Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728
First Floor, 160 Pitt Street Mall, Sydney NSW 2000

ASX Appendix 4E & Preliminary final report 31 July 2017

Lodged with the ASX under Listing Rule 4.3A

Contents

Reporting Period

The reporting period for this report is the financial year ended 31 July 2017.

The previous corresponding period is the financial year ended 31 July 2016.

Results for Announcement to the Market

		Current period 31 July 2017 $'000	Prior period 31 July 2016 $'000	Change $'000
Revenue from operations	**Up 55.9% to**	**967,570**	620,661	**346,909**
Profit after tax attributable to members *(2)*	**Up 123.3% to**	**333,611**	149,421	**184,190**
Regular profit after tax attributable to members *(3)*	**Up 59.1% to**	**282,019**	177,222	**104,797**

Dividends

	Cents per share	Franking %
This period		
1. Final dividend *(4)*	**32.0**	**100%**
2. Interim dividend	22.0	100%
Previous corresponding period		
1. Final dividend	31.0	100%
2. Interim dividend	21.0	100%
Record date for determining entitlement to final dividend:	**20 Nov 2017**	
Date the final dividend is payable:	**11 Dec 2017**	

Comments on above results

(1) **Refer to Chairman's Review and Review of Group Entities for further details on the results.**

(2) **The profit after tax attributable to members was $333.6 million, an increase of $184.2 million compared with the previous corresponding period.**

(3) **The regular profit after tax* attributable to members of $282.0 million was the Group's highest ever and increased by 59.1% over the $177.2 million for 2016. This increase was attributable to improved regular contributions across the portfolio, notably:**
New Hope Corporation Limited (up 2,412%) which capitalised on a recovery in coal prices and its new Bengalla joint venture; TPG Telecom Limited (up 14.3%) with growth in both consumer and corporate segments; Brickworks (up 6.1%) on the back of continued east coast building activity and demand for Brickworks' land portfolio; and Australian Pharmaceutical Industries Limited (API) (up 16.8%) through continued organic growth of the Priceline pharmacies.

Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Preliminary Final Report – Note 3, Segment information.

(4) **Final dividend increased by 3.2% to 32 cents per share fully franked.**

Earnings per share

	2017	2016
From operations Basic Earnings per Share Diluted Earnings per Share	**139.36 cents** **139.36 cents**	62.42 cents 62.42 cents
From regular profit after tax attributable to members	**117.81 cents**	74.03 cents

Net tangible assets per security

	2017	2016
Net tangible asset backing per ordinary security	**$12.91**	$12.02

Explanation of Profit after tax

For a further explanation of the year's operating results, please refer to the Chairman's Review and Review of Group Entities.

Explanation of Net Profit

For a further explanation of the year's operating results, please refer to the Chairman's Review and Review of Group Entities.

Review of Operations

For a further explanation of the year's operating results, please refer to the Chairman's Review and Review of Group Entities.

Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

Year Ended 31 July 2017

Chairman's Review

Dear Shareholders,

I am pleased to present the 2017 Washington H. Soul Pattinson and Company Limited (WHSP, Company) Preliminary Final Report on behalf of the Board of Directors of the Company.

Performance Highlights

Performance for the Year		
The Group's highest ever regular profit Group Regular profit after tax*	$282.0 million	+ 59.1%
Total profit more than doubled Group Profit after tax	$333.6 million	+ 123.3%

Shareholder Returns		
Net regular cash from operations	$143.6 million	60 cents per share
Total Dividends (fully franked)	54 cents	+ 3.8%
Dividend growth over 15 years (ordinary dividend compound annual growth rate)	9.4% PA	

Total Shareholder Returns

	WHSP	All Ords. Index	Out Performance
3 Years	8.8% PA	5.3% PA	3.5% PA
15 Years	12.8% PA	8.9% PA	3.9% PA

** Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Preliminary Final Report – Note 3, Segment information.*

Consolidated Financial Performance

The profit after tax attributable to shareholders for the year ended 31 July 2017 was $333.6 million, an increase of 123.3% compared to the $149.4 million for last year.

The regular profit after tax* of $282.0 million was the Group's highest ever and increased by 59.1% over the $177.2 million for 2016. This increase was attributable to improved regular contributions across the portfolio, notably:

- New Hope Corporation Limited (up 2,412%) which capitalised on a recovery in coal prices and its new Bengalla joint venture;
- TPG Telecom Limited (up 14.3%) with growth in both consumer and corporate segments;
- Brickworks (up 6.1%) on the back of continued east coast building activity and demand for Brickworks' land portfolio; and
- Australian Pharmaceutical Industries Limited (up 16.8%) through continued organic growth of the Priceline pharmacies.

The net profit on non-regular items was $51.6 million (2016: $27.8 million loss) including: a gain on the recognition of Pengana Capital Group as an associate; gains on the disposal and part disposal of associates; and gains on the sale of long-term equity investments.

Comparisons with the prior year are as follows:-

	2017 $'000	**2016** $'000	**%** Change
Profit after tax attributable to shareholders	**333,611**	149,421	+ 123.3%
Regular profit after tax* attributable to shareholders	**282,019**	177,222	+ 59.1%
Interim Dividend (paid in May each year)	**22 cents**	21 cents	+ 4.8%
Final Dividend (payable 11 December 2017)	**32 cents**	31 cents	+ 3.2%
Total Dividends	**54 cents**	52 cents	+ 3.8%

** Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Preliminary Final Report – Note 3, Segment information.*

Assets of the Parent Company Washington H. Soul Pattinson and Company Limited

The assets of WHSP are summarised below. The net asset value at 31 July 2017 was $4.5 billion a decrease of $1.5 billion or 25.0% compared to $6.0 billion as at 31 July 2016. This decrease is mainly attributable to the decrease in TPG Telecom's share price.

As at 31 July 2017	WHSP's Holding %	Value of WHSP's Holding $m	12 month Movement $m	12 month Movement %
TPG Telecom[1]	25.2%	1,305	(1,433)	(52.3%)
Brickworks[1]	44.0%	867	(120)	(12.2%)
New Hope Corporation[1]	59.6%	793	0	0%
Financial Services Portfolio[1 & 2]	-	409	149	57.2%
Aust. Pharmaceutical Ind. [1]	19.4%	167	(64)	(27.7%)
CopperChem and Exco Resources[2]	100%	84	24	39.1%
Apex Healthcare Berhad[1]	30.3%	49	4	8.5%
TPI Enterprises[1]	18.9%	40	11	39.6%
Other Listed Investment Portfolio[1]		447	(45)	(9.2%)
Other Unlisted Investment Portfolio[2]		72	(17)	(18.7%)
Property Portfolio[2] (net of borrowings)		208	31	17.9%
Cash and other net assets		25	(49)	(65.6%)
Net asset value (pre-tax)[3]		**4,466**	**(1,509)**	**(25.0%)**

[1] At market value.

[2] At Directors' valuations.

[3] The tax payable if all of these assets had been disposed of on 31 July 2017 would have been approximately $787 million.

During the year, WHSP invested a further $100.7 million in TPG Telecom via a capital raising to finance its purchase of mobile network spectrum.

WHSP has aggregated its financial services investments into a financial services portfolio. BKI Investment Company (BKI), Milton Corporation (Milton) and Pitt Capital Partners were held at the beginning of the year. Proceeds from the sale of part of the BKI and Milton holdings were $25.1 million with a gain of $9.9 million. Holdings in Pengana Capital Group, Hunter Hall Global Value, URB Investments and Contact Asset Management were acquired during the year for $96.2 million and at 31 July had a value of $161.9 million, an increase of $65.7 million.

The holding in Australian Pharmaceutical Industries was reduced from 24.6% to 19.4% for proceeds of $53.6 million and a profit of $19.1 million. A further $11.8 million was invested in TPI Enterprises and WHSP participated in Ruralco Holdings' capital raising before selling its entire holding for $56.1 million.

While most of WHSP's investments delivered improved regular contributions this year, the share prices of the listed investments did not consistently reflect their performances. TPG Telecom's regular profit increased by 15.6% yet its share price decreased by 56.3%. Brickworks' underlying profit increased by 33.6% to a record $196.4 million while its share price decreased by 12.2%.

Proceeds from the sale of other listed investments was $90.4 million for the year while new investments totalled $39.4 million. The gain on disposals was $30.1 million and included Perpetual, Australia and New Zealand Banking Group (ANZ Bank) and Telstra.

Unlisted investments decreased in value by $16.7 million, mainly as a result of sales.

During the year, two property investments were disposed of for $20.1 million. Investments were made in three new properties totalling $32.9 million and a property was revalued by $8.9 million.

Washington H. Soul Pattinson and Company Limited

WHSP is a long-term investor with its focus on providing its shareholders with capital growth and increasing fully franked dividends. WHSP has consistently outperformed the ASX All Ordinaries Accumulation Index over the long term.

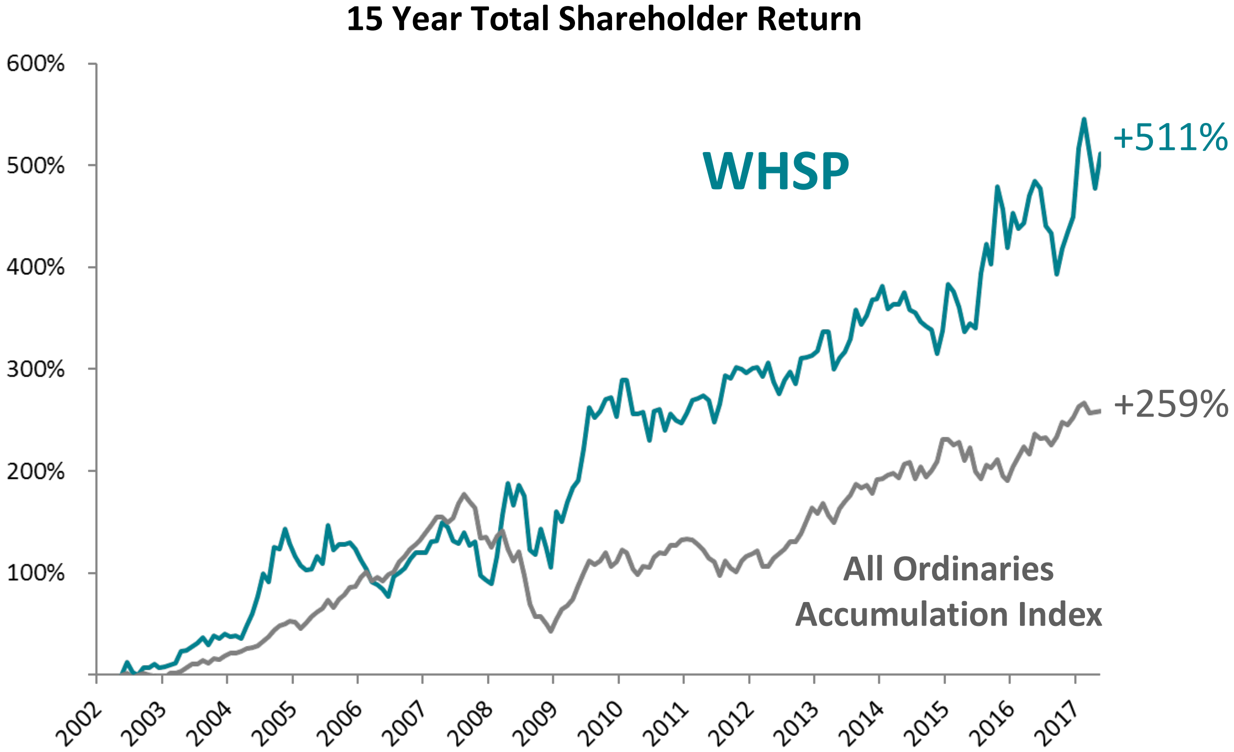
Total shareholder return (TSR) measures share price movement over time and assumes dividends received are reinvested by purchasing additional shares.

The table below shows the TSRs for WHSP shares for various periods and compares them to the ASX All Ordinaries Accumulation Index which also includes the reinvestment of dividends.

