after income tax	<u>20,829</u>	<u>43,579</u>	<u>26,194</u>	<u>32,682</u>	<u>105,013</u>	221%
Earnings per share (cents) **	15.8	33.1	19.9	24.8	79.7	221%
Dividends **						
Ordinary dividends per share (cents)	5.5	6.0	6.5	7.0	-	(100%)
Special dividends per share (cents)	<u>2.5</u>	<u>4.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total dividends per share (cents)	<u>8.0</u>	<u>10.0</u>	<u>6.5</u>	<u>7.0</u>	<u>-</u>	
Ratios						
Net tangible assets per share **	\$3.53	\$3.88	\$4.07	\$4.37	\$4.62	6%
Return on shareholders equity	9.0%	17.1%	9.8%	11.4%	34.5%	204%
Interest cover ratio	-	-	26.9	23.6	4.6	(81%)
Debt to capital employed	-	-	10.3%	6.8%	23.6%	247%

Notes:

* The 2001 Associate result includes the abnormal effect of the API transaction in Washington H Soul Pattinson and Company Ltd which increased profit by \$22.1 million.

** Earnings, dividends and NTA per share have been adjusted for the 10 for 1 share split on 18 December 2000.