

Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

First Floor, 160 Pitt Street Mall, Sydney NSW 2000



ASX Appendix 4D & Half year financial report 31 January 2018

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period

The reporting period is the half year ended 31 January 2018.

The previous corresponding period is the half year ended 31 January 2017.

Results for Announcement to the Market

		Current period 31 January 2018 \$'000	Previous period 31 January 2017 \$'000	Change \$'000
Revenue from operations	Up 25.5% to	549,633	438,076	111,557
Regular profit after tax attributable to members (1)	Up 19.4% to	166,354	139,309	27,045
Profit after tax attributable to members (2)	Down 1.9% to	146,165	148,951	(2,786)

Dividends

	Cents per share	Franking %
This period		
1. Interim dividend (3)	23c	100%
Previous corresponding period		
1. Interim dividend	22c	100%
Record date for determining entitlements to interim dividend:	19 April 2018	
Date the interim dividend is payable:	10 May 2018	

Comments on above results

- (1) The regular profit after tax attributable to members for the half year was \$166.4 million, an increase of 19.4% compared to \$139.3 million for the previous corresponding period. This net increase was attributable to:
- New Hope Corporation Limited (New Hope) (up 97.4%) which continued to capitalise on the recovery in coal prices and its Bengalla joint venture;
 - The Financial Services Portfolio (up 43.3%) due to the performance of the recently merged Pengana Capital Group;
 - TPG Telecom Limited (up 5.0%) despite significant headwinds from the rollout of NBN.
- During the period, WHSP reduced its holding in New Hope from 59.64% to 50.01%. The sale provided proceeds of \$175.7 million and a pre-tax gain of \$172.8 million to WHSP. It should be noted that this gain is not reflected in the consolidated results because New Hope is a member of the WHSP consolidated Group.
- (2) The profit after tax of \$146.2 million, was decreased by 1.9% compared to \$149.0 million for the previous corresponding period. The first half of last year included one-off non-regular gains which were not repeated this year.
- (3) Interim dividend increased by 4.5% to 23 cents per share fully franked.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Earnings per share

	Half year 31 January 2018	Half year 31 January 2017
From operations		
Basic Earnings per Share	61.06 cents	62.22 cents
Diluted Earnings per Share	61.06 cents	62.22 cents
From regular profit after tax attributable to members	69.49 cents	58.19 cents

Net tangible assets per security

	31 Jan 2018	31 July 2017
Net tangible asset backing per ordinary security* (based on the Consolidated statutory Statement of Financial Position)	\$13.22	\$12.91

* Refer to the Review of operations for the market based Net Asset Value of the Group.

Explanation of Profit after tax

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

Explanation of Net Profit

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

Review of Operations

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



Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Half Year Ended 31 January 2018

Chairman's Review

Dear Shareholders,

I am pleased to present the Washington H. Soul Pattinson and Company Limited (WHSP, Company) report for the half year ended 31 January 2018 on behalf of the Board of Directors of the Company.

Key Highlights

Performance for the Half Year		
Group Regular profit after tax*	\$166.4 million	+ 19.4%
Group Profit after tax	\$146.2 million	- 1.9%
WHSP's net asset value (pre-tax)** (tax payable if disposed of on 31 January 2018 \$1,013 million)	\$5.2 billion	+ 16.5%

Shareholder Returns			
2018 Interim Dividend (fully franked)	23 cents	+ 4.5%	
Dividend growth over 15 years (ordinary dividend annual growth rate 2003 to 2017)	9.4% PA		
Total Shareholder Returns			
	WHSP	All Ords. Accum. Index	Out Performance
3 Years	13.6% PA	8.0% PA	5.6% PA
15 Years	12.0% PA	9.6% PA	2.4% 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 half year financial report – Note 3, Segment Information.

** Refer to the table on page 6 for details.

Consolidated Financial Performance

Profit after tax attributable to shareholders for the half year ended 31 January 2018 was \$146.2 million, a decrease of 1.9% compared to \$149.0 million for the previous corresponding period.

The first half of last year included one-off non-regular gains which were not repeated this year.

The regular profit after tax* of \$166.4 million was the Group's highest ever for a first half and was an increase of 19.4% compared to \$139.3 million for the previous corresponding period. This net increase was mainly attributable to:

- New Hope Corporation Limited (New Hope) (up 97.4%) which continued to capitalise on the recovery in coal prices and its Bengalla joint venture;
- The Financial Services Portfolio (up 43.3%) due to the performance of the recently merged Pengana Capital Group; and
- TPG Telecom Limited (up 5.0%) despite significant headwinds from the rollout of the NBN.

During the period, WHSP reduced its holding in New Hope from 59.64% to 50.01%. The sale provided proceeds of \$175.7 million and a pre-tax gain of \$172.8 million to WHSP. It should be noted that this gain is not reflected in the consolidated results because New Hope is a member of the WHSP consolidated group.

Comparisons with the corresponding period last year are as follows:-

	Half Year 31 Jan 2018 \$'000	Half Year 31 Jan 2017 \$'000	% Change
Regular profit after tax* attributable to shareholders	166,354	139,309	+ 19.4%
Profit after tax attributable to shareholders	146,165	148,951	- 1.9%
Interim Dividend	23 cents	22 cents	+ 4.5%

* 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 half year financial 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 January 2018 was \$5.2 billion an increase of \$0.7 billion or 16.5% compared to \$4.5 billion as at 31 July 2017.

As at 31 January 2018	WHSP's Holding %	Value of WHSP's Holding \$m	6 month Movement	
			\$m	%
TPG Telecom ¹	25.2%	1,487	183	14.0%
New Hope Corporation ¹ (59.6% held at 31 July 2017)	50.0%	1,048	254	32.1%
Brickworks ¹	43.9%	933	66	7.7%
Financial Services Portfolio ^{1 & 2}		439	30	7.5%
Aust. Pharmaceutical Industries ¹	19.3%	143	(24)	(14.5%)
CopperChem and Exco Resources ²	100%	112	28	33.8%
Apex Healthcare Berhad ¹	30.3%	61	12	25.4%
TPI Enterprises ¹ (18.9% held at 31 July 2017)	19.3%	35	(5)	(12.9%)
Other Listed Investment Portfolio ¹		471	24	5.3%
Other Unlisted Investment Portfolio ²		79	7	9.2%
Property Portfolio ² (net of borrowings)		211	3	1.5%
Cash and other net assets (net of liabilities)		183	158	619.1%
Net asset value (pre-tax)^{3 & 4}		5,202	736	16.5%
¹ At market value. ² At Directors' valuations. ³ The tax payable if all of these assets had been disposed of on 31 January 2018 would have been approximately \$1,013 million. ⁴ Net asset value (pre-tax) is the value of all of WHSP's assets less all of its liabilities (other than the tax payable upon the sale of its assets). Assets are valued at market value or Directors' valuation as shown.				

During the period, WHSP invested a further \$4.7 million in TPG Telecom, via its dividend reinvestment plan. In November, we reduced our holding in New Hope from 59.64% to 50.01% in order to increase the free float and liquidity of its shares. The sale provided proceeds of \$175.7 million and a pre-tax gain of \$172.8 million.

The financial services portfolio consists of BKI Investment Company, Milton Corporation, Pengana Capital Group, Pengana International Equities and URB Investments which are listed on the ASX and Contact Asset Management, Ironbark Asset Management (Ironbark) and Pitt Capital Partners which are unlisted. The Company acquired a 14.5% holding in Ironbark during the period.

During the period, the head office building at 160 Pitt Street was sold, however, the sale is not expected to complete until the second half of the 2018 financial year.

Cash and other net assets increased by \$157.6 million, consisting mainly of an increase in cash and term deposits of \$100.0 million and the repayment of \$40.0 million of borrowings.

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.