Total Shareholder Returns to 31 July 2017

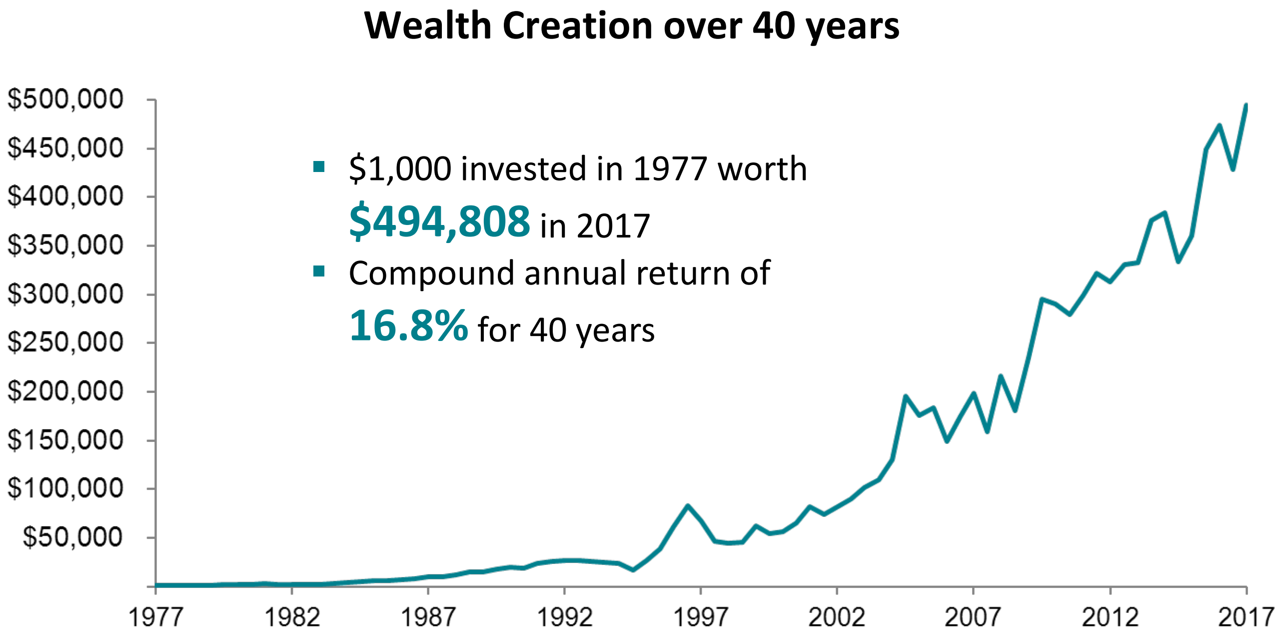
Annual Return	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
WHSP	**4.5%**	**17.2%**	**8.8%**	**9.6%**	**9.6%**	**12.8%**
All Ords. Accum. Index	6.6%	5.3%	5.3%	10.8%	3.7%	8.9%

The following chart shows the total return over time of an initial investment made in WHSP shares in July 2002 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP over the last 15 years has almost doubled an investment in the index.



Includes the re-investment of dividends.

The following chart shows that the wealth creation is even more pronounced over a longer period. If a shareholder had invested $1,000 in 1977 and reinvested all dividends, the shareholding would have appreciated to nearly $495,000 as at 31 July 2017. This equates to a compound annual growth rate of 16.8% year on year for 40 years.



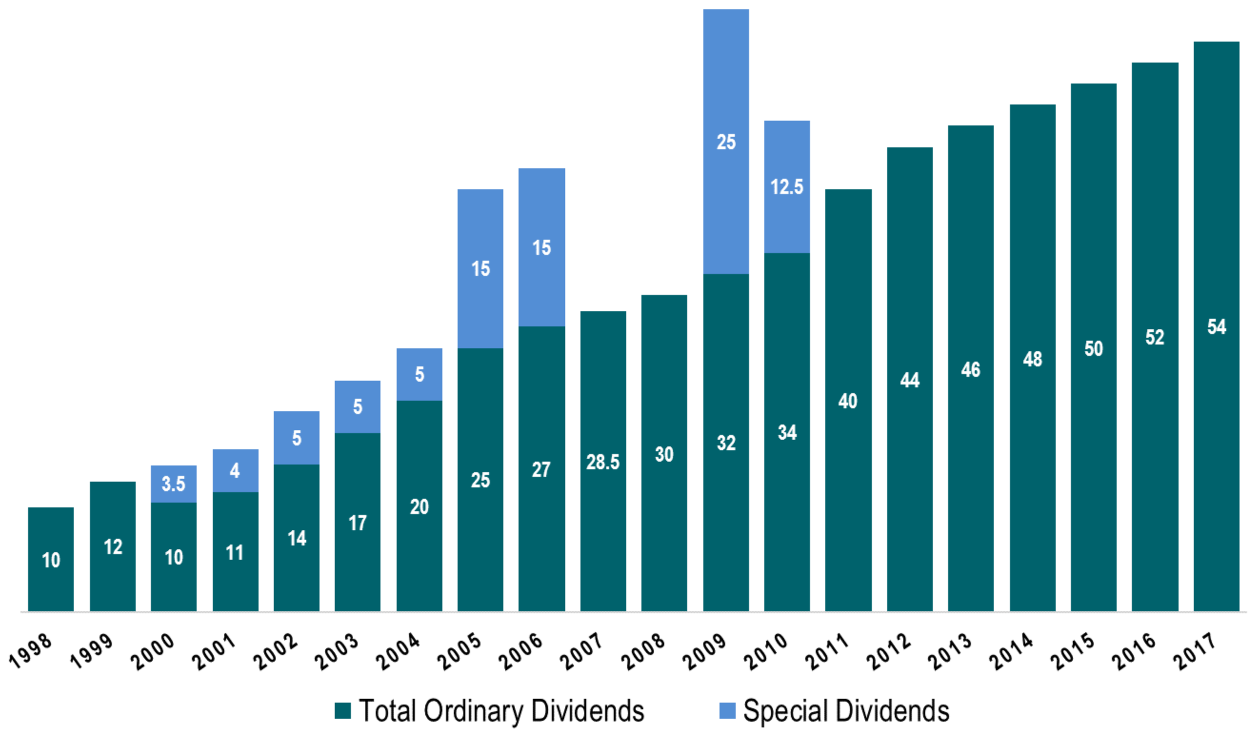
Includes the re-investment of dividends.

Dividends

The chart below demonstrates WHSP's exceptional history of paying dividends to shareholders. The compound annual growth rate of the Company's ordinary dividends is 9.4% PA over the last 15 years and WHSP has not missed paying a dividend since listing in 1903 (including during the Great Depression of the 1930s and the Global Financial Crisis of 2007-08).

20 Year Dividend History

Cents per Share



Final Dividend

The Directors have declared a fully franked final dividend of 32 cents per share in respect of the year ended 31 July 2017 (2016: 31 cents fully franked). This brings total dividends for the year to 54 cents fully franked (2016: 52 cents fully franked).

The record date for the final dividend will be 20 November 2017 with payment due on 11 December 2017.

WHSP is one of only two companies in the ASX All Ordinaries Index to have increased its dividend every year for the last 17 years.

The Company receives dividends and distributions from its investments, interest from funds on deposit and gains on property assets. The Directors declare interim and final dividends based on the Company's regular cash inflows less regular operating costs.

This year it will pay out, as dividends, 90.0% of its net regular cash inflows from operations (2016: 90.6%).

WHSP's diversified portfolio continues to deliver reliable cash returns enabling it to provide increasing fully franked dividends to its shareholders.

Review of Group Entities – as at 31 July 2017

TPG Telecom Limited

Associated entity: **25.2% held**
Dividends paid to WHSP: **$33.1 million**
Total market capitalisation: **$5.19 billion**
Value of WHSP's holding: **$1.30 billion**
ASX code: **TPM**

TPG reported the following results for the year ended 31 July 2017:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $890.8 million, an increase of 5%.
- Net profit after tax (NPAT) of $413.8 million, an increase of 9%.
- Earnings per share (EPS) 47.9 cents, an increase of 6%.

Underlying Results

The above results include the following irregular items:

- $48.8 million profit realised on the sale of equity investments ($35.3 million post tax); and
- $7.0 million non-recurring revenue earned by TPG's consumer segment ($4.9 million post tax).

Excluding these irregular items and the $74.1 million ($70.7 million post tax) irregular items that benefitted the reported EBITDA last year, TPG's underlying EBITDA has increased by $59.7 million or 8% to $835.0 million. This is $5 million above the top end of the $820-830 million guidance range provided in September 2016.

TPG's underlying NPAT grew by $56.3 million or 16% to $417.3 million due primarily to the EBITDA growth and a $32.4 million pre-tax decrease in net financing costs. Net financing costs fell due to a reduction in the quantum and cost of TPG's bank debt.

Underlying EPS increased by 12% to 48.3 cents per share.

Segment Results

The consumer segment's EBITDA for the year was $530.4 million compared to $467.4 million for 2016. Irregular items affecting this movement were $7.0 million of one-off revenue earned through a key supplier arrangement this year and $6.3 million of iiNet integration costs incurred last year and not repeated this year. Excluding these irregular items, the consumer segment achieved underlying EBITDA growth of $49.7 million. This growth was driven by: an extra 3 weeks contribution from iiNet relative to 2016 of approximately $13.8 million; and organic growth of $35.9 million driven by NBN and fibre to the building subscriber growth and the continued realisation of financial benefits from iiNet integration activities.

The corporate segment achieved EBITDA of $312.8 million compared to $300.2 million last year. This growth of $12.6 million was driven by continued strong data and internet sales and margin expansion.

Cash Flow, Capital Expenditure and Gearing

TPG delivered another strong cash flow result with $869.7 million of cash generated from operations (pre-tax).

TPG's capital expenditure of $576.3 million included $207.5 million for mobile spectrum purchases, comprising of $124.4 million for Singapore new entrant and general auctions, $73.1 million for Australian 1800MHz spectrum and a $10.0 million prepayment in relation to Australian 700MHz spectrum. Aside from spectrum purchases, there was no significant mobile network expenditure. This expenditure will commence in 2018 financial year.

Other capital expenditure for the year of $368.8m was approximately $100 million higher than last year. This was driven by: an acceleration in the fibre expansion for the Vodafone fibre contract which is on schedule to be completed on time and within budget during the 2018 financial year; and the acquisition of additional international capacity.

Cash flows for the year were boosted by proceeds from the sale of equity investments of $124.5 million. These, together with the free cash flow generated in the year and the $400 million equity raise undertaken in April 2017 enabled TPG to reduce its bank debt as at the year end to $900 million. This resulted in a debt to EBITDA leverage ratio of less than 1.1 times.

<u>Debt facilities</u>

As at the year end TPG had $735 million of undrawn debt facilities. In September 2017, TPG increased its total committed debt facilities by a further $750 million to $2,385 million in order to finance its spectrum commitments and planned mobile network builds.

Under the revised September 2017 debt facility agreement the improved pricing that TPG secured when it refinanced in December 2016 was maintained and the maturities of the facilities were extended. The maturity profile of the facilities is now between 3 and 7 years from September 2017 with a weighted average period of 4.5 years.

<u>Mobile Strategy Update</u>

In addition to achieving the important milestone of securing debt financing to support the mobile strategy, TPG has also made strong progress in the implementation of its mobile network rollouts in both Singapore and Australia.

In Singapore, TPG is on track to achieve the first milestone of nationwide outdoor service coverage before the end of 2018. Capital expenditure projections are currently looking to be within initial assumptions.

In Australia, where the initial network implementation is concentrated on the most densely populated areas, TPG has already entered into agreements with multiple utility partners to gain access to a large number of sites to provide coverage of major metropolitan areas. Implementation of some initial site clusters in Sydney, Melbourne and Canberra are expected to be completed by mid 2018.

<u>Dividend</u>

TPG has declared a reduced final dividend of 2 cents per share fully franked and have re-implemented the Dividend Reinvestment Plan for this dividend with a discount of 1.5%.

This final dividend brings the total dividends for the year to 10 cents per share fully franked compared to 14.5 cents for last year.

<u>Contribution</u>

TPG contributed a net profit of $104.1 million to the Group (2016: $97.5 million).

Brickworks Limited

Associated entity: **44.0% held**
Dividends paid to WHSP: **$32.2 million**
Total market capitalisation: **$1.97 billion**
Value of WHSP's holding: **$867 million**
ASX code: **BKW**

Brickworks posted a statutory net profit after tax (NPAT) for the year ended 31 July 2017 of $186.2 million, up 138.2% on the prior year. Record underlying NPAT of $196.4 million was up 33.6% from $147.1 million for the year ended 31 July 2016.

Statutory earnings per share (EPS) was 124.9 cents, up 137.6% on the prior year, and underlying EPS was 131.8 cents, up 33.2%.

Brickworks has declared a fully franked final dividend of 34 cents per share for the year ended 31 July 2017, up 6.3% from 32 cents last year. Together with the interim dividend of 17 cents per share, this brings the total dividends paid for the year to 51 cents per share, up 3 cents or 6.3% on the prior year.

Building Products

Building Products' earnings before interest and tax (EBIT) was $65.0 million, down 13.7% on the prior year. Earnings on the east coast were higher, despite the impact of Cyclone Debbie and the associated period of heavy rain that had a significant impact on sales volume and manufacturing operations. This was offset by a decrease in earnings in Western Australia, as a result of the difficult market conditions and subsequent re-structuring activities in that state.

Total dwelling commencements for Australia were down 7.9% to 215,144 for the twelve months ended 30 June 2017. Despite the decline, this level of building activity remains elevated compared to historical averages.

Detached housing commencements remained at near peak levels, buoyed by growth in New South Wales which partially offset the significant fall in Western Australia.

After years of unprecedented growth, non-detached housing commencements decreased by 12.6% in the year to 30 June 2017, with all states except New South Wales experiencing falls.

Austral Bricks delivered a 7.3% increase in earnings for the year, with sales revenue up 2.0% to $413.9 million. A focus on innovation and development of premium products continued to drive up sales margins during the year. Unit manufacturing costs improved, primarily as a result of prior period plant upgrades.

Property

The Property Group produced an EBIT of $90.6 million for the year, up 23.3% from $73.5 million in 2016.

The improved result was due primarily to the sale of Oakdale West into the Joint Venture Industrial Property Trust during the first half, which contributed an EBIT of $50.1 million. This 90 hectare site at Eastern Creek in New South Wales will be developed by the Property Trust as an industrial estate over the coming years.

The Joint Venture Industrial Property Trust (Property Trust) is a 50/50 partnership between Brickworks and the Goodman Industrial Trust. The net income distributed from the Property Trust was $18.0 million, up 17.6% from $15.3 million last year. In addition to annual rent increases on established properties, new developments at Rochedale and Oakdale Central contributed to this uplift.

The total value of assets held within the Property Trust at 31 July 2017 was $1.401 billion with borrowings of $441 million, giving a total net value of $960 million. Brickworks' share of the Property Trust's net asset value was $480 million, up $148 million from $332 million at 31 July 2016.

Outlook

The Building Products Group continues to face mixed market conditions across the country, with the elevated east coast demand being offset by the significant weakness in Western Australia. Brickworks' pipeline of work is extremely strong in the major east coast states.

Brickworks is confident that the significant restructuring activities undertaken in Western Australia during 2017 have positioned its businesses to deliver improved results.

The most significant threat to Building Products' earnings is rising energy prices. Within Austral Bricks, energy prices represent around 26% of non-labour input costs and therefore any increase has a significant impact on margins.

Overall, Brickworks remains positive about the short-term outlook for Building Products.

Development activity within the Property Trust is currently at record levels, and the completion of further developments at Rochedale and Oakdale Central during the year will continue to increase rental income and asset value. Despite the strong prospects for the Property Trust, 2018 EBIT from Property will be lower than 2017, as we do not expect any significant land sales to occur within the period.

Contribution

Brickworks contributed a net profit of $36.3 million (2016: $9.6 million 44.1% held) to the Group. These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

New Hope Corporation Limited

Controlled entity: **59.6% held**
Dividends paid to WHSP: **$29.7 million**
Total market capitalisation: **$1.33 billion**
Value of WHSP's holding: **$793 million**
ASX code: **NHC**

New Hope reported a net profit after tax and before non-regular items of $128.7 million for the year ended 31 July 2017. The result comprised: a profit of $133.1 million from coal mining, marketing and logistics operations; and a loss of $4.4 million from oil operations. This result is an increase of 2,459% on the 2016 profit of $5.0 million.

The net profit after non-regular items was $140.6 million, comprising of: a profit of $145.0 million from coal mining, marketing and logistics operations and a loss of $4.4 million from oil operations. This is an increase of 362% on the 2016 loss of $53.7 million.

Compared to last year, the 2017 full year result benefitted from:

- Increased production and sales due to the inclusion of the Bengalla Joint Venture for the full year;
- Increased coal prices in both US Dollar and Australian Dollar terms; and
- A non-regular recovery of prior period below rail access charges.

During the year, New Hope generated a strong operating cash surplus of $313.0 million (before tax payments and interest).

Before non-regular items, basic earnings for 2017 were 15.4 cents per share, compared to 0.6 cents per share in 2016. After non-regular items basic earnings per share were 16.9 cents per share for 2017 against 6.5 cents loss in 2016.

New Hope has declared a fully franked final dividend of 6 cents per share (2016: 2 cents). Together with the interim dividend of 4 cents per share, this brings the total dividends for the year to 10 cents per share (2016: 4 cents).

Mining Operations

Coal production for the year was 8.6 million tonnes compared to 6.6 million tonnes produced in 2016. Bengalla contributed 3.4 million tonnes during the year and the Queensland mining operations produced 5.2 million tonnes which was comparable to 2016 production.

The New Acland Mine produced 4.6 million tonnes of coal in 2017 which was consistent with 2016 production.

The West Moreton operations, comprising the Jeebropilly Mine and rehabilitation sites at New Oakleigh and Chuwar, produced 0.6 million tonnes of coal in 2017 which was in line with 2016.

Coal sales for 2017 were 8.5 million tonnes (including 3.4 million tonnes from Bengalla) which was well above the 6.9 million tonnes sold in 2016.

New Acland Stage 3 Development (NAC03)

On the 31 May 2017 the Queensland Land Court handed down its findings in respect of New Hope's Mining Lease Application for the Stage 3 continuation project, recommending that the Environmental Authority and Mining Leases for NAC03 not be granted. After careful consideration of the recommendation, New Hope has initiated a Judicial Review of the findings. It is anticipated the Judicial Review will be heard in the Supreme Court during the first quarter of 2018.

Queensland Bulk Handling (QBH)

QBH, New Hope's 100% owned coal terminal at the Port of Brisbane. A severe storm event in November 2016 damaged the ship loader resulting in high coal stock levels being built up throughout the logistics chain. Despite this, QBH exported 6.9 million tonnes of coal on 88 vessels, a similar result to last year.

QBH remains essentially a demurrage free port.

Bengalla Joint Venture

The Bengalla joint venture mine (100% basis) produced 8.5 million tonnes of coal in 2017. This was the first full year of production since New Hope acquired its 40% interest in March 2016. The Bengalla Mine is operated by the Bengalla Mining Company Pty Limited of which New Hope has a 40% interest.

Rehabilitated Land - Pastoral Operations

An additional 100 hectares of rehabilitated land was fenced off from the mining lease during the year and handed to Acland Pastoral for production and grazing activities.

Acland Pastoral continued to grow a breeding herd throughout the year with sales of 1,088 head and purchases of 666 head resulting in total herd size of 2,932 at year end. The cropping operation continued with silage production to support the breeding operation.

The cattle grazing trial continued with a review of the overall strategy to be completed at the end of the 2018 financial year.

Bridgeport

Annual oil production totalled 308,959 barrels, a 61% increase on the previous full year of 191,993 barrels, principally due to the October 2016 acquisition of Kenmore-Bodalla and associated fields but also due to improved production performance at other principal assets. In five years Bridgeport has become the fourth largest producer in the Cooper Basin.

Sales revenue was $18.7 million compared to $10.5 million for the prior year, an increase of 78%. Bridgeport achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of $1.1 million for the year. Realised oil sales prices averaged $65 per barrel against the previous year's $57 per barrel.

Bridgeport now manages over 140 wells across its ten operated production assets and is one of the most active operators in the Cooper Basin producing approximately 1,000 barrel of oil per day.

Outlook

During the past year the decision to acquire a 40% interest in the Bengalla coal mine in the Hunter Valley of New South Wales was confirmed by the combination of the mine producing close to expectations and the coal price improving significantly. New Hope's 40% share of Bengalla resulted in an additional 3.4 million tonnes of sales for the past year, during a period of strong thermal coal prices. It is anticipated that both mine safety and production performance will continue to improve over the course of the 2018 financial year, as the results of current productivity and safety improvement initiatives are realised.

Queensland operations at New Acland and Jeebropilly produced 5.2 million tonnes for the year and this level of production is expected to continue during the 2018 financial year. Sales performance for the year of 5.1 million tonnes was impacted by logistical delays caused by damage to the QBH ship loader in November 2016. Sales during the 2018 financial year are expected to match production.

The New Acland operation employs several hundred people and many more people are employed by south east Queensland businesses which rely on New Acland to supply their energy needs. New Hope remains committed to delivering the New Acland Stage 3 project and will actively progress this project through the final stages of approval. We look forward to the Queensland Government's timely and favourable decision regarding the future of this operation.

New Hope has a suite of undeveloped open cut coal projects including Lenton, Colton and North Surat. Colton received its Mining Lease during the past financial year. It is expected that significant progress will occur during the next financial year in progressing these projects closer to production. New Hope continues to evaluate open cut thermal and metallurgical coal acquisition opportunities as it has the people, technical and balance sheet capability to expand production.

Demand for high quality Australian thermal coal into Asian markets continues to grow. Major thermal coal markets of Japan, Taiwan, Korea and China continue to build new High Efficiency Low Emission (HELE) coal fired power plants as part of their electricity supply. A new wave of HELE coal fired power plants are planned or under construction in southern Asia.

Bridgeport increased its production significantly during the past year and achieved a positive EBITDA during a period of challenging oil prices. Bridgeport has many growth options including the potential for an enhanced oil recovery project at the Moonie oil field and the potential to explore for gas within existing tenements.

Contribution

New Hope contributed a net profit of $83.8 million to the Group (2016: $29.2 million loss).

Financial Services Portfolio

Dividends paid to WHSP: **$13.8 million**
Value of WHSP's holding: **$409 million**

WHSP has aggregated its financial services investments into a financial services portfolio. The market valuation of the assets in this portfolio at 31 July 2017 was over $400 million. The cost base on these assets is less than $250 million. The assets in the portfolio include investments in funds management, corporate advisory and Listed Investment Companies (LICs).

During the year ended 31 July 2017, WHSP actively increased its exposure to the financial services sector through the acquisition of shareholdings in Hunter Hall International and Pengana Capital. These two companies merged their operations and WHSP became the largest shareholder in the merged entity, with 39.2% of Pengana Capital Group (ASX: PCG).

The portfolio includes shareholdings in a number of LICs which provide WHSP with exposure to a range of equity strategies which are well managed and cost effective. During the year, WHSP acquired:

- 12.4% of URB Investments (ASX: URB), a LIC which targets long-term value creation through exposure to urban renewal and regeneration; and
- 10.0% of Hunter Hall Global Value (ASX: HHV), which gives WHSP exposure to a managed portfolio of global equities.

These new investments in LICs supplement WHSP's existing exposure to Australian equities through its 4.5% holding in Milton Corporation (ASX: MLT) and 9.5% holding in BKI Investment Company (ASX: BKI).

WHSP will continue to look for investments in the financial services sector where it sees long-term growth and attractive industry dynamics.

	% held
BKI Investment Company Limited	9.5
Contact Asset Management Pty. Limited	20.0
Hunter Hall Global Value Limited	10.0
Milton Corporation Limited	4.5
Pengana Capital Group Limited	39.2
Pitt Capital Partners Limited	100
URB Investments Limited	12.4

<u>Contribution</u>

The financial services portfolio contributed a net profit of $13.1 million to the Group (2016: $13.5 million). Its contribution to regular profit was $15.4 million (2016: $13.5 million).

Australian Pharmaceutical Industries Limited

Associated entity: **19.4% held**
Dividends paid to WHSP: **$8.4 million**
Total market capitalisation: **$860 million**
Value of WHSP’s holding: **$167 million**
ASX code: **API**

API’s financial year ended on 31 August 2017. The results for the full year are not expected to be released to the market until late October 2017.

For the six months ended 28 February 2017, API reported the following results which are compared to those of the first half last year:

- Revenue of $2.02 billion, up 12.7%;
- Earnings before interest and tax of $48.6 million, up 9.0%;
- Underlying net profit after tax of $29.1 million, up 15.0%; and
- Net profit after tax of $29.1 million, up 27.2%.

In June API paid a fully franked interim dividend of 3.5 cents per share an increase of 40% over last year.

API commented that it had increased net profit after tax and returns to its shareholders through organic growth in its Priceline Pharmacy network, despite the slower retail conditions in 2017, while generating cash and sustainable returns through its pharmacy distribution business.

API released an updated full year profit guidance on 2 August advising that its net profit after tax for the year ended 31 August 2017 was expected to be approximately 5% higher than that of the 2016 financial year.

WHSP has equity accounted API’s result for the 12 months to 28 February 2017. API contributed a net profit of $14.2 million (2016: $11.0 million 24.6% held) to the Group.

CopperChem Limited and Exco Resources Limited

Controlled entities: 100% held
Unlisted entities

CopperChem and Exco Resources are copper and gold exploration companies which have processing facilities capable of producing copper sulphate, copper concentrate, and gold bullion.

Production activities continued at the White Dam mine in South Australia during the year with gold production expected to continue until the middle of the 2018 calendar year. Approval was received for the development of the Wallace Gold Project in north-west Queensland. Further gold deposits are being identified within the broader CopperChem/Exco portfolio for continued gold production.

Revenue from gold sales for the year was $18.4 million having increased significantly as gold production ramped up in the 2017 financial year.

Exploration activities are continuing on a number of prospective targets for the purpose of identifying additional copper resources for future mining activities within the operating radius of the Cloncurry processing facilities. Exploration activity also focussed on a number of gold prospects in support of the feasibility study for the Wallace Gold Project south-east of Cloncurry.

The copper concentrator and operations at Cloncurry remained on care and maintenance throughout the year. The existing crushing and grinding circuits of the plant will be integrated with a gold processing facility under construction. This facility will be utilised to process gold ores in the region along with the gold resources contained in the Copperchem/Exco portfolio.

CopperChem has agreed terms to acquire the Stockman copper-zinc project from Independence Group Limited with the transaction expected to be completed early in the 2018 financial year.

CopperChem and Exco contributed a net loss of $2.9 million to the Group (2016: $42.2 million loss). The 2016 contribution included non-regular expenses of $33.3 million.

Apex Healthcare Berhad

Associated entity: **30.3% held**
Dividends paid to WHSP: **$1.3 million**
Total market capitalisation: **$162 million**
Value of WHSP's holding: **$49 million**
Listed on Bursa Malaysia, code: **APEX MK**

Apex develops, manufactures, markets and distributes: pharmaceuticals; diagnostic products and equipment; consumer healthcare products; and orthopaedic devices. It has operations in Malaysia, Singapore, Vietnam and Myanmar (Burma) and is publicly listed on the Main Board of Bursa Malaysia.

Apex's results are converted from Malaysian Ringgit (MYR) to Australian dollars (AUD). The devaluation of the MYR has negatively affected Apex's results when they are stated in AUD. For this reason the percentage movements shown below are based on MYR movements.

For the six months ended 30 June 2017 Apex generated revenue of $92.7 million, an increase of 5.4% in MYR over the previous corresponding six month period. The net profit after tax attributable to shareholders was $6.1 million, an increase of 23.7% in MYR compared to first half of 2016.

An interim dividend of 1.7 cents per share has been declared for the six months ended 30 June 2017, equal to the interim dividend last year in MYR.

WHSP has equity accounted Apex's result for the 12 months to 30 June 2017. Apex contributed a net profit of $3.3 million to the Group (2016: $3.4 million).

TPI Enterprises Limited

Associated entity: **18.9% held**
Total market capitalisation: **$213 million**
Value of WHSP's holding: **$40 million**
ASX code: **TPE**

TPI is one of only eight companies licensed globally to manufacturer narcotic raw material for pain relief medication. TPI has developed an innovative, efficient and environmentally sustainable method for extracting narcotic raw material from opium poppies. This manufacturing cost advantage is central to its strategy to achieve significant market share growth. This advantage combined with TPI's recent ability to import poppy straw (TPI's main raw material) and grow on the mainland see TPI well placed to deliver on its potential.

TPI continues to achieve a number of milestones on its pathway to significantly increasing production and sales. In the last 12 months, TPI has achieved the following:

- TPI secured increased volumes and more diverse sources of poppy straw. In addition to successfully sourcing crops in Tasmania and Victoria, TPI has contracted to growing in New South Wales. South Australia has approved growing for future years. TPI also secured licenses to import straw grown in Hungary and has recently announced its intention to import from the United Kingdom.
- A toll processing agreement was announced with a major global producer of narcotic raw material, thereby indicating the significant price advantage of TPI's processing technology.
- TPI's manufacturing advantage was improved with a number of operating efficiencies identified. In addition, TPI's investment in an innovative harvesting technology translated into higher alkaloid content in processed straw resulting in higher factory capacity and efficiency.
- TPI successfully completed negotiations to enter the UK Codeine Phosphate market through the supply of narcotic raw material and toll production with a UK manufacturer. TPI aims to become a significant supplier of Codeine Phosphate in the UK as well as a suite of derivative products.
- The acquisition of an opiate and tableting business in Norway was announced in July 2017. This transaction will enable TPI to be fully integrated from the processing of narcotic raw material through to the production of pain relief tablets. The acquisition opens up significant sales opportunities to TPI and accelerates its growth and business strategy.

WHSP has equity accounted TPI's result for the 12 months to 30 June 2017. TPI contributed a net loss of $2.9 million to the Group (2016: $4.8 million loss).

Other Investments

	% held
Listed	
Bailador Technology Investments Limited	19.1
Clover Corporation Limited	22.6
Heritage Brands Limited	25.1
Lindsay Australia Limited	19.0
Quickstep Holdings Limited	15.9
Verdant Minerals Limited (formerly Rum Jungle Resources)	38.3
Unlisted	
Ampcontrol Pty. Limited	43.3
Seven Miles Coffee Roasters Pty. Limited (formerly Belaroma Coffee)	40.0
Specialist Oncology Property Pty. Limited	23.3

Investment Properties

WHSP has added to its property exposure during the year with the addition of three properties. These properties have been purchased in partnership with URB Investments Limited (URB) which was listed on the ASX in April 2017. The properties are held in special purpose trusts each of which is owned 50.1% by WHSP and 49.9% by URB.

These properties are:

- Kingsgrove NSW: a warehouse on 1.8 hectares of land. The building is currently being demolished. The land is in the process of being subdivided and sold in smaller lots.
- Penrith NSW: a significant retail asset on 0.65 hectares of land located on the main street. This facility houses a hotel, retail shops and a carpark.
- Prestons, NSW: a seven hectare industrial development site. During the year Pitt Street Real Estate Partners (PSRE, 75% owned by WHSP) contracted to construct a 35,000 square metre warehouse facility for a major logistics company.

WHSP has maintained its investment in the two office buildings in Pennant Hills NSW and the four hectare site with office and warehouse in Castle Hill NSW.

As previously reported, PSRE was awarded a contract to develop and deliver two bus depots for Transdev Australasia, on behalf of Public Transport Victoria. The Sunshine West depot was completed in July 2016 with settlement in late September 2016 while the Thomastown depot was completed in February 2017 and settled in March 2017. The combined sale proceeds for the two depots was $20.1 million.

PSRE continues to investigate opportunities to add to WHSP's property portfolio, whilst also considering the sale of mature assets.

Consolidated Income Statement
For the year ended 31 July 2017

	Notes	2017 $'000	2016 $'000
Revenue from continuing operations	4(i)	**967,570**	620,661
Other income	4(i)	**164,345**	145,902
Cost of sales		**(543,256)**	(392,308)
Selling and distribution expenses		**(172,992)**	(153,806)
Administration expenses		**(37,376)**	(34,600)
Acquisition costs expensed		**-**	(45,604)
Other expenses		**(7,019)**	(13,313)
Impairment (expense)	4(i) & 7	**(18,423)**	(116,539)
Finance costs		**(3,577)**	(2,535)
Share of results from equity accounted associates	7	**162,067**	122,503
Profit before income tax		**511,339**	130,361
Income tax (expense)	4(ii)	**(119,985)**	(902)
Profit after tax for the year		**391,354**	129,459
(Profit)/loss after tax attributable to non-controlling interest		**(57,743)**	19,962
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		**333,611**	149,421

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

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2017

	2017 $'000	2016 $'000
Profit after tax for the year	**391,354**	129,459
Other comprehensive income		
Items that may be reclassified subsequently to income statement		
Net movement in the fair value of long term equity investments, net of tax	**1,808**	(40,304)
Transfer to profit and loss on disposal of long term equity investments, net of tax	**(25,397)**	(10,692)
Net movement in hedge reserve, net of tax	**10,666**	17,141
Net movement in foreign currency translation reserve, net of tax	**88**	(320)
Net movement in equity reserve, net of tax	**3,654**	2,813
Total other comprehensive (expense) for the year, net of tax	**(9,181)**	(31,362)
Total comprehensive income for the year	**382,173**	98,097
Total comprehensive (profit)/expense attributable to non-controlling interest	**(62,559)**	12,761
Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited	**319,614**	110,858

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

Earnings per share	**2017 Cents**	2016 Cents
Basic and diluted earnings per share to ordinary equity holders of the company		
Earnings per share from operations	**139.36**	62.42
	No. of shares	
Weighted average number of shares used in calculating basic and diluted earnings per share	**239,395,320**	239,395,320

Consolidated Statement of Financial Position
As at 31 July 2017

	31 July 2017 $'000	31 July 2016 $'000
Current assets		
Cash and cash equivalents	**301,275**	126,709
Term deposits	**1,044**	47,660
Trade and other receivables	**94,770**	116,775
Inventories	**79,968**	79,039
Trading equities	**46,993**	31,605
Derivative financial instruments	**18,075**	2,313
Current tax asset	**13,024**	1,486
Total current assets	**555,149**	405,587
Non-current assets		
Trade and other receivables	**3,563**	30,187
Equity accounted associates	**1,415,973**	1,265,214
Long term equity investments	**648,105**	585,703
Other financial assets	**4,984**	11,837
Investment properties	**165,016**	92,932
Property, plant and equipment	**1,370,420**	1,388,735
Exploration and evaluation assets	**418,582**	402,298
Deferred tax assets	**106,576**	100,896
Intangible assets	**60,026**	60,478
Total non-current assets	**4,193,245**	3,938,280
Total assets	**4,748,394**	4,343,867
Current liabilities		
Trade and other payables	**80,866**	75,831
Interest bearing liabilities	**42,356**	52,167
Derivative financial instruments	**69**	167
Current tax liabilities	**736**	1,677
Provisions	**45,345**	50,066
Total current liabilities	**169,372**	179,908
Non-current liabilities		
Interest bearing liabilities	**33,057**	35,558
Deferred tax liabilities	**394,882**	284,858
Provisions	**112,773**	96,892
Total non-current liabilities	**540,712**	417,308
Total liabilities	**710,084**	597,216
Net assets	**4,038,310**	3,746,651
Equity		
Share capital	**43,232**	43,232
Reserves	**611,226**	623,684
Retained profits	**2,603,186**	2,372,467
Parent entity interest	**3,257,644**	3,039,383
Non-controlling interest	**780,666**	707,268
Total equity	**4,038,310**	3,746,651

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 31 July 2017

Year ended 31 July 2017	**Share capital $'000**	**Retained profits $'000**	**Reserves $'000**	**Total Parent entity interest $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Total equity at the beginning of the year 1 August 2016	**43,232**	**2,372,467**	**623,684**	**3,039,383**	**707,268**	**3,746,651**
Net profit for the year after tax	**-**	**333,611**	**-**	**333,611**	**57,743**	**391,354**
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	**-**	**-**	**(23,849)**	**(23,849)**	**260**	**(23,589)**
Net movement in hedge reserve, net of tax	**-**	**-**	**6,185**	**6,185**	**4,481**	**10,666**
Net movement in foreign currency translation reserve, net of tax	**-**	**-**	**13**	**13**	**75**	**88**
Net movement in equity reserve, net of tax	**-**	**-**	**3,654**	**3,654**	**-**	**3,654**
Total comprehensive income for the year	**-**	**333,611**	**(13,997)**	**319,614**	**62,559**	**382,173**
Transactions with owners						
Dividends declared and paid	**-**	**(102,993)**	**-**	**(102,993)**	**(22,045)**	**(125,038)**
Net movement in share based payments reserve	**-**	**101**	**1,539**	**1,640**	**(9)**	**1,631**
Non-controlling interests share of subsidiaries	**-**	**-**	**-**	**-**	**16**	**16**
Equity transfer from members on issue of share capital in a controlled entity	**-**	**-**	**-**	**-**	**32,877**	**32,877**
Total equity at the end of the year 31 July 2017	**43,232**	**2,603,186**	**611,226**	**3,257,644**	**780,666**	**4,038,310**

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

Consolidated Statement of Changes in Equity
For the year ended 31 July 2017

Year ended 31 July 2016	Share capital $'000	Retained profits $'000	Reserves $'000	Total Parent entity interest $'000	Non-controlling interest $'000	Total equity $'000
Total equity at the beginning of the year 1 August 2015	43,232	2,322,067	661,279	3,026,578	747,857	3,774,435
Net profit for the year after tax	-	149,421	-	149,421	(19,962)	129,459
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	-	-	(51,139)	(51,139)	143	(50,996)
Net movement in hedge reserve, net of tax	-	-	9,979	9,979	7,162	17,141
Net movement in foreign currency translation reserve, net of tax	-	-	(216)	(216)	(104)	(320)
Net movement in equity reserve, net of tax	-	-	2,813	2,813	-	2,813
Total comprehensive income for the year	-	149,421	(38,563)	110,858	(12,761)	98,097
Transactions with owners						
Dividends declared and paid	-	(99,064)	-	(99,064)	(27,963)	(127,027)
Net movement in share based payments reserve	-	43	968	1,011	(95)	916
Non-controlling interests share of subsidiaries	-	-	-	-	(18)	(18)
Equity transfer from members on issue of share capital in a controlled entity	-	-	-	-	248	248
Total equity at the end of the year 31 July 2016	43,232	2,372,467	623,684	3,039,383	707,268	3,746,651

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

Consolidated Statement of Cash Flows
For the year ended 31 July 2017

	2017	2016
	$'000	$'000
Cash flows from operating activities		
Receipts from customers inclusive of GST	**1,012,326**	598,389
Payments to suppliers and employees inclusive of GST	**(696,002)**	(559,921)
	316,324	38,468
Dividends received	**106,541**	98,603
Interest received	**8,705**	32,202
Acquisition costs expensed	**-**	(45,604)
Finance costs	**(2,317)**	(973)
Income taxes paid	**(29,861)**	(2,869)
Net cash inflow from operating activities	**399,392**	119,827
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	**(77,913)**	(68,533)
Proceeds from sale of property, plant and equipment	**11,022**	829
Payments for exploration and evaluation activities	**(18,255)**	(22,387)
Net proceeds from term deposits	**46,368**	1,161,399
Payments for acquisition and development of investment properties	**(63,906)**	(71,316)
Payments for equity investments	**(80,482)**	(86,149)
Proceeds from sale of equity investments	**145,707**	49,130
Proceeds from the sale of an equity accounted associate	**81,708**	4,108
Payments to acquire equity accounted associates	**(167,849)**	(6,287)
Loans advanced	**(12,682)**	(41,285)
Loan repayments	**47,269**	1,701
Acquisition of businesses, net of cash	**(800)**	(849,530)
Proceeds on Bengalla acquisition settlement adjustment	**1,669**	-
Net cash (outflow)/inflow from investing activities	**(88,144)**	71,680
Cash flows from financing activities		
Dividends paid to WHSP shareholders	**(126,880)**	(122,092)
Dividends paid by subsidiaries to non-controlling interest	**(22,045)**	(27,963)
Proceeds from interest bearing liabilities	**46,971**	45,886
(Repayment) of Interest bearing liabilities	**(97,554)**	(44,530)
Proceeds from external borrowings	**95,000**	23,358
(Repayment) of external borrowings	**(57,400)**	(988)
Transaction with subsidiary's non-controlling interest	**32,797**	-
Net cash (outflow) from financing activities	**(129,111)**	(126,329)
Net increase in cash and cash equivalents	**182,137**	65,178
Cash and cash equivalents at the beginning of the year	**126,709**	59,424
Effects of exchange rate changes on cash and cash equivalents	**(7,571)**	2,107
Cash and cash equivalents at the end of the year	**301,275**	126,709

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

Notes to the Consolidated Financial Statements

1. Basis of Preparation

This preliminary financial report for the year ended 31 July 2017 has been prepared in accordance with Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this report be read in conjunction with the annual financial report for the year ended 31 July 2016 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated entity" or "Group") during the reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies are consistent with those of the previous financial year.

Comparative information has been re-classified where appropriate to enhance comparability.

<u>New accounting standards and interpretations not yet adopted</u>

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 July 2017 reporting period. The Group has elected not to early adopt these standards and interpretations. The Group is currently determining what impact these standards and interpretations will have on the amounts recognised in the financial statements.

<u>Authorisation of this report</u>

This preliminary report was authorised by the directors on 21st September 2017.

<u>Impairment assessment</u>

New Hope Corporation Limited (NHC) - Queensland Mining Operations

In accordance with accounting standards, NHC has completed an impairment assessment for its Queensland Mining Operations.

As a result of this assessment, NHC has determined that no impairment is required in relation to these assets for the year ended 31 July 2017.

Details of the assessment, the significant judgements and estimates, are as follows:

(a) Impairment assessment
All property, plant and equipment allocated to cash generating units (CGU's) containing goodwill must be tested for impairment at the CGU level on an annual basis. Other property, plant and equipment assets must also be tested for impairment when impairment indicators are identified.

Judgement is involved in assessing whether there are indicators of impairment of property, plant and equipment including in relation to the impact of events or changes in circumstances. For coal mining and oil production assets, key judgements include external factors such as forecast commodity prices and foreign exchange rates. Judgement is also required in relation to the estimation of coal and oil reserves and resources (refer (b) below for further information in relation to the estimation of coal reserves and resources).

Where the recoverable amounts of NHC's CGU's are tested for impairment using analyses of discounted cash flows, the resulting valuations are also sensitive to changes in estimates of long-term commodity prices, production timing and recovery rates, exchange rates, operating costs, reserve and resource estimates, closure costs and discount rates. Estimates in respect of the timing of project expansions and the cost to complete asset construction are also critical to determining the recoverable amounts for cash-generating units (refer (c) below in relation to specific considerations related to Acland Stage 3 approvals).

(b) Estimation of coal and oil reserves and resources
NHC estimates its coal reserves and resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC code, which is produced by the Australasian Joint Ore Reserves Committee).

The estimation of reserves and resources requires judgment to interpret available geological data and then to select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licences. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in coal reserves could have an impact on: the calculation of depreciation, amortisation and impairment charges; the timing of the payment of closedown and restoration costs; and the recovery of deferred tax assets. Changes in coal resources could have an impact on the recoverability of Exploration and evaluation costs capitalised.

(c) New Acland Stage 3 approvals
In recent years the process to secure mining tenements has become more complex and time consuming, and this has been evident in the New Acland Stage 3 (NAC03) approvals process. As a result, there are a number of uncertainties associated with the approvals timeline and conditionality of the NAC03 project. NHC considers that approvals for the NAC03 project will be secured. Any significant delay in the approvals process has the potential to delay the commencement of NAC03 operations and has been assessed to be an indicator of impairment in the year ended 31 July 2017.

The financial statements have been prepared on the basis that approvals are granted within a reasonable time period, and as a result, there is no significant impact on the value recoverable from the project and therefore the QLD coal mining cash generating unit (CGU) at 31 July 2017.

NHC has carefully considered the potential impact that recent developments in the legal and regulatory environment or the possibility of further delays in the approvals process would have on future cash flows. Having due regard to all relevant information, NHC has concluded that none of these matters, either individually or in aggregate, result in the recoverable amount for the CGU being below its carrying value.

The carrying value of the Queensland Mining Operations CGU's assets is set out below:

	$000
Property, plant and equipment	
Land and buildings – mining	47,697
Plant and equipment	123,849
Mining reserves, leases and development assets	8,513
Plant under construction	55,571
Intangibles	
Software	1,487
Exploration and evaluation	
Exploration and evaluation at cost	35,816
Total carrying value	272,933

Considerations in respect of changes to the legal and regulatory environment
The approval under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999 (EPBC) for the NAC03 project was received in January 2017 which provides positive outcomes to the project.

The Queensland Government made amendments to the Water Act 2000 and the Mineral Resources Act 1989 in late 2016 which now requires the NAC03 project to apply for and be granted an Associated Water Licence (AWL). While this is a new approval requirement, it is largely covering matters already dealt with as part of the existing Mining Lease (ML), Environmental Authority (EA) and EPBC approval processes and updated modelling is being undertaken to address issues previously identified by the regulators and during the recent Land Court proceedings. As such, NHC is confident that an AWL will be secured and the only relevant impact of this new legislation is the time required to secure the AWL.

The Land Court hearing was completed during the year with recommendations to the State Minister for Natural Resources and Mines (the Minister) and the Department of Environment and Heritage Protection (DEHP) being made on 31 May 2017. The recommendations were for the Minister to not grant the ML and for the DEHP to not grant the amendment to the existing EA. Both the MLs and the EA are required for the project to proceed.

While the Land Court considered many matters, the only matters identified by the Court as leading to the negative recommendations were the perceived impacts that the NAC03 project may have on groundwater and night time noise limits with close neighbours. NHC considers that these issues can be appropriately addressed and managed and will not ultimately result in a failure to obtain the ML and EA approvals.

The Land Court recommendation is a non-binding recommendation and is not determinative to the outcome of the approval process. In considering whether to grant the MLs and EA amendment, the Minister and the DEHP are required to consider a number of relevant factors including the recommendations of the Land Court. NHC is working with the regulators to address the concerns raised by the Land Court and that will enable the approval of the ML and EA. The AWL application referred to above will also deal with the groundwater issues.

In addition, NHC through its wholly-owned subsidiary New Acland Coal Pty Ltd has commenced a Judicial Review process in respect to the Land Court recommendations. The Judicial Review seeks to address a number of concerns that NHC has about the Land Court process and resultant recommendations. If successful, the Judicial Review process may result in the Land Court changing its findings in respect of groundwater and night time noise concerns and ultimately recommending grant of the ML and EA.

NHC has assessed that, despite the changes to the legal and regulatory environment, the NAC03 approvals will ultimately be received. However, it is acknowledged that the changes to the legal and regulatory environment could result in delays in securing the necessary project approvals and these are discussed separately below.

Considerations in respect of approval timing
At the time of preparing these financial statements, the Minister has extended the time to make an interim decision relevant to the grant of the ML and EA until 31 January 2018. This does not stop the Minister electing to make the decision earlier or agreeing to extend this date. There is no fixed timing associated with the Minister making a final decision on the grant of the ML but once the Minister makes the interim decision referred to above, the DEHP only has 10 business days to make a decision on the EA amendment.

Stage 2 operations at New Acland can continue to operate until all economically recoverable coal has been mined from within the Stage 2 lease boundary. The Queensland coal mining CGU has take or pay agreements for rail, port and water supply. The rail agreement is generally aligned to the recovery of Stage 2 coal while the port and water agreements have a longer term however is not of an amount which for any foreseeable approval delay would constitute a material impact on value.

The saleable product is exposed to minimal risk of decline in quality and value over time. The Queensland coal mining operations maintain a cost competitive structure within the mining industry with quality products available for export and domestic sale and this will not be materially influenced by any delay in securing project approvals.

The fair value discounted cash flow models prepared for the CGU have confirmed the recoverable amount exceeds the carrying value. Having due regard to the above factors and the reasonably foreseeable time required to secure project approvals NHC considers the basis on which the financial statements have been prepared and assets recognised is appropriate. The models included the typical input assumptions and sensitivities for a coal mining company and were expanded to include a sensitivity analysis for a number of possible approval timelines. The key assumptions underpinning the models and sensitivity analysis are outlined below:

i) Extension of approvals timeline
Sensitivity analysis included adjusting the commencement of Stage 3 operations at Acland to reflect a range of possible approval scenarios. The scenarios assume that project approvals will be received in 2018 in the earliest instance, or in 2022 at the latest instance.

ii) Weighted Average Cost of Capital (WACC)
A range of WACC sensitivities were considered between the ranges of 9% - 11%.

iv) Foreign exchange
In considering the AUD:USD foreign exchange assumptions, NHC had regard to observable market forward curves, consensus market data, reports from reputable financial institutions, as well of the expertise of its senior executive team. The AUD:USD foreign exchange rates assumptions were between 0.73 – 0.75. These estimates are within the range supported by externally sourced data.

Note 2
Parent Company Financial Information

Source of shareholders dividends

The Board declares dividends having regard to regular operating cash flows before non-regular items. The following information has been provided to demonstrate the underlying value of the Parent company's investments and the regular profit and cash flows generated by them.

Regular profit after tax is a measure of the Parent company's performance. This measurement excludes the effects of non-regular items of income and expense which by nature are outside the ordinary course of business or are part of ordinary operations but are unusual due to their size.

The classification of income and expenses as regular or non-regular is consistent with the Consolidated entity's measurement of segment results.

ACCOUNTING POLICIES

Parent company

The statement of financial position, profit after tax and total comprehensive income for the Parent company, have been prepared on the same basis as the consolidated financial statements except for Investments in controlled entities (subsidiaries) and Investments in associates.

In the Parent company, investments in subsidiaries and associates are carried at the lower of cost or impaired cost. Dividends from these entities are recognised as income within profit. This approach reflects Washington H. Soul Pattinson and Company Limited's activities as an investor.

The consolidated financial statements recognises the individual assets, liabilities, income and expenses of the controlled entities. Associates are equity accounted, with the initial investment being increased/(decreased) by profits/(losses) recognised in the income statement, movements in other comprehensive income and decreased by dividends received. Dividends from both controlled entities and associates are not recognised in the consolidated financial income statement.

Statement of Financial Position

	As at 31 July 2017 $'000	As at 31 July 2016 $'000
Current assets		
Cash and term deposits	55,876	72,453
Other current assets	55,253	36,585
Total current assets	111,129	109,038
Non-current assets		
Long term equity investments – measured at market value	645,419	581,432
Other financial assets		
– Listed controlled and associated entities – measured at the lower of cost or impaired value	578,070	562,309
– Unlisted entities – measured at the lower of cost or impaired value	269,355	265,259
Other non-current assets	113,327	147,318
Total non-current assets	1,606,171	1,556,318
Total assets	1,717,300	1,665,356
Total current liabilities	43,288	52,134
Total non-current liabilities	74,910	72,866
Total liabilities	118,198	125,000
Net assets	1,599,102	1,540,356
Equity		
Share capital	43,232	43,232
Reserves	583,962	571,178
Retained profits	971,908	925,946
Total equity	1,599,102	1,540,356

Income Statement

	2017	2016
Profit after tax	172,842	98,737
Less: Non-regular items after tax		
Special dividends received from New Hope Corporation Limited	–	(17,349)
Net gain on disposal of investments	(45,305)	(11,713)
Net impairment expense on investments	12,506	67,320
Other	1,353	441
Regular profit after tax	141,396	137,436
Other comprehensive income		
Net movement in the fair value of the listed investment portfolio	12,501	(39,363)

Market value of listed entities as at 31 July 2017
(based on ASX closing prices 31 July 2017)

	Holding	As at 31 July 2017 $'000
Long term equity investments		
Milton Corporation Limited		134,373
BKI Investment Company Limited		100,336
Commonwealth Bank of Australia		65,904
Hunter Hall Global Value Limited		28,635
National Australia Bank Limited		26,109
Woolworths Limited		23,760
Lindsay Australia Limited		23,321
Wesfarmers Limited		20,418
Bailador Technology Investments Limited		19,780
Macquarie Group Limited		18,369
Other listed entities		184,414
Market value of long term equity investments		645,419
Listed controlled and associated entities	**Holding**	
TPG Telecom Limited	25.2%	1,304,750
Brickworks Limited	44.0%	866,516
New Hope Corporation Limited	59.6%	793,114
Australian Pharmaceutical Industries Ltd	19.4%	166,845
Pengana Capital Group Limited A	39.2%	123,467
Apex Healthcare Berhad	30.3%	49,108
TPI Enterprises Limited	18.9%	40,338
Clover Limited	22.7%	17,209
Verdant Minerals Limited	38.3%	11,437
Market value of listed controlled and associated entities		3,372,784
Total value of WHSP's listed investments		4,018,203

Tax payable if WHSP's listed investments were disposed of:

WHSP is a long term equity investor.

If WHSP had disposed of its listed investments on 31 July 2017, a capital gains tax liability of approximately $861.1 million would have arisen based on market values as at 31 July 2017. Of this amount, only $67.5 million has been recognised in the Parent company accounts at 31 July 2017.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 July 2017 and are therefore subject to price fluctuations.

Regular Profit after Tax and Regular Operating Cash Flows

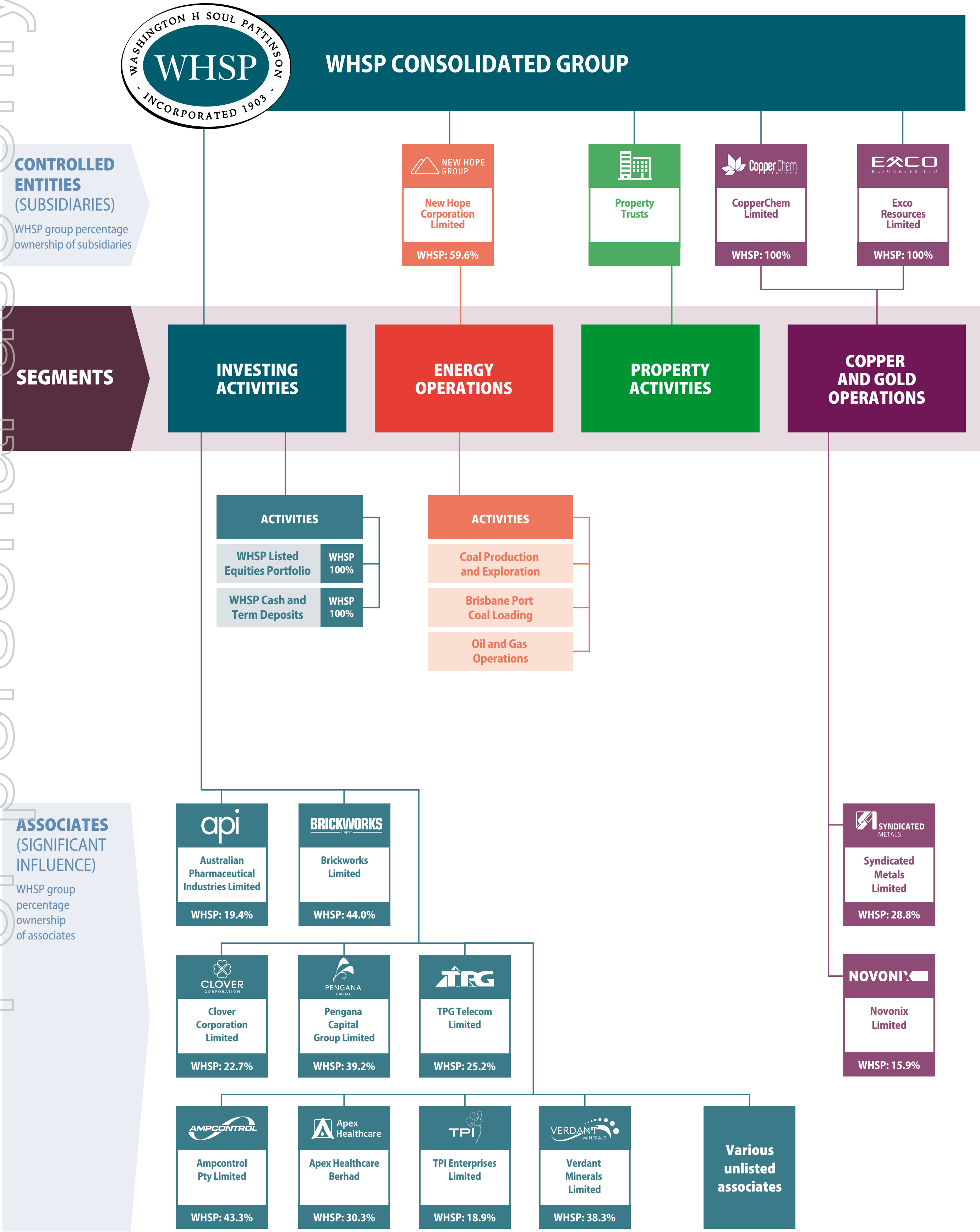
For the year ended 31 July 2017	2017 $'000
Interest income (from cash and loans)	7,017
Dividend and distribution income	
Milton Corporation Limited	5,986
BKI Investment Company Limited	4,454
Commonwealth Bank of Australia	3,313
Hunter Hall Global Value Limited	853
National Australia Bank Limited	1,726
Woolworths Limited	597
Lindsay Australia Limited	1,055
Wesfarmers Limited	992
Macquarie Group Limited	1,006
Other listed entities	9,616
TPG Telecom Limited	33,077
Brickworks Limited	32,166
New Hope Corporation Limited	29,742
Australian Pharmaceutical Industries Ltd	8,381
Pengana Capital Group Limited A	220
Apex Healthcare Berhad	1,262
Clover Limited	309
Other controlled and associates	9,050
Total dividend and distribution income	143,805
Net pharmacy profit	1,445
Other revenue	2,177
Realised and fair value gains (losses)/on equities	1,240
Other expenses	(10,305)
Finance costs	(1,447)
Regular profit before tax	143,932
Income tax (expense) benefit	(2,536)
Regular profit after tax	141,396
Non-cash fair value (gains) losses on equities	282
Net movements in working capital	1,918
Regular operating cash flows	143,596

The Board declares dividends having regard to the Parent company's regular operating cash flows.

Dividends paid/payable	
Interim of 22 cents per share paid 11 May 2017	52,667
Final of 32 cents per share payable 11 Dec 2017	76,607
Total dividends paid/payable	129,274
Payout ratio	
Dividends as a percentage of regular operating cash flows	90.0%

Note A Pengana Capital Group Limited was acquired during the 2017 financial year.

Note 3
Segment Information



Notes to the Consolidated Financial Statements

3. Segment Information - how the group is organised and managed

How the group is organised - Corporate structure

The Parent company invests in a diversified range of companies.

Larger holdings in a single entity are classified as follows:

Controlled entities: (subsidiaries)	The Parent entity is able to control the activities of the organisation.
Associates:	The Parent entity has significant influence but does not control the activities of the organisation.

No controlled entities were acquired or disposed of during the year ended 31 July 2017.
For changes in ownership of associates, refer to note 7.

How the Group is managed - Segment reporting

The Parent company, its subsidiaries and associates operate within four segments. Segments are based on product and service type and are predominately based in Australia.

The level of ownership determines the extent to which the Parent company is able to manage the underlying operations of its investment. The Group is managed by operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

As the Chief Operating Decision Maker is not regularly provided with the operating results from the listed associates (material contributors to reported profit) these associates are included within the Investing activities segment except for Syndicated Metals Limited and Novonix Limited, which are included within the Copper and gold operations segment. Results for listed associates are sourced from publicly available information. Unlisted associates have also been included within the investing segment.

The Group’s operating segments are described as:

Investing activities
The Group invests in cash, term deposits, and a diversified equity investments portfolio.

Energy
The Group engages in coal, oil and gas activities which include exploration, development, production, processing, associated transport infrastructure and ancillary activities.

Copper and Gold operations
The Group engages in copper and gold mining activities which includes exploration, mining and processing of ore into copper concentrate, copper sulphide and gold.

Property
The Group engages in property investment activities including the identification and management of real estate to be held, sold or developed to earn rental income or capital appreciation or both.

Notes to the Consolidated Financial Statements

3. Segment Information – how the group is organised and managed (continued)

Business performance - measurement of Segment results

Segment performance is measured by regular profit and regular profit after tax attributable to members. These results are non-statutory profit measures and represent profit from continuing operations before non-regular items. The measurement basis in general, excludes the effects of non-regular items of income and expense which by nature are outside the ordinary course of business or part of ordinary activities but are unusual due to their size.

Regular profit after tax attributable to members is the main measure of segment profit.

A reconciliation between regular profit after tax attributable to members and profit after tax is set out below, and for each segment is set out in note 3a.

The Directors have presented this information which is used by the Chief Operating Decision Maker, as they consider the disclosure enhances the understanding of the results to members and users of the financial statements. Non-regular items are disclosed in note 3b.

The allocation of income and expense items between regular and non-regular profit is consistent with the prior year. Transactions between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transactions between business segments. These transfers are eliminated on consolidation.

Reconciliation between regular profit after tax attributable to members and profit after tax:	**2017** **$'000**	2016 $'000
Regular profit after tax attributable to members	**282,019**	177,222
Non-regular items – net of tax		
Gain on disposal of equity investments	**25,103**	11,713
Gain on disposal of equity accounted associates	**24,059**	1,489
Gain / (loss) on initial recognition of equity accounted associate	**43,049**	(1,682)
(Loss) / gain on deemed disposal of equity accounted associates	**(201)**	83,318
Gain on derecognition as an associate	**7,169**	-
Share of significant (expenses) from associate entities	**(10,915)**	(29,834)
Deferred tax (expense) recognised on equity accounted associate entities	**(32,535)**	(20,900)
Impairment (expense) on equity accounted associate	**-**	(7,554)
Impairment (expense) on equity investments	**(5,126)**	(12,023)
Impairment (expense) on oil producing and exploration assets	**-**	(13,277)
Impairment (expense) on non-current assets – copper assets	**-**	(22,374)
Net Impairment (expense) on other assets	**(7,258)**	(6,675)
Recovery of prior period rail access charges	**8,313**	-
Acquisition costs expensed	**-**	(19,042)
Land access compensation	**-**	2,982
Recovery of legal fees	**1,575**	-
Other items	**(1,641)**	6,058
Total non-regular profit/(loss) after tax attributable to members	**51,592**	(27,801)
Profit after tax attributable to members	**333,611**	149,421

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

a) Reporting segments **Year ended 31 July 2017**	Investing activities $'000	Energy $'000	Copper and gold operations $'000	Property $'000	Intersegment / unallocated $'000	Consolidated $'000
Revenue from external customers	**63,501**	**844,077**	**18,394**	**28,309**	**13,289**	**967,570**
Intersegment revenue	38,711	-	-	935	(39,646)	-
Total revenue	**102,212**	**844,077**	**18,394**	**29,244**	**(26,357)**	**967,570**
Regular profit/(loss) before income tax	**235,868**	**182,215**	**(5,445)**	**15,839**	**(34,428)**	**394,049**
Non-regular items before tax (note 3b)	97,445	19,908	(63)	-	-	117,290
Profit/(loss) before income tax	**333,313**	**202,123**	**(5,508)**	**15,839**	**(34,428)**	**511,339**
Less income tax benefit/(expense)	(54,817)	(61,594)	2,740	(5,172)	(1,142)	(119,985)
Profit/(loss) after tax	**278,496**	**140,529**	**(2,768)**	**10,667**	**(35,570)**	**391,354**
Less loss/(profit) attributable to non-controlling interests	(819)	(56,085)	-	(282)	(557)	(57,743)
Profit/(loss) after tax attributable to members	**277,677**	**84,444**	**(2,768)**	**10,385**	**(36,127)**	**333,611**
Profit/(loss) after tax attributable to members (as above)	**277,677**	**84,444**	**(2,768)**	**10,385**	**(36,127)**	**333,611**
Non-regular (profit)/loss after tax attributable to members (note 3b)	(43,492)	(8,313)	213	-	-	(51,592)
Regular profit/(loss) after tax attributable to members	**234,185**	**76,131**	**(2,555)**	**10,385**	**(36,127)**	**282,019**
Profit/(loss) before income tax includes the following items:						
Interest revenue	**7,042**	**2,089**	**41**	**18**	**58**	**9,248**
Interest (expense)	**(1,458)**	**(903)**	**(411)**	**(805)**	**-**	**(3,577)**
Depreciation and amortisation (expense)	**(1,770)**	**(97,880)**	**(1,806)**	**(133)**	**(14)**	**(101,603)**
Net Impairment (expense)/reversal	**(18,413)**	**-**	**(10)**	**-**	**-**	**(18,423)**
Share of results from equity accounted associates	**162,181**	**-**	**(146)**	**-**	**32**	**162,067**

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

a) Reporting segments

Year ended 31 July 2016	Investing activities $'000	Energy $'000	Copper and gold operations $'000	Property $'000	Intersegment / unallocated $'000	Consolidated $'000
Revenue from external customers	**86,281**	**514,164**	**616**	**5,867**	**13,733**	**620,661**
Intersegment revenue	29,708	-	-	914	(30,622)	-
Total revenue	**115,989**	**514,164**	**616**	**6,781**	**(16,889)**	**620,661**
Regular profit/(loss) before income tax	**230,288**	**(18,361)**	**(9,746)**	**3,239**	**(23,409)**	**182,011**
Non-regular items before tax (note 3b)	72,615	(68,750)	(55,515)	-	-	(51,650)
Profit/(loss) before income tax	**302,903**	**(87,111)**	**(65,261)**	**3,239**	**(23,409)**	**130,361**
Less income tax benefit/(expense)	(62,586)	25,795	39,092	(930)	(2,273)	(902)
Profit/(loss) after tax	**240,317**	**(61,316)**	**(26,169)**	**2,309**	**(25,682)**	**129,459**
Less loss/(profit) attributable to non-controlling interests	(3,119)	24,742	-	(51)	(1,610)	19,962
Profit/(loss) after tax attributable to members	**237,198**	**(36,574)**	**(26,169)**	**2,258**	**(27,292)**	**149,421**
Profit/(loss) after tax attributable to members (as above)	**237,198**	**(36,574)**	**(26,169)**	**2,258**	**(27,292)**	**149,421**
Non-regular loss/(profit) after tax attributable to members (note 3b)	(18,654)	29,337	17,118	-	-	27,801
Regular profit/(loss) after tax attributable to members	**218,544**	**(7,237)**	**(9,051)**	**2,258**	**(27,292)**	**177,222**
Profit/(loss) before income tax includes the following items:						
Interest revenue	22,484	567	273	15	109	23,448
Interest (expense)	(1,338)	(249)	(304)	(644)	-	(2,535)
Depreciation and amortisation (expense)	(2,209)	(74,905)	(2,339)	(143)	(17)	(79,613)
Impairment (expense)/reversal	(35,001)	(28,146)	(53,392)	-	-	(116,539)
Share of results from equity accounted associates	124,693	-	(2,183)	(7)	-	122,503

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

b) Analysis of non-regular items excluded from segment results

				Attributable to:	
	Before tax	Tax	After tax	Non-controlling interest	Members
Year ended 31 July 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gain on disposal of equity investments	**33,291**	**(8,188)**	**25,103**	**-**	**25,103**
Gain on disposal of associates	**21,538**	**2,521**	**24,059**	**-**	**24,059**
Gain on initial recognition of an associate	**61,499**	**(18,450)**	**43,049**	**-**	**43,049**
Net (loss) on deemed disposals of associates	**132**	**(333)**	**(201)**	**-**	**(201)**
Gain on derecognition as an associate	**10,507**	**(3,338)**	**7,169**	**-**	**7,169**
Share of significant (expenses) from associate entities	**(10,915)**	**-**	**(10,915)**	**-**	**(10,915)**
Deferred tax recognised on equity accounted associate entities	**-**	**(32,535)**	**(32,535)**	**-**	**(32,535)**
Net Impairment (expense) of assets	**(18,423)**	**5,220**	**(13,203)**	**(819)**	**(12,384)**
Recovery of prior period rail access charges	**19,908**	**(5,972)**	**13,936**	**5,623**	**8,313**
Recovery of legal fees	**2,250**	**(675)**	**1,575**	**-**	**1,575**
Other	**(2,497)**	**856**	**(1,641)**	**-**	**(1,641)**
Total non-regular items	**117,290**	**(60,894)**	**56,396**	**4,804**	**51,592**

				Attributable to:	
	Before tax	Tax	After tax	Non-controlling interest	Members
Year ended 31 July 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gain on disposal of equity investments	16,501	(4,788)	11,713	-	11,713
Gain on disposal of associate	2,127	(638)	1,489	-	1,489
(Loss) on initial recognition of an associate	(1,682)	-	(1,682)	-	(1,682)
Gain on deemed disposals of associates	118,850	(35,532)	83,318	-	83,318
Share of significant (expenses) from associate entities	(29,834)	-	(29,834)	-	(29,834)
Deferred tax recognised on equity accounted associate entities	-	(20,900)	(20,900)	-	(20,900)
Impairment (expense) of assets	(116,539)	43,627	(72,912)	(11,009)	(61,903)
Acquisition costs expensed	(45,604)	13,681	(31,923)	(12,881)	(19,042)
Land access compensation	5,000	-	5,000	2,018	2,982
Significant tax items	-	6,413	6,413	-	6,413
Other	(469)	114	(355)	-	(355)
Total non-regular items	(51,650)	1,977	(49,673)	(21,872)	(27,801)

Notes to the Consolidated Financial Statements

4. Profit for the year

(i) Profit before income tax expense includes the following:

	2017 $'000	2016 $'000
(a) Revenue		
Sales revenue	**921,773**	560,426
Dividend and distribution revenue	**25,144**	28,398
Interest revenue	**9,248**	23,448
Rental revenue	**8,181**	5,973
Other	**3,224**	2,416
	967,570	620,661

	2017 $'000	2016 $'000
(b) Other income		
Gain on sale of long term equity investments	**33,291**	16,501
Gain on disposal of equity accounted associates	**21,538**	2,127
Gain/(loss) on initial recognition of an associate	**61,499**	(1,682)
Gain on deemed disposals of equity accounted associates	**132**	118,850
Gain on derecognition as an associate	**10,507**	-
Gain on investments fair valued through profit or loss	**1,240**	5,140
Gain on revaluation of property	**8,894**	-
Recovery of prior year rail access charges	**19,908**	-
Land access compensation	**-**	5,000
Recovery of legal costs	**2,250**	-
Insurance recovery	**2,000**	-
Other	**3,086**	(34)
	164,345	145,902

	2017 $'000	2016 $'000
(c) Expenses		
(Impairment) of long term equity investments *(1)*	**(8,052)**	(17,912)
Impairment (expense) equity accounted associates *(2)*	**-**	(7,554)
(Impairment) of oil producing and exploration assets *(3)*	**-**	(28,146)
(Impairment) of copper mining and exploration assets *(4)*	**-**	(45,293)
Net impairment (expense) of other assets	**(10,371)**	(17,634)
Net impairment (expense)	**(18,423)**	(116,539)

(1) Impairment of long term equity investments

In accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment'. Where a long term equity investment's market last sale price is lower than the original cost, and the investment is considered by management to be 'impaired', the Group has recognised an impairment expense in respect of these investments. Impairments were recognised by WHSP ($6.023 million) and New Hope Corporation Limited ($2.029 million). An impairment recognised for a long term equity investment is prohibited from being reversed through profit and loss. Any future increments in the last sale price of these investments will be recognised as a fair value increment in the asset revaluation reserve. The impairment loss after tax impacted the result attributable to members by $5.126 million (2016: $12.023 million).

Notes to the Consolidated Financial Statements

4. Profit for the year (continued)

(i) Profit before income tax expense (continued)

(2) Impairment (expense) on equity accounted associates

The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2017. Where the carrying values of the investments exceeded the recoverable amounts, the investment has been impaired. At each reporting date, an assessment is be made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through the income statement. In the prior year ended 31 July 2016, an impairment expense of $7.554 million was recognised on the investment in TPI Enterprises Limited.

(3) Impairment of goodwill and oil producing and exploration assets

In the prior year, New Hope Corporation Limited determined that due to the continued significant decline in global oil prices, the carrying value of certain oil producing and exploration assets were impaired.

New Hope Corporation Limited classified its Cooper Basin assets as separate cash generating units (CGU) on a per field basis and has measured the recoverable amount of each CGU using the Fair value less cost of disposal method with all fair value measurements categorised as level 3 in the fair value hierarchy. In the prior year, the impairment loss on oil producing and exploration assets was $28.146 million. In the prior year, the impairment loss after tax impacted the result attributable to members by $13.277 million.

(4) Impairment of non-current assets - copper assets

In the prior year, as a result of continued and significant declines in the global copper price, the Group determined that the carrying values of certain mining and exploration assets were no longer recoverable. In the prior year, an impairment loss on copper assets of $53.392 million was recognised. These impairment losses after tax impacted the prior year result attributable to members by $22.374 million.

Notes to the Consolidated Financial Statements

4. Profit for the year (continued)

(ii) Tax expense

	2017 $'000	2016 $'000
Reconciliation of prima facie tax expense to income tax expense:		
Profit before income tax	**511,339**	130,361
Income tax expense calculated at 30%	**153,402**	39,108
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Sale of equity investments	**(10,596)**	(172)
Net impairment (benefit)	**307**	(11,235)
Franking credits received (excluding controlled and associate entities)	**(10,598)**	(11,379)
Tax effect of entities entering into the WHSP tax Group	**-**	(7,379)
Deferred tax asset not recognised on current year net losses	**-**	2,864
Net effect of New Hope Corporation Limited's Petroleum resource rent tax expense	**-**	2,502
Tax (benefit) on the carrying value of equity accounted associates	**(16,379)**	(15,469)
Other	**3,849**	2,062
Income tax expense	**119,985**	**902**
The tax effective rates are as follows:	**23.5%**	0.7%

5. Dividends

		$'000	**Amount per security CPS**	**Franking per security CPS**
Final dividend 2017	Final dividend not recognised in retained profits, to be paid on 11 December 2017	**76,607**	**32.0**	**32.0**
	Previous corresponding year, paid on 12 December 2016	74,213	31.0	31.0
Interim dividend	Interim dividend paid on 11 May 2017	**52,667**	**22.0**	**22.0**
	Previous corresponding year, paid on 12 May 2016	50,273	21.0	21.0

No dividend reinvestment plans were in operation during the reporting period.

Total number of ordinary shares on issue at the end of the reporting period was 239,395,320 (2016: 239,395,320).

Notes to the Consolidated Financial Statements

6. Controlled entities acquired or disposed

(i) **Acquisitions during the year**

No controlled entities were acquired during the year ended 31 July 2017.

(ii) **Transactions during the year**

During the year, The Group established three property trusts, PSRE Urban Regeneration Trust No. 3; PSRE Urban Regeneration Trust No. 4; and PSRE Urban Regeneration Trust No. 5 to hold investments in industrial and commercial properties in Sydney. These properties are classified as investment properties at reporting date. Washington H. Soul Pattinson and Company holds 50.1% of each of these Trusts at 31 July 2017.

(iii) **Controlled entities disposed of during the year**

No controlled entities were disposed of during the year ended 31 July 2017.

Notes to the Consolidated Financial Statements

7. Equity accounted associates

Name of associated entity	Group's percentage of holding at balance date*		Contribution to Group net profit for the year **						Fair value of listed investments***	
	July 2017	July 2016	2017			2016			July 2017	July 2016
Associates – held by WHSP	%	%	Regular $'000	Non-regular $'000	Total $'000	Regular $'000	Non-regular $'000	Total $'000	$'000	$'000
Apex Healthcare Berhad	**30.3**	30.3	**3,757**	**(441)**	**3,316**	3,417	-	3,417	**49,108**	45,247
Australian Pharmaceutical Industries Limited *(i)*	**19.4**	24.6	**13,560**	**659**	**14,219**	11,611	(600)	11,011	**166,845**	230,813
BKI Investment Company Limited *(ii)*	**9.5**	10.3	**4,599**	**(1,034)**	**3,565**	4,524	-	4,524	**100,336**	100,668
Brickworks Limited *(iii)*	**44.0**	44.1	**41,212**	**(4,883)**	**36,329**	38,841	(29,211)	9,630	**866,516**	986,646
Clover Corporation Limited *(iv)*	**22.7**	28.6	**876**	**-**	**876**	632	-	632	**17,209**	19,336
Pengana Capital Group Limited *(v)*	**39.2**	-	**467**	**(1,250)**	**(783)**	-	-	-	**123,467**	-
Ruralco Holdings Limited *(vi)*	**-**	20.1	**2,930**	**(1,949)**	**981**	3,787	(1,572)	2,215	**-**	52,947
TPG Telecom Limited *(vii)*	**25.2**	25.2	**104,956**	**(880)**	**104,076**	91,825	5,699	97,524	**1,304,750**	2,737,949
TPI Enterprises Limited *(viii)*	**18.9**	19.4	**(2,599)**	**(332)**	**(2,931)**	(3,128)	(1,631)	(4,759)	**40,338**	28,898
Verdant Minerals Limited	**38.3**	38.3	**(702)**	**(479)**	**(1,181)**	-	-	-	**11,437**	8,486
Associates – held by controlled entities	**various**	various	**3,926**	**(326)**	**3,600**	829	(2,520)	(1,691)	**n/a**	n/a
Share of results from equity accounted associates			**172,982**	**(10,915)**	**162,067**	152,338	(29,835)	122,503		
Gain on disposal of associates, net of tax			**-**	**24,059**	**24,059**	-	1,489	1,489		
Gain/(loss) on initial recognition of an associate, net of tax			**-**	**43,049**	**43,049**	-	(1,682)	(1,682)		
Gain on derecognition of an associate, net of tax			**-**	**7,169**	**7,169**	-	-	-		
Net loss/(gain) on deemed disposal of associates, net of tax			**-**	**(201)**	**(201)**	-	83,318	83,318		
Deferred tax of equity accounted associates carrying values			**-**	**(32,535)**	**(32,535)**	-	(20,900)	(20,900)		
Impairment expense of an associates			**-**	**-**	**-**	-	(7,554)	(7,554)		
Total gain on disposals, initial recognition, derecognition, impairment expense of associates and deferred tax on equity accounted associates			**-**	**41,541**	**41,541**	-	54,671	54,671		
Share of results, gains and losses and deferred tax on deemed disposals of associates and impairment reversal from equity accounted associates			**172,982**	**30,626**	**203,608**	152,338	24,836	177,174		

* The percentage holding represents the Group's total holding in each Associate.

** Contribution to Group net profit represents the amount included in profit after tax before non-controlling interest.

*** Fair value of listed investments represents the last sale price of listed associates at balance date. These investments are subject to capital gains tax and other transaction costs

Notes to the Consolidated Financial Statements

7. Equity accounted associates (continued)

Details of investments and result in associates

(i) During the year, Washington H. Soul Pattinson and Company Limited disposed of shares in Australian Pharmaceutical Industries Limited for an after tax profit of $20.48 million. This resulted in the Group's interest decreasing from 24.6% to 19.4%.

(ii) During the year, Washington H. Soul Pattinson and Company Limited's investment in BKI Investment Company Limited, decreased from 10.3% to 9.5%. This decrease was a consequence of:

- Non participation in BKI's dividend reinvestment plan;
- The issue of shares by BKI to a third party following the acquisition of a company; and
- Disposal of 3.26 million shares for an after tax profit of $0.47 million.

Further, BKI Investment Company Limited was derecognised from being an equity accounted associate to a long-term equity investment resulting in an after tax profit of $7.79 million.

(iii) During the year, Washington H. Soul Pattinson and Company Limited's interest in Brickworks Limited decreased by 0.11% to 44.03% as a consequence of Washington H. Soul Pattinson and Company Limited's non participation in the employee share scheme.

(iv) Washington H. Soul Pattinson and Company Limited's interest in Clover Corporation Limited decreased from 28.6% to 22.7%. This was a result of a disposal of shares in Clover Corporation Limited for an after tax profit of $1.71 million.

(v) During the year, Washington H. Soul Pattinson and Company Limited acquired shares in Hunter Hall International Limited and Pengana Capital Limited. In June 2017, these two companies merged their operations and Washington H. Soul Pattinson and Company Limited became the largest shareholder in the merged entity with 39.2% of Pengana Capital Group Limited. As a result, Washington H. Soul Pattinson and Company Limited classified its investment in Pengana Capital Group Limited as an equity accounted associate. On initial recognition as an associate, the Group recognised a fair value gain of $61.50 million, net of tax $43.05 million.

(vi) By year end, Washington H. Soul Pattinson and Company Limited had disposed of all of its shares in Ruralco Holdings Limited for an after tax loss of $1.86 million. During the year, Washington H. Soul Pattinson and Company Limited participated in the institutional and retail offers.

(vii) Washington H. Soul Pattinson and Company Limited maintained its interest in TPG Telecom Limited of 25.15% after participating in TPG Telecom Limited's capital raising to part fund the purchase of 700MHz spectrum from the Australian government.

(viii) Washington H. Soul Pattinson and Company Limited decreased its interest in TPI Enterprises Limited by 0.06% to 18.92% after participating in the TPI Enterprises Limited capital raisings to institutional and professional investors.

8. Fair value measurement

The fair value of certain assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

Investments in associates are equity accounted in accordance with AASB 128 *Investments in Associates and Joint Ventures* and accordingly are not recognised at fair value in the Consolidated statement of financial position. Details of the fair values of listed equity accounted associates are set out in note 7.

Notes to the Consolidated Financial Statements

8. Fair value measurement (continued)

Fair value hierarchy
Judgements and estimates are made in determining the fair values of assets and liabilities. To provide an indication of the reliability of the inputs used in determining fair value, the Group categorises each asset and liability into one of the following three levels as prescribed by accounting standards:

Level 1: Fair value is determined by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities as at the end of the reporting period.

Level 2: Fair value is determined by using valuation techniques incorporating observable market data inputs.

Level 3: Fair value is determined by using valuation techniques that rely on inputs that are not based on observable market data.

Fair value measurements
The following table presents the Group's assets and liabilities measured and recognised at fair value as at 31 July 2017 and 31 July 2016.

As at 31 July 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Trading equities	**32,509**	**-**	**14,484**	**46,993**
Long term equity investments	**648,102**	**-**	**3**	**648,105**
Other financial assets	**-**	**-**	**4,984**	**4,984**
Derivatives - Foreign exchange hedge	**-**	**18,075**	**-**	**18,075**
Non-financial assets				
Investment properties	**-**	**-**	**165,016**	**165,016**
Total assets	**680,611**	**18,075**	**184,487**	**883,173**
Financial liabilities				
Derivatives – Interest rate swap	**-**	**69**	**-**	**69**
Total liabilities	**-**	**69**	**-**	**69**
As at 31 July 2016				
Financial assets				
Trading equities	15,459	-	16,146	31,605
Long term equity investments	585,700	-	3	585,703
Other financial assets	-	-	11,837	11,837
Derivatives - Foreign exchange hedge	-	2,313	-	2,313
Non-financial assets				
Investment properties	-	-	92,932	92,932
Total assets	601,159	2,313	120,918	724,390
Financial liabilities				
Derivatives - Foreign exchange hedge	-	167	-	167
Total liabilities	-	167	-	167

Notes to the Consolidated Financial Statements

9. Contingent liabilities

There are no other material changes to contingent liabilities of the Group since 31 July 2016.

10. Events occurring after the balance date

Other than declared in this report, the Directors are not aware of any other events subsequent to balance date that would materially affect the full year financial report.

11. Other significant information

Please refer to the Chairman's Review and Review of Group Entities contained in this report.

12. Audit

This report is based on financial statements that are in the process of being audited.