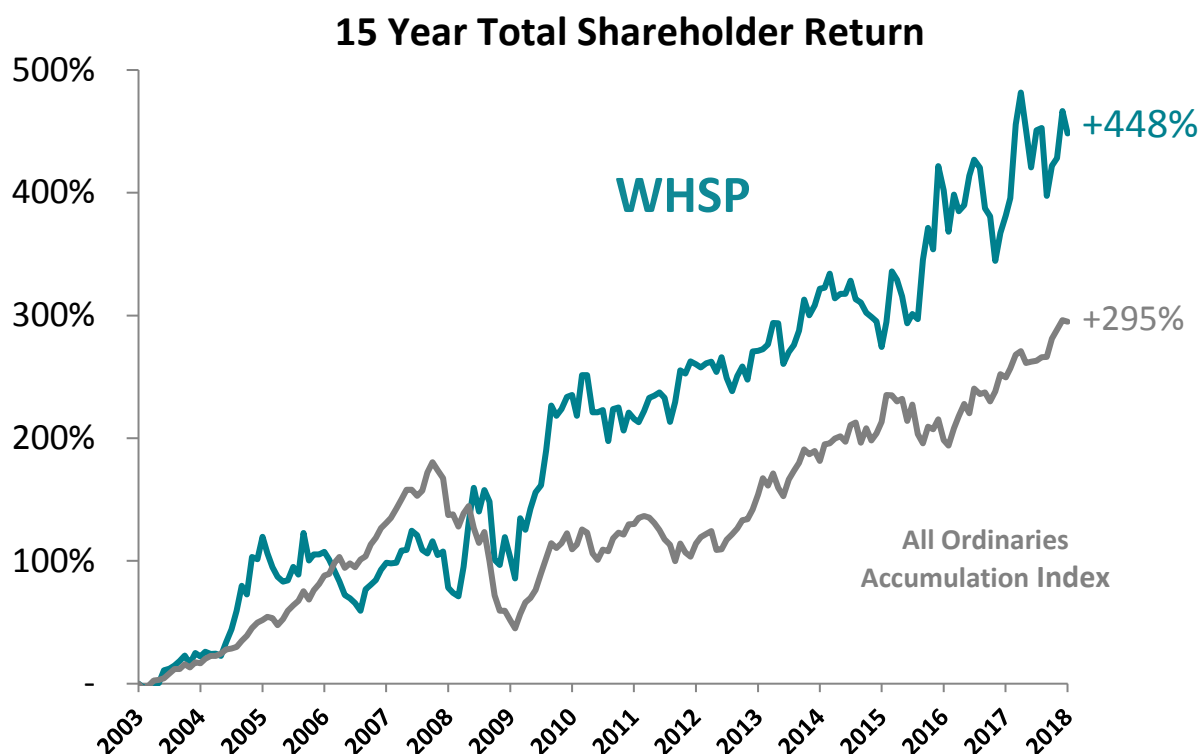
Total shareholder return (TSR) measures share price movement over time and assumes dividends received are reinvested by purchasing additional shares.

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 January 2018

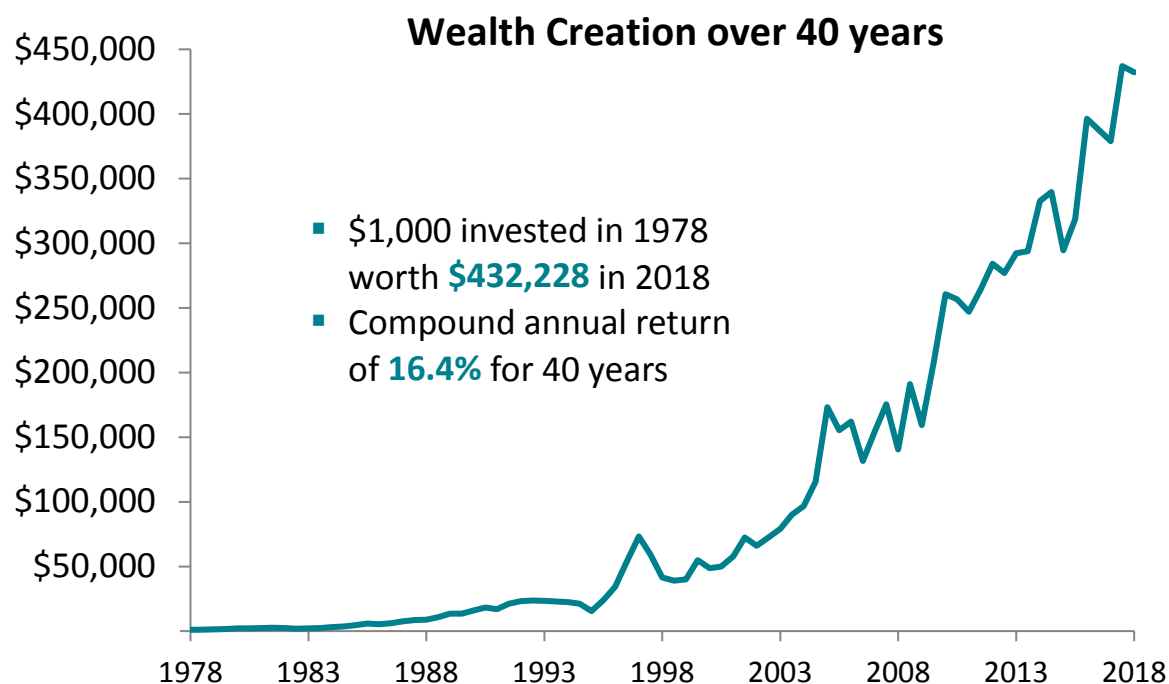
Annual Return	1 Year	3 Years	5 Years	10 Years	15 Years
WHSP	13.9%	13.6%	8.1%	11.9%	12.0%
All Ordinaries Accumulation Index	13.0%	8.0%	9.2%	5.2%	9.6%

The following chart shows the total return over time of an initial investment made in WHSP shares in February 2003 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP has grown by almost four and a half times over the last 15 years while an investment in the index has increased by less than three times over for the same period.



Source: IRESS - 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 1978 and reinvested all dividends, the shareholding would have appreciated to over \$430,000 as at 31 January 2018. This equates to a compound annual growth rate of 16.4% year on year for 40 years.



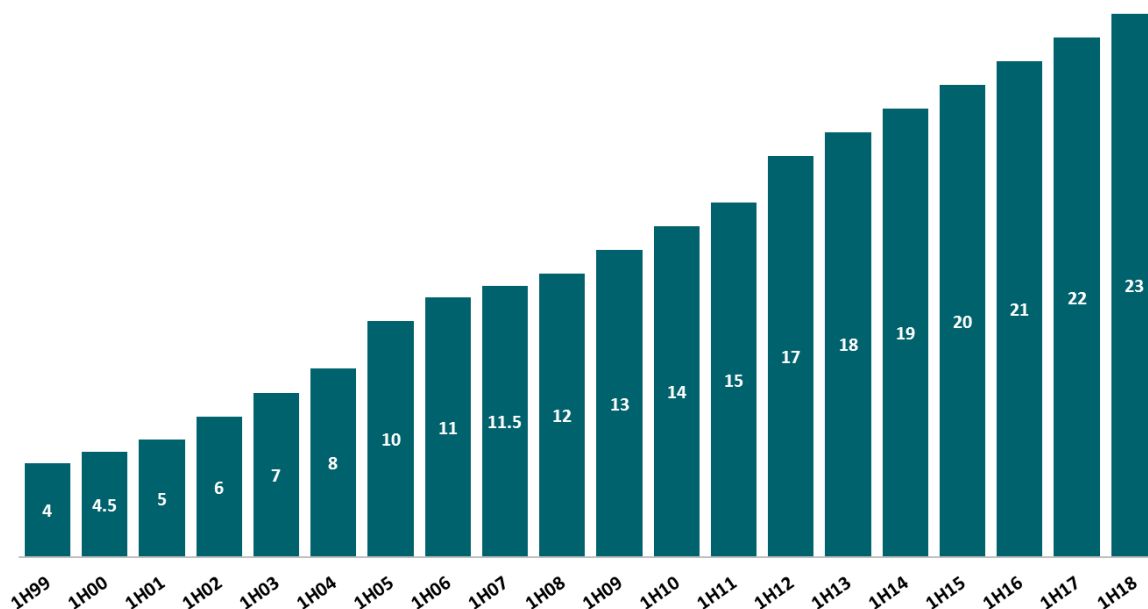
Source: IRESS - Includes the re-investment of dividends.

Dividends

The chart below demonstrates WHSP's exceptional history of paying dividends to shareholders. The Company 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 Interim Dividend History

Cents per Share



Interim Dividend

The Directors have declared a fully franked interim dividend of 23 cents per share in respect of the half year ended 31 January 2018, an increase of 4.5% over last year's interim dividend of 22 cents per share. The record date for the dividend will be 19 April 2018 with payment due on 10 May 2018.

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. For the six months to 31 January 2018 this figure was \$73.7 million, compared to \$67.6 million for the first half last year.

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 January 2018

TPG Telecom Limited

Associated entity: **25.2% held**

Total Market Capitalisation: **\$5.90 billion**

Value of WHSP's Holding: **\$1.49 billion**

ASX code: **TPM**



TPG reported the following results for the half year ended 31 January 2018:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period of \$418.2 million;
- Net profit after tax attributable to shareholders (NPAT) for the period of \$198.7 million; and
- Earnings per share (EPS) of 21.5 cents per share.

Underlying Results

The first half EBITDA result includes no material irregular items and is therefore representative of underlying EBITDA for the period. By contrast, the first half result last year benefitted from \$55.8 million of favourable non-recurring items (predominantly a profit realised on the sale of an investment).

Therefore, although there is a \$55.2 million decrease in reported EBITDA between the first half of this year and last year the underlying EBITDA increased slightly from \$417.6 million to \$418.2 million.

This small EBITDA increase has been achieved despite the significant headwinds that were experienced during the six months from: the migration of DSL customers to low-margin NBN services; the loss of gross profit from home phone services as customers migrate to NBN bundled services; and electricity price increases.

The main contributors to offsetting these headwinds were: the Corporate Segment; TPG fibre to the building services; and cost savings from the ongoing integration of iiNet.

Dividend

TPG has declared an interim dividend of 2 cents per share fully franked, in line with the final dividend for the 2017 financial year. The dividend is payable on 22 May 2018 and the directors of TPG have again invited their shareholders to reinvest in TPG via its Dividend Reinvestment Plan, for which the discount will be 1.5%.

Segment Results

The Consumer Segment's EBITDA for the period was \$260.2 million compared to \$267.8 million for the first half last year. This decline was driven by broadband gross margin erosion and loss of home phone voice revenue, both due to the NBN rollout. A significant decrease in employment and overhead costs was achieved as a result of further integration of iiNet's operations into the TPG group.

The Corporate Segment achieved EBITDA of \$158.9 million compared to \$157.2 million for the first half last year. This EBITDA growth has been driven by continued strong data and internet sales offsetting ongoing declines in voice revenues.

Cash Flow, Capital Expenditure and Gearing

TPG delivered another strong cash flow result for the half year with \$417.2 million cash generated from operations (pre-tax).

Total capital expenditure for the period of \$791.7 million included a \$594.8 million instalment for the 2x10MHz of 700MHz mobile spectrum acquired at auction last year and \$33.8 million invested in the mobile network builds in Singapore and Australia. The remaining 'business as usual' capital expenditure

of \$163.1 million was \$59.1 million lower than the first half last year as the fibre expansion for the Vodafone fibre contract neared completion.

At 31 January 2018, TPG had bank debt (net of cash) of \$1,394 million, which represents a leverage ratio of approximately 1.7 times EBITDA and it had undrawn headroom of over \$900 million in its debt facilities to fund its remaining mobile network investment.

Mobile Strategy Update

The mobile network builds in Australia and Singapore continue to progress well. The projected capital expenditure on both projects remains in line with original forecasts.

Contribution

TPG contributed a net profit of \$50.0 million to the Group (2017: \$56.3 million). Its contribution to regular profit was \$54.8 million (2017: \$52.2 million).

Outlook

In light of the first half performance, TPG has slightly upgraded its underlying EBITDA guidance for the full 2018 financial year to now be in the range of \$825 million to \$830 million, as shown in the table below.

	1 st Half 2018 FY Actual \$m	2018 FY Original Guidance \$m	2018 FY Updated Guidance \$m
Underlying EBITDA	418.2	800-815	825-830
Business as usual Capex	163.1	270-310	270-310

New Hope Corporation Limited

Controlled entity: **50.0% held**

Total Market Capitalisation: **\$2.09 billion**

Value of WHSP's Holding: **\$1.05 billion**

ASX code: NHC



For the six months to 31 January 2018, New Hope recorded a net profit after tax of \$115.6 million (comprising \$57.3 million from Queensland coal operations, \$58.7 million from New South Wales coal mining and a net loss of \$0.4 million from oil and gas operations). This result represents an increase of 111% on the \$54.9 million (net profit after tax and before non-regular items) recorded in the six months to January 2017.

Before non-regular items, basic earnings per share for the period were 13.9 cents compared to 6.6 cents for the first half last year. After non-regular items, basic earnings per share were 13.9 cents against 8.2 cents for the previous corresponding period.

During the six months, New Hope generated a strong operating cash surplus of \$207 million (before interest and tax) an increase of 63% on the prior corresponding period.

New Hope has declared a fully franked interim dividend of 6 cents per share (2017: 4 cents per share) to be paid on 1 May 2018 to shareholders registered as at 17 April 2018.

The operating result before non-regular items was underpinned by:

- Stable production volumes from operated sites and the Bengalla Joint Venture;
- Significant increases in realised Australian dollar thermal coal prices; and
- Increased oil production and improved realised pricing on oil sales.

Mining Operations

New Hope's two operated mines in South East Queensland (New Acland and Jeebropilly) combined to produce 2.5 million tonnes of saleable coal during the six months ended 31 January 2018. New Hope's 40% interest in Bengalla's production was 1.9 million tonnes for the six months, giving total New Hope Group production of 4.4 million tonnes which was in line with the prior corresponding period.

Total sales for the period were 4.4 million tonnes, a 10% increase on the prior corresponding period.

New Acland Stage Three

On the 14 February 2018, New Hope was advised by the Queensland Department of Environment and Science that it had refused its application to amend the Environmental Authority for the New Acland Coal Mine Stage Three Project, reasons for this decision have been formally requested.

New Hope has initiated a Judicial Review of the Land Court recommendation. This matter has now been listed for a five day hearing which commenced on 19 March 2018 in the Supreme Court.

Queensland Bulk Handling (QBH)

During the first six months of the financial year, 3.6 million tonnes of coal was exported through the QBH coal terminal at the Port of Brisbane (2017: 3.1 million tonnes).

Key activities at QBH were:

- Continued focus on health and safety with the site now lost time injury free for over 5 years;
- Significant refurbishment works completed on some critical infrastructure;
- Implementation of remote train unloading system; and
- Facilitated increased throughput from customers through flexible capacity arrangements.

Pastoral Operations

The breeding operation is now well established with breeder numbers at 2,153. A total of 1,670 calves had been branded at the end of the period with a total of 1,800 expected by the end of March 2018.

The cropping operations have produced approximately 9,000 tonnes of silage, which has been sold to local feedlots for delivery in March.

Oil and Gas Operations

Oil production totalled 189,339 barrels for the period, a 34% increase on the corresponding period in 2017 of 141,355 barrels. Improved production performance was achieved through well intervention, repair activities and infill drilling of development wells.

Improving oil prices over the period resulted in realised Australian dollar prices of \$67 per barrel up 8% on the previous half year. As a consequence, revenue for the business was \$12.8 million for the half year, an improvement of 45% on the corresponding 2017 period.

Contribution

New Hope contributed a net profit of \$64.5 million to the Group (2017: \$40.7 million, 59.6% held). WHSP reduced its holding in New Hope from 59.6% to 50.0% on 28 November 2017.

Outlook

New Hope's coal operations remain focused on maintaining current production levels and improving safety performance. Improving commodity prices have started to impact upon the cost of both labour and other materials which will require careful cost management over the coming periods. New Hope's focus on maintaining long-term relationships through the recent downturn provides a strong competitive advantage as surplus capacity in these markets is consumed.

New Hope remains fully committed to securing approval for the New Acland Stage Three project and is undertaking all necessary works to deliver this outcome. In addition to securing project approvals, management is seeking to extend the life of Stage Two operations by recovering all viable coal from that lease area.

A project team has been deployed to the Lenton/Burton mine and will focus on preparation of an investment case for recommencement of operations and the associated work required to restore infrastructure to an operating standard.

New Hope is well positioned to take advantage of improving commodity prices across both existing operations and development projects. Demand for high quality Australian coal remains strong in Asia, underpinned by ongoing construction of modern, efficient coal fired power stations.

Oil operations are focused on optimising production from existing fields to take advantage of improving oil prices. Targeted exploration and development work is planned over the coming year with a view to moving these assets up the value curve.

Brickworks Limited

Associated entity: **43.9% held**

Total Market Capitalisation: **\$2.12 billion**

Value of WHSP's Holding: **\$933 million**

ASX code: **BKW**



The Brickworks Group posted an underlying Net Profit After Tax (NPAT) for the half year ended 31 January 2018 of \$115.6 million, up 4.0% on the previous corresponding period. The statutory NPAT of \$97.0 million was down 6.8% from \$104.1 million for the half year ended 31 January 2017. The 2017 NPAT included the sale of Oakdale West while there were no land sales in the current period.

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

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

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

The directors of Brickworks have declared a fully franked interim dividend of 18 cents per share for the half year ended 31 January 2018, up 5.9% from 17 cents.

Building Products

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

EBIT was \$39.3 million, up 18.0% on the prior corresponding period, and EBITDA was \$53.6 million.

New gas and electricity contracts took effect from 1 January 2018 on the East Coast. With weighted average price increases of circa 20% for gas and 30% for electricity, the manufacturing cost increase equates to around \$1 million per month on a like-for-like basis.

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

Austral Masonry earnings were lower, despite an 18.7% increase in sales revenue to \$52.0 million for the half. Excluding UrbanStone, which was acquired in November 2017, revenue was up 8.3% on a like-for-like basis.

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

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

Auswest Timbers earnings were relatively stable, with revenue down 5.2% to \$23.5 million for the half.

Property

The Property Group produced an EBIT of \$49.5 million for the half year ended 31 January 2018, down 26.3% from \$67.2 million for the prior period. The decrease in earnings was due to no land sales being recorded during the period, compared to the prior corresponding period that included the sale of Oakdale West into the Property Trust.

The Property Trust delivered an EBIT of \$51.2 million, up 171.9% from \$18.8 million in the prior corresponding period. The increase was largely due to the development profit realised following the completion of three development projects, providing \$33.5 million EBIT. Net property income distributed from the Trust was \$10.7 million, an increase of 20.1% from \$8.9 million in the prior corresponding period.

The total value of leased assets held within the Property Trust at 31 January 2018 was \$1.087 billion. The entire Property Trust portfolio consists of "A grade" facilities, each less than seven years old, with long lease terms and stable tenants. The annualised gross rent from the Property Trust is \$67.2 million, average capitalisation rates are 6% and there are currently no vacancies. Brickworks has a 50% interest in the earnings and net assets of the Property Trust.

Contribution

Brickworks contributed a net profit of \$22.8 million to the Group (2017: \$26.8 million, 44.0% held).

Outlook

Building activity across the East Coast remains elevated and continues to drive strong demand. In New South Wales and Victoria there remains a significant pipeline of work that has translated to a very strong order book in these states. Conditions in Western Australia remain difficult, although they appear to have bottomed, and a range of restructuring initiatives and capital projects have resulted in improved performance that is expected to continue in the second half.

Overall, the short to medium term outlook for Building Products remains strong, with price increases already implemented.

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

Financial Services Portfolio

Value of WHSP's holdings: \$439 million



The assets in the Financial Services Portfolio include investments in funds management, corporate advisory and Listed Investment Companies (LICs). The market valuation of the assets in this portfolio at 31 January 2018 was \$439.4 million. The cost base on these assets is less than \$250 million.

In June 2017, WHSP's investments in Pengana and Hunter Hall were merged to form the Pengana Capital Group (PCG). WHSP became the biggest shareholder in PCG with a 39.2% shareholding. For the 6 months ending 31 December 2017, PCG continued to add funds under management and delivered strong returns to its investors. During the first half of the 2018 financial year, WHSP's shareholding in PCG increased in value by 23.9%.

WHSP added to the portfolio during the period by purchasing shares in an unlisted business in the financial services industry, Ironbark Asset Management. Ironbark provides asset management solutions for investors and financial advisers by partnering with best in class investment managers across a range of asset classes.

As at 31 January 2018	% held
BKI Investment Company Limited (ASX: BKI)	9.4%
Contact Asset Management Pty. Limited	20.0%
Ironbark Asset Management	14.5%
Milton Corporation Limited (ASX: MLT)	3.8%
Pengana Capital Group Limited (ASX: PCG)	39.2%
Pengana International Equities Limited (ASX: PIA) formerly Hunter Hall Global Value Limited (ASX: HHV)	9.9%
Pitt Capital Partners Limited	100%
URB Investments Limited (ASX: URB)	12.4%

The Financial Services Portfolio contributed a net profit of \$8.0 million to the Group (2017: \$6.0 million). The contribution to regular profit increased by 43% compared to the prior corresponding period.

Australian Pharmaceutical Industries Limited

Associated entity: **19.3% held**

Total Market Capitalisation: **\$739 million**

Value of WHSP's Holding: **\$143 million**

ASX code: **API**



For the year ended 31 August 2017, API reported the following results, which are compared to the previous financial year:

- Total revenue of \$4.1 billion, up 5.8%;
- Underlying earnings before interest and tax of \$91.9 million, up 5.5%;
- Earnings before interest and tax of \$89.3 million, up 2.5%;
- Underlying net profit after tax of \$54.2 million, up 5.4%; and
- Net profit after tax of \$52.4 million, up 1.4%.

API's Priceline Pharmacy network grew by 20 stores during the year to 462 stores. Its pharmacy distribution business increased revenues by 7.3% and its underlying revenues by 7.5%.

API paid a fully franked final dividend of 3.5 cents per share, unchanged from 2016. The total fully franked dividend for the 2017 financial year increased by 17% to 7 cents per share.

WHSP has equity accounted API's result for the 6 months to 31 August 2017. API contributed a net profit of \$4.5 million to the Group (2016: \$7.1 million, 24.5% held). The contribution was impacted by WHSP reducing its holding in API from 24.5% to 19.4% in early May 2017.

CopperChem Limited and Exco Resources Limited

Controlled entities: **100% held**

Value of WHSP's holdings: **\$112 million**

Unlisted entities



CopperChem and Exco Resources are copper and gold mining and 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 six months ended 31 January with gold production now expected to continue until late in the 2018 calendar year. Development of the Wallace Gold Project in north-west Queensland commenced with the construction of gold processing facilities at CopperChem's Cloncurry site. Gold production is expected to commence in the second half of the financial year.

The existing crushing and grinding circuits at the Cloncurry plant have been integrated into the new gold processing facility. This facility will be utilised to process gold ores in the region along with the gold resources contained in the CopperChem/Exco portfolio.

Revenue from gold sales for the half year was \$11.3 million, a significant increase over the \$6.3 million for first half of the 2017 financial year. Cash flow from the White Dam project was \$5.4 million for the first half.

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 south-east of Cloncurry in support of the Wallace Gold Project.

CopperChem completed the transaction to acquire the Stockman copper-zinc project from Independence Group Limited in December 2017. The final approval and permitting phase of the project is underway together with exploration drilling planned for early 2018.

Cash from operations was \$3.2 million for the half and CopperChem and Exco contributed a net loss of \$2.5 million to the Group (2017: \$3.3 million loss).

Apex Healthcare Berhad

Associated entity: **30.3% held**
Total Market Capitalisation: **\$203 million**
Value of WHSP's Holding: **\$61 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 year ended 31 December 2017, Apex generated revenue of \$188.5 million, an increase of 6.7% over the 2016 financial year. Net profit after tax attributable to shareholders was \$13.5 million, an increase of 27.1% over 2016.

Apex has declared a final dividend of 2.1 cents per share, bringing total dividends for the year to 3.7 cents, an increase of 4.3% (in Malaysian Ringgit) over 2016.

WHSP has equity accounted Apex's result for the 6 months to 31 December 2017. Apex contributed a net profit of \$2.3 million to the Group (2016: \$1.5 million).

TPI Enterprises Limited

Associated entity: **19.3% held**
Total Market Capitalisation: **\$182 million**
Value of WHSP's Holding: **\$35 million**
ASX code: **TPE**



In 2017, TPI became one of only four fully integrated suppliers of pain relief products globally following its acquisition of a Norwegian opiates and tableting business.

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.

Access to reliable, low cost and diversified sources of raw material is also a critical component of the strategy. In 2017, TPI made significant progress by developing new sources of poppy straw from mainland Australia (NSW and Victoria) as well as imported straw from the northern hemisphere. TPI is the only business globally to have this diversity of supply from both hemispheres. This is a significant improvement from the historical situation where all poppy straw was sourced from Tasmania.

The acquisition of the facility in Norway in late 2017 allows TPI to access an increased number of customers in larger markets and will provide TPI with the ability to sell end products attracting higher margins than the narcotic raw material produced in Australia. The Norwegian facility has capability to produce 70 tonnes of codeine phosphate and 1.6 billion tonnes of tablets per annum.

Production at the Victorian facility in 2017 was more than double the volumes in the prior year. However, full year results for the calendar year 2017 were disappointing as TPI experienced delays receiving some of its imported straw which delayed sales. Additionally, TPI invested in increased headcount in anticipation of increased manufacturing volumes which increased operating costs.

WHSP has equity accounted TPI's result for the 6 months to 31 December 2017. TPI contributed a net loss of \$1.5 million to the Group (2016: \$1.3 million loss, 18.9% held).

Other Investments

	% held
Listed	
Bailador Technology Investments Limited	19.1%
Clover Corporation Limited	22.6%
Heritage Brands Limited	25.1%
Lindsay Australia Limited	18.9%
Quickstep Holdings Limited	15.9%
Verdant Minerals Limited	36.8%
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

During the six months ended 31 January 2018 redevelopment of the Kingsgrove property continued and works commenced at the Prestons site. There were no additions to the property portfolio during the period.

Kingsgrove NSW: The demolition of the building was completed during the period. The land is currently being subdivided into eight large industrial lots with works underway to provide services to the individual lots. Five of the eight lots have been sold, subject to finalisation of the subdivision, and are expected to settle in June 2018. A sales campaign is underway for the remaining lots with all lots expected to be sold by the end of the financial year.

Prestons NSW: Pitt Street Real Estate Partners (PSRE, 75% owned by WHSP) has been contracted to construct a 35,000 square metre warehouse for a major logistics company. All development approvals have been granted and works commenced in January 2018. The project is on track for completion by October 2018, when an 11 year lease will commence.

Castle Hill NSW: WHSP holds a four hectare industrial site which is currently leased. It is located approximately 200 metres from the new Showground railway station which is part of the North West Rail Link, due for completion in 2019. The residential area immediately surrounding the new station has been rezoned for higher density residential. The precinct including WHSP's holding is expected to be rezoned for mixed use, a combination of commercial/retail and residential. A rezoning will add significant value once achieved.

WHSP has maintained its investments in the two office buildings in Pennant Hills NSW, and a retail complex in Penrith NSW.

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

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Directors' Report

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP) present their report and the financial report of the consolidated group for the half year ended 31 January 2018.

Directors

The following persons were Directors of WHSP for the whole of the half year and up to the date of this report:

Robert Dobson Millner FAICD

Chairman

Non-executive Director since 1984, Chairman since 1998

Todd James Barlow B.Bus, LLB(Hons)(UTS)

Managing Director since 2015

Michael John Hawker AM B.Sc(Sydney), FAICD, SFFin

Non-executive Director since 2012

Thomas Charles Dobson Millner B.Des(Industrial), GDipAppFin(Finsia), FFin, GAICD

Non-executive Director since 2011

Warwick Martin Negus B.Bus(UTS), M.Com(UNSW), SFFin

Non-executive Director since 2014

Melinda Rose Roderick B.Econ(Macq), CA, GAICD

Finance Director since 2014

Robert Gordon Westphal B.Com(UNSW), FCA, FFin, MAICD

Non-executive Director since 2006

The following person was appointed as a Director of WHSP on 1 December 2017 and remains a Director at the date of this report:

Tiffany Lee Fuller B.Com(UniMelb), CA, GAICD

Non-executive Director since December 2017

The following person was a Director of WHSP from the commencement of the half year until his retirement from the Board on 31 October 2017:

David Edward Wills B.Com(UNSW), FCA, MAICD

Non-executive Director 2006 to 2017

Review of Operations

Profit after tax attributable to shareholders for the half year ended 31 January 2018 was \$146.2 million, a decrease of 1.9% compared to \$149.0 million for the previous corresponding period.

The first half of last year included one-off gains which were not repeated this year.

Comparisons with the corresponding period last year are as follows:-

	Half Year 31 Jan 2018 \$000	Half Year 31 Jan 2017 \$000	% Change
Revenue from continuing operations	549,633	438,076	+ 25.5%
Profit after tax attributable to shareholders	146,165	148,951	- 1.9%
Interim Dividend	23 cents	22 cents	+ 4.5%

For further information regarding the operations of the Group, refer to the Chairman's Review and the Review of Group Entities on pages 4 to 20 of this report.

Interim Dividend

Directors have declared an interim dividend of 23 cents per share in respect of the half year ended 31 January 2018, an increase of 4.5% over last year's interim dividend of 22 cents per share. The dividend will be fully franked and payable on 10 May 2018.

Auditors' Independence Declaration

The lead auditor's independence declaration for the half year ended 31 January 2018 has been received and is included on page 23.

Rounding of Amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors:



R.D. MILLNER
Director



T.J. BARLOW
Managing Director

Dated this 22nd day of March 2018.

Auditor's Independence Declaration
To the Directors of Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728

In relation to the independent auditor's review for the half-year ended 31 January 2018, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Washington H. Soul Pattinson and Company Limited and the entities it controlled during the financial period.



J GAVLJAK
Partner

PITCHER PARTNERS
Sydney

20 March 2018

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Consolidated Income Statement
For the half year ended 31 January 2018

		Half year ended 31 January 2018 \$'000	Half year ended 31 January 2017 \$'000
	Notes		
Revenue from continuing operations	4(i)	549,633	438,076
Other income	4(i)	12,526	50,066
Cost of sales		(265,042)	(249,180)
Selling and distribution expenses		(88,079)	(76,863)
Administration expenses		(18,955)	(17,302)
Other expenses		(3,780)	(3,533)
Impairment expense	4(i)	(1,894)	(2,986)
Finance costs		(623)	(1,811)
Share of results from equity accounted associates	6	83,193	92,802
Profit before income tax		266,979	229,269
Income tax expense	4(ii)	(69,551)	(52,748)
Profit after tax for the half year		197,428	176,521
Profit after tax attributable to non-controlling interests		(51,263)	(27,570)
Profit after tax for the half year attributable to members of Washington H. Soul Pattinson and Company Limited		146,165	148,951

	2018 Cents	2017 Cents
Earnings per share		
Basic and diluted earnings per share attributable to ordinary equity holders of the company		
Earnings per share from all operations	61.06	62.22
	No. of shares	
Weighted average number of shares used in calculating basic and diluted earnings per share	239,395,320	239,395,320

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

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Consolidated Statement of Comprehensive Income
For the half year ended 31 January 2018

	Half year ended 31 January 2018 \$'000	Half year ended 31 January 2017 \$'000
Profit after tax for the half year	197,428	176,521
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Net movement in the fair value of long term equity investments, net of tax	9,350	(5,364)
Transfer to profit and loss on disposal of long term equity investments, net of tax	(5,308)	(16,635)
Net movement in hedge reserve, net of tax	(8,871)	4,644
Net movement in foreign currency translation reserve, net of tax	272	104
Net movement in equity reserve, net of tax	(81)	3,258
Total other comprehensive expense for the half year, net of tax	(4,638)	(13,993)
Total comprehensive income for the half year	192,790	162,528
Total comprehensive income attributable to non-controlling interests	(46,768)	(29,611)
Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited	146,022	132,917

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

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Consolidated Statement of Financial Position
As at 31 January 2018

	31 Jan 2018 \$'000	31 July 2017 \$'000
Current assets		
Cash and cash equivalents	519,029	301,275
Term deposits	1,044	1,044
Trade and other receivables	85,235	94,770
Inventories	78,140	79,968
Asset classified as held for sale	1,590	-
Trading equities	53,894	46,993
Derivative financial instruments	3,796	18,075
Current tax asset	73	13,024
Total current assets	742,801	555,149
Non-current assets		
Trade and other receivables	10,293	3,563
Equity accounted associates	1,488,071	1,415,973
Long term equity investments	643,022	648,105
Other financial assets	14,849	4,984
Investment properties	168,528	165,016
Property, plant and equipment	1,453,356	1,370,420
Exploration and evaluation assets	425,247	418,582
Deferred tax assets	69,674	106,576
Intangible assets	59,882	60,026
Total non-current assets	4,332,922	4,193,245
Total assets	5,075,723	4,748,394
Current liabilities		
Trade and other payables	94,234	80,866
Interest bearing liabilities	2,398	42,356
Derivative financial instruments	69	69
Current tax liabilities	44,048	736
Provisions	42,768	45,345
Total current liabilities	183,517	169,372
Non-current liabilities		
Interest bearing liabilities	31,848	33,057
Deferred tax liabilities	409,730	394,882
Provisions	166,115	112,773
Total non-current liabilities	607,693	540,712
Total liabilities	791,210	710,084
Net assets	4,284,513	4,038,310
Equity		
Share capital	43,232	43,232
Reserves	609,441	611,226
Retained profits	2,642,099	2,603,186
Parent entity interest	3,294,772	3,257,644
Non-controlling interests	989,741	780,666
Total equity	4,284,513	4,038,310

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

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Consolidated Statement of Changes in Equity
For the half year ended 31 January 2018

Consolidated entity	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total Parent entity interest \$'000	Non-controlling interests \$'000	Total \$'000
Total equity at the beginning of the half year						
– 1 August 2017	43,232	2,603,186	611,226	3,257,644	780,666	4,038,310
Net profit for the half year after tax	-	146,165	-	146,165	51,263	197,428
Other comprehensive income for the half year						
Net movement in asset revaluation reserve, net of tax	-	-	4,163	4,163	(121)	4,042
Net movement in hedge reserve, net of tax	-	-	(4,497)	(4,497)	(4,374)	(8,871)
Net movement in foreign currency translation reserve, net of tax	-	-	272	272	-	272
Net movement in equity reserve, net of tax	-	-	(81)	(81)	-	(81)
Total comprehensive income for the half year	-	146,165	(143)	146,022	46,768	192,790
Transactions with owners						
Dividends declared and paid	-	(62,220)	-	(62,220)	(20,464)	(82,684)
Net movement in share-based payments reserve	-	74	1,865	1,939	(111)	1,828
Transactions with non-controlling interests	-	(1,238)	(3,507)	(4,745)	180,457	175,712
Tax on partial disposal of controlled entity to non-controlling interests	-	(43,868)	-	(43,868)	-	(43,868)
Equity transfer from members on issue of share capital in controlled entity	-	-	-	-	2,425	2,425
Total equity at the end of the half year - 31 January 2018	43,232	2,642,099	609,441	3,294,772	989,741	4,284,513
Total equity at the beginning of the half year						
– 1 August 2016	43,232	2,372,467	623,684	3,039,383	707,268	3,746,651
Net profit for the half year after tax	-	148,951	-	148,951	27,570	176,521
Other comprehensive income for the half year						
Net movement in asset revaluation reserve, net of tax	-	-	(21,999)	(21,999)	-	(21,999)
Net movement in hedge reserve, net of tax	-	-	2,678	2,678	1,966	4,644
Net movement in foreign currency translation reserve, net of tax	-	-	29	29	75	104
Net movement in equity reserve, net of tax	-	-	3,258	3,258	-	3,258
Total comprehensive income for the half year	-	148,951	(16,034)	132,917	29,611	162,528
Transactions with owners						
Dividends declared and paid	-	(60,245)	-	(60,245)	(8,305)	(68,550)
Net movement in share-based payments reserve	-	101	2,135	2,236	(90)	2,146
Equity transfer from members on issue of share capital in controlled entity	-	-	-	-	80	80
Total equity at the end of the half year - 31 January 2017	43,232	2,461,274	609,785	3,114,291	728,564	3,842,855

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

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Consolidated Statement of Cash Flows
For the half year ended 31 January 2018

	Half year ended 31 January 2018 \$'000	Half year ended 31 January 2017 \$'000
Cash flows from operating activities		
Receipts from customers inclusive of GST	561,074	474,699
Payments to suppliers and employees inclusive of GST	(351,070)	(351,535)
	210,004	123,164
Dividends received	42,928	58,008
Interest received	3,089	5,168
Finance costs	(470)	(744)
Income taxes paid	(985)	(7,579)
Net cash inflow from operating activities	254,566	178,017
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(59,445)	(38,202)
Proceeds from sale of property, plant and equipment	1,912	48
Payments for capitalised exploration and evaluation activities	(10,219)	(6,803)
Net proceeds from term deposits	-	39,031
Payments for acquisition and development of investment properties	(4,209)	(4,416)
Payments for equity investments	(27,084)	(37,404)
Proceeds from sale of equity investments	29,015	72,409
Payments for acquisition of business, net of cash acquired	-	(800)
Proceeds on Bengalla acquisition settlement adjustment	-	1,669
Proceeds from the sale of controlled entity/associate	175,736	2,660
Loan repayments	329	5,500
Loans advanced	(9,174)	(7,430)
Net cash inflow from investing activities	96,861	26,262
Cash flows from financing activities		
Dividends paid to WHSP shareholders	(76,607)	(74,213)
Dividends paid by subsidiaries to non-controlling interests	(20,506)	(8,305)
Net proceeds from interest bearing liabilities	-	6,899
Proceeds from issue of equity	2,293	-
Repayment of external borrowings	(41,167)	(1,190)
Net cash outflow from financing activities	(135,987)	(76,809)
Net increase in cash and cash equivalents	215,440	127,470
Cash and cash equivalents at the beginning of the half year	301,275	126,709
Effects of exchange rate changes on cash and cash equivalents	2,314	(2,153)
Cash and cash equivalents at the end of the half year	519,029	252,026

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

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies

(a) Basis of preparation

The financial report for the half year ended 31 January 2018 is a general purpose financial report and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 31 July 2017 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated Entity" or "Group") during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half year reporting period.

The interim financial statements have been authorised for issue by the Directors on 22nd March 2018.

(b) Estimates

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

In preparing this half year financial report, the significant judgements made by management and the key sources of estimation were the same as those that applied to the consolidated financial report as at and for the year ended 31 July 2017.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial results for the half year ended 31 January 2018 include the assessment of the recoverable amounts for non-current assets, including coal assets (refer discussion below), investments in associates and long term equity investments (refer to note 4(i)), copper assets and oil producing assets.

Key estimate – 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 half year ended 31 January 2018.

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

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units 'CGU's').

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.

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

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 below in relation to specific considerations related to Acland Stage 3 approvals).

New Acland Stage 3 approvals

A number of uncertainties associated with the approvals timeline and conditionality of the New Acland Coal Stage 3 (NAC03) project remain at 31 January 2018. The significant delays in the approvals process have the potential to delay the commencement of NAC03 operations which has been assessed to be an indicator of impairment.

In the period since 31 July 2017, the following matters are relevant:

- NHC, through its wholly-owned subsidiary New Acland Coal Pty Ltd (New Acland), has progressed the 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. The Judicial Review hearing commenced on 19 March 2018;
- If NHC is successful in this process, the matters subject to the Judicial Review, including in respect of groundwater and night time noise concerns, may result in the Land Court changing its findings in respect of these matters and ultimately recommending grant of the Mining Lease and amended Environmental Authority (EA);
- Subsequent to half year end, the Chief Executive of the Department of Environment and Science has made a decision to refuse the application for amendment of the EA for the NAC03 project. NHC is currently considering its options with respect to this decision.

NHC has undertaken a thorough assessment regarding impairment as required under AASB 136 for the half year ended 31 January 2018. NHC carefully considered the potential impact that recent developments in the legal and regulatory environment and the possibility of further delays in the approvals process would have on future cash flows.

The fair value discounted cash flow models prepared for the CGU have confirmed that the recoverable amount exceeds the carrying value. The updated models are consistent with those prepared for the year ended 31 July 2017, other than for the following adjustments:

(i) Extensions 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 2019 in the earliest instance, or 2027 at the latest instance.

(ii) Coal price assumptions

Short term coal prices have improved since 31 July 2017. As a result the coal price range for assessments at 31 January 2018 is US\$75-120 per tonne (nominal basis). The long term pricing assumptions are in line with previous impairment assessments.

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. As a result of the impairment assessment undertaken there is no impairment required in relation to the assets of the QLD mining operations CGU as at 31 January 2018.

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

The interim 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 CGU at 31 January 2018. Future events, such as the outcome of the Judicial Review process, may impact upon this assumption and the recoverable value of the QLD coal mining CGU. In the event that future events have a negative impact on the recoverable value of the QLD coal mining CGU, the assets of that CGU may be subject to impairment.

The carrying value of the Qld coal mining CGU's assets is set out below:

	\$000
<i>Property, plant and equipment</i>	
Land and buildings	56,769
Plant and equipment	112,247
Mine reserves, leases and development assets	6,219
Plant under construction	50,625
<i>Intangibles</i>	
Software	1,365
<i>Exploration and evaluation</i>	
Exploration and evaluation at cost	35,807
Total carrying value	263,032

The Queensland coal mining CGU also 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 are longer term. These arrangements are not of a sufficient amount to constitute a material impact on value unless approval delays extend beyond those currently foreseeable.

The QLD coal mining CGU is a customer of the Port operations of the Group (Port operations CGU). As such in the event that there are circumstances which further impact the coal mining operations this may be relevant to the value of those operations and will be a factor in any future impairment considerations.

The carrying value of the Port operations CGU's assets is set out below:

	\$000
<i>Property, plant and equipment</i>	
Land and buildings	1,736
Plant and equipment	84,959
Mine reserves, leases and development assets	12,097
Plant under construction	1,262
<i>Intangibles</i>	
Software	99
Goodwill	5,596
Total carrying value	105,749

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 Jan 2018 \$'000
Current assets	
Cash and term deposits	155,765
Assets held for sale	1,590
Other current assets	65,648
Total current assets	223,003
Non-current assets	
Long term equity investments – measured at market value	638,597
Other financial assets	
– Listed controlled and associated entities – measured at the lower of cost or impaired value	574,185
– Unlisted entities – measured at the lower of cost or impaired value	298,541
Other non-current assets	82,608
Total non-current assets	1,593,931
Total assets	1,816,934
Total current liabilities	1,663
Total non-current liabilities	80,616
Total liabilities	82,279
Net assets	1,734,655
Equity	
Share capital	43,232
Reserves	587,999
Retained profits	1,103,424
Total equity	1,734,655

Income Statement

	Half year ended 31 Jan 2018 \$'000
Profit after tax	208,123
Less: Non-regular items after tax	
Net gain on disposal of investments	(138,219)
Net impairment expense on investments	4,445
Other	205
Regular profit after tax	74,554
Other comprehensive income	
Net movement in the fair value of the listed investment portfolio	3,275

Market value of listed entities as at 31 January 2018
(based on ASX closing prices 31 January 2018)

	As at 31 Jan 2018 \$'000
Long term equity investments	
Milton Corporation Limited	120,533
BKI Investment Company Limited	102,676
Commonwealth Bank of Australia	62,079
Pengana International Equities Limited	28,757
National Australia Bank Limited	25,394
Lindsay Australia Limited	24,154
Woolworths Limited	23,983
Macquarie Group Limited	22,071
Wesfarmers Limited	21,962
Bailador Technology Investments Limited	20,125
Other listed entities	186,863
Market value of long term equity investments	638,597
Listed controlled and associated entities	Holding
TPG Telecom Limited	25.2% 1,487,331
New Hope Corporation Limited	50.0% 1,047,555
Brickworks Limited	43.9% 932,817
Pengana Capital Group Limited	39.2% 152,939
Australian Pharmaceutical Industries Ltd	19.3% 142,603
Apex Healthcare Berhad	30.3% 61,582
TPI Enterprises Limited	19.3% 35,118
Clover Limited	22.6% 25,440
Verdant Minerals Limited	36.8% 11,806
Market value of listed controlled and associated entities	3,897,191
Total value of WHSP's listed investments	4,535,788

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 January 2018, a capital gains tax liability of approximately \$1,026.3 million would have arisen based on market values as at 31 January 2018. Of this amount, only \$68.5 million has been recognised in the Parent company accounts at 31 January 2018.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 January 2018 and are therefore subject to price fluctuations.

Regular Profit after Tax
and Regular Operating
Cash Flows

	Half year ended 31 Jan 2018 \$'000
For the half year ended 31 January 2018	
Interest income (from cash and loans)	1,218
Dividend and distribution income	
Milton Corporation Limited	2,769
BKI Investment Company Limited	2,165
Commonwealth Bank of Australia	1,810
Pengana International Equities Limited	853
National Australia Bank Limited	863
Lindsay Australia Limited	444
Woolworths Limited	445
Macquarie Group Limited	439
Wesfarmers Limited	602
Other listed entities	4,074
TPG Telecom Limited	4,652
New Hope Corporation Limited	29,742
Brickworks Limited	22,319
Pengana Capital Group Limited	1,792
Australian Pharmaceutical Industries Ltd	3,327
Apex Healthcare Berhad	585
Clover Limited	281
Other controlled and associates	338
Total dividend and distribution income	77,500
Net pharmacy profit	239
Other revenue	149
Realised and fair value gains on equities	1,875
Other expenses	(6,176)
Finance costs	(205)
Regular profit before tax	74,600
Income tax (expense)	(46)
Regular profit after tax	74,554
Non-cash fair value (gains) on equities	(1,875)
Net movements in working capital	1,045
Regular operating cash flows	73,724
The Board declares dividends having regard to the Parent company's regular operating cash flows.	
Dividends paid/payable	
Interim of 23 cents per share payable 10 May 2018	55,061
Total dividends paid/payable	55,061
Payout ratio	
Dividends as a percentage of regular operating cash flows	74.69%

Notes to the Consolidated Financial Statements

3. Segment Information

Corporate structure

The Parent company invests in a diversified range of entities.

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.

During the period ending 31 January 2018, Washington H. Soul Pattinson and Company Limited disposed of 9.64% (to 50.01%) of New Hope Corporation Limited, a controlled entity of the Group.

For changes in ownership of associates, refer to note 6.

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.

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.

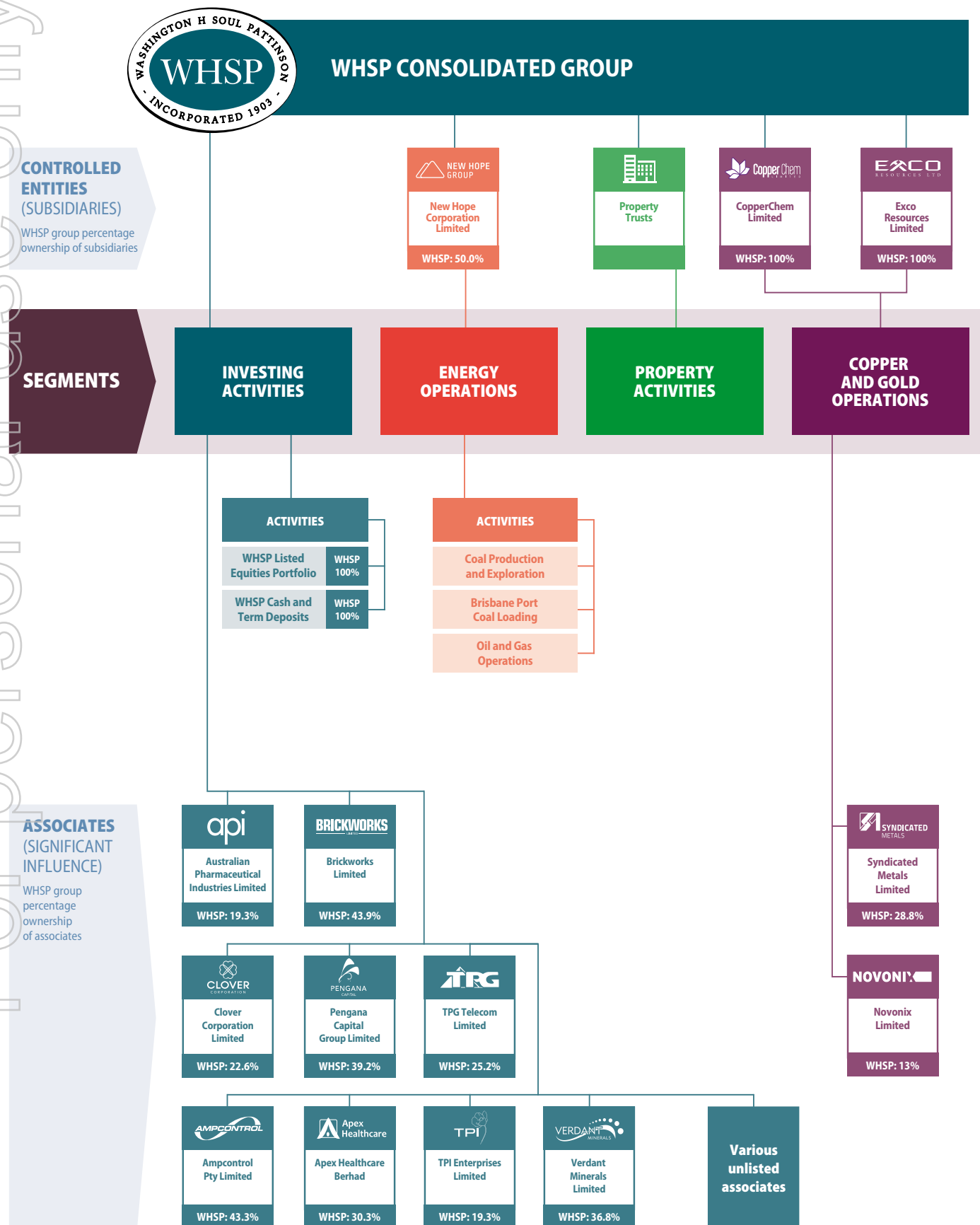
Copper and Gold operations

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.

Note 3 Segment Information



Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

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 half 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:	Half year ended 31 January 2018 \$'000	Half year ended 31 January 2017 \$'000
Regular profit after tax attributable to members	166,354	139,309
Non-regular items – net of tax		
Gain on disposal of equity investments	9,287	17,246
Gain on disposal of equity accounted associate	-	845
Gain on deemed disposal of equity accounted associates	190	778
Impairment expense on equity investments	(1,894)	(2,044)
Share of significant items from associate entities	(7,685)	737
Deferred tax expense recognised on equity accounted associate entities	(19,888)	(16,652)
Recovery prior period rail access charge	-	8,314
Other items	(199)	418
Total non-regular (losses)/profit after tax attributable to members	(20,189)	9,642
Profit after tax attributable to members	146,165	148,951

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

a) Reporting segments

	Investing activities	Energy	Copper and gold operations	Property	Intersegment /unallocated	Consolidated
Half year ended 31 January 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	18,169	509,382	11,275	5,432	5,375	549,633
Intersegment revenue	30,146	-	-	313	(30,459)	-
Total revenue	48,315	509,382	11,275	5,745	(25,084)	549,633
 Regular profit/(loss) before income tax	 136,920	 165,148	 (3,298)	 1,485	 (30,524)	 269,731
Add non-regular items before tax (note 3b)	(2,670)	-	(201)	119	-	(2,752)
Profit/(loss) before income tax	134,250	165,148	(3,499)	1,604	(30,524)	266,979
Less income tax (expense)/benefit	(20,410)	(49,560)	1,047	(551)	(77)	(69,551)
Profit/(loss) after tax	113,840	115,588	(2,452)	1,053	(30,601)	197,428
Less (profit)/loss attributable to non-controlling interests	-	(51,083)	-	(142)	(38)	(51,263)
Profit/(loss) after tax attributable to members	113,840	64,505	(2,452)	911	(30,639)	146,165
 Profit/(loss) after tax attributable to members (as above)	 113,840	 64,505	 (2,452)	 911	 (30,639)	 146,165
Non-regular loss/(profit) after tax attributable to members (note 3b)	20,120	-	152	(83)	-	20,189
Regular profit/(loss) after tax attributable to members	133,960	64,505	(2,300)	828	(30,639)	166,354

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

a) Reporting segments

	Investing activities	Energy	Copper and gold operations	Property	Intersegment /unallocated	Consolidated
Half year ended 31 January 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	34,341	374,620	6,288	16,453	6,374	438,076
Intersegment revenue	11,130	-	-	487	(11,617)	-
Total revenue	45,471	374,620	6,288	16,940	(5,243)	438,076
 Regular profit/(loss) before income tax	 117,369	 79,361	 (4,111)	 4,393	 (11,187)	 185,825
Add non-regular items before tax (note 3b)	23,555	19,908	(19)	-	-	43,444
Profit/(loss) before income tax	140,924	99,269	(4,130)	4,393	(11,187)	229,269
Less income tax (expense)/benefit	(21,687)	(31,000)	1,297	(1,217)	(141)	(52,748)
Profit/(loss) after tax	119,237	68,269	(2,833)	3,176	(11,328)	176,521
Less loss/(profit) attributable to non-controlling interests	182	(27,733)	-	(19)	-	(27,570)
Profit/(loss) after tax attributable to members	119,419	40,536	(2,833)	3,157	(11,328)	148,951
 Profit/(loss) after tax attributable to members (as above)	 119,419	 40,536	 (2,833)	 3,157	 (11,328)	 148,951
Non-regular (profit)/loss after tax attributable to members (note 3b)	(1,347)	(8,314)	19	-	-	(9,642)
Regular profit/(loss) after tax attributable to members	118,072	32,222	(2,814)	3,157	(11,328)	139,309

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

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

	Before tax \$'000	Tax \$'000	After tax \$'000	Attributable to:	
				Non-controlling interests \$'000	Parent entity interest \$'000
Period ending 31 January 2018					
Gain on disposal of equity investments	9,902	(615)	9,287	-	9,287
Gain on deemed disposal of equity accounted associates	272	(82)	190	-	190
Impairment expense of assets	(1,894)	-	(1,894)	-	(1,894)
Share of significant items from associate entities	(10,746)	3,061	(7,685)	-	(7,685)
Deferred tax recognised on equity accounted associates	-	(19,888)	(19,888)	-	(19,888)
Other	(286)	87	(199)	-	(199)
Total non-regular items – (loss)	(2,752)	(17,437)	(20,189)	-	(20,189)

	Before tax \$'000	Tax \$'000	After tax \$'000	Attributable to:	
				Non-controlling interests \$'000	Parent entity interest \$'000
Period ending 31 January 2017					
Gain on disposal of equity investments	23,949	(6,703)	17,246	-	17,246
Gain on deemed disposal of equity accounted associates	1,111	(333)	778	-	778
Gain on disposal of equity accounted associate	1,207	(362)	845	-	845
Impairment expense of assets	(2,986)	760	(2,226)	(182)	(2,044)
Share of significant items from associate entities	737	-	737	-	737
Deferred tax recognised on equity accounted associates	-	(16,652)	(16,652)	-	(16,652)
Recovery prior period rail access charge	19,908	(5,972)	13,936	5,622	8,314
Other	(482)	900	418	-	418
Total non-regular items	43,444	(28,362)	15,082	5,440	9,642

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Notes to the Consolidated Financial Statements

4. Profit for the half year

(i) Profit before income tax expense

Profit from continuing operations for the half year includes the following items that are significant because of their size, nature or incidence:

	2018 \$'000	2017 \$'000
(a) Revenue		
Sales revenue	526,186	415,780
Dividend and distribution revenue	14,464	13,211
Interest revenue	3,497	5,106
Rental revenue	4,374	3,384
Other	1,112	595
	549,633	438,076
	2018 \$'000	2017 \$'000
(b) Other income		
Gains on trading equities fair valued through profit or loss	1,874	1,866
Gains on deemed disposal of equity accounted associates	272	1,111
Gain on disposal of an equity accounted associate	-	1,207
Gains on disposal of equity investments	9,902	23,949
Recovery of prior period rail access charge	-	19,908
Insurance recovery	-	2,000
Other	478	25
	12,526	50,066
	2018 \$'000	2017 \$'000
(c) Impairment expenses		
Impairment of equity accounted associates (1)	(1,894)	-
Impairment of long term equity investments (2)	-	(2,986)
	(1,894)	(2,986)

(1) Impairment of equity accounted associates

The recoverable amount of investments in equity accounted associates has been assessed as at 31 January 2018. Where the carrying value of an investment exceeds the recoverable amount, the investment has been impaired. During the half year ended 31 January 2018, an impairment expense of \$1.894 million has been recognised on the investment in TPI Enterprises Limited.

At each reporting date, an assessment is made as to whether there are any circumstances that would indicate that the impairment previously recognised has decreased or no longer exists.

Notes to the Consolidated Financial Statements

4. Profit for the half year (continued)

(i) Profit before income tax expense (continued)

(2) 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. During the corresponding half year ended 31 January 2017 impairments were recognised by WHSP (\$2.53 million) and New Hope Corporation Limited (\$0.45 million). These impairment losses after tax impacted the result attributable to members by \$2.04 million.

An impairment expense 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.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2018

Notes to the Consolidated Financial Statements

4. Profit for the half year (continued)

(ii) Tax expense

	2018 \$'000	2017 \$'000
Reconciliation of prima facie tax expense to income tax expense:		
Profit before income tax	266,979	229,269
Income tax at 30% (2017: 30%)	80,094	68,781
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net (gain)/ loss on equity investments	(2,356)	(580)
Impairment of investment	568	-
Franking credits received (excluding controlled and associate entities)	(4,003)	(3,659)
Tax (benefit) on the carrying value of equity accounted associates	(5,070)	(10,742)
Other	318	(1,052)
Income tax expense	69,551	52,748

5. Dividends

		\$'000	Amount per security CPS	Franking per security CPS
Interim dividend	Current half year dividend declared but not yet recognised in retained profits, payable on 10 May 2018	55,061	23c	23c
	Previous corresponding half year, paid on 11 May 2017	52,667	22c	22c
Final dividend 2017	A final dividend, not previously recognised in retained profits, was paid on 11 December 2017	76,607	32c	32c

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 (2017: 239,395,320).

Notes to the Consolidated Financial Statements

6. Equity accounted associates

Name of associated entity	Group's percentage of holding at balance date*		Contribution to Group net profit for the half year **						Fair value of listed investments***	
	Jan 2018	Jan 2017	2018			2017			Jan 2018	July 2017
			Regular	Non-regular	Total	Regular	Non-regular	Total		
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Associates- held by WHSP										
Apex Healthcare Berhad	30.3	30.3	2,255	-	2,255	1,910	(441)	1,469	61,582	49,108
Australian Pharmaceutical Industries Limited (i)	19.3	24.5	4,500	-	4,500	6,563	503	7,066	142,603	166,845
BKI Investment Company Limited (ii)	-	10.2	-	-	-	2,492	(202)	2,290	-	100,336
Brickworks Limited (i)	43.9	44.0	24,129	(1,370)	22,759	30,850	(4,005)	26,845	932,817	866,516
Clover Corporation Limited (iii)	22.6	24.9	723	-	723	264	-	264	25,440	17,209
Pengana Capital Group Limited (iv)	39.2	-	2,964	(999)	1,965	-	-	-	152,939	123,467
Ruralco Holdings Limited (v)	-	20.1	-	-	-	376	(1,690)	(1,314)	-	-
TPG Telecom Limited (vi)	25.2	25.2	54,802	(4,777)	50,025	52,197	4,142	56,339	1,487,331	1,304,750
TPI Enterprises Limited (vii)	19.3	18.9	(1,060)	(455)	(1,515)	(1,273)	-	(1,273)	35,118	40,338
Verdant Minerals Limited (i)	36.8	38.3	(379)	(173)	(552)	(360)	(418)	(778)	11,806	11,437
Associates- held by controlled entities	n/a	n/a	2,944	89	3,033	1,913	(19)	1,894	n/a	n/a
Share of results from equity accounted associates			90,878	(7,685)	83,193	94,932	(2,130)	92,802		
Gain on disposal of equity accounted associates, net of tax			-	-	-	-	845	845		
Gain on deemed disposal of equity accounted associates, net of tax			-	190	190	-	778	778		
Deferred tax expense recognised on equity accounted associates			-	(19,888)	(19,888)	-	(16,652)	(16,652)		
Impairment expense of an associate			-	(1,894)	(1,894)	-	-	-		
Total gain on disposals, deemed disposals of associates, deferred tax on equity accounted associates and impairment expense of an associate			-	(21,592)	(21,592)	-	(15,029)	(15,029)		
Share of results, gains and loss and deferred tax on deemed disposals of associates and impairment from equity accounted associate			90,878	(29,277)	61,601	94,932	(17,159)	77,773		

* 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.

Washington H. Soul Pattinson and Company Limited

Half year ended 31 January 2018

Notes to the Consolidated Financial Statements

6. Equity accounted associates (continued)

Changes in shareholding of Associates

(i) The following associates issued shares during the period by way of employee share scheme:

- Australian Pharmaceutical Industries Limited;
- Brickworks Limited;
- Verdant Minerals Limited

Washington H Soul Pattinson and Company Limited did not participate in the above share issues. As a result, there has been a change in the Group's percentage of holding in each of these investments.

(ii) During the 6 months ended 31 July 2017, BKI Investment Company Limited was derecognised from being an equity accounted associate to a long-term equity investment.

(iii) During the 6 month ended 31 July 2017, Washington H. Soul Pattinson and Company Limited disposed of 3.75 million shares in Clover Corporation Limited. This resulted in the Group's percentage holding in Clover decreasing from 24.9% to 22.6%.

(iv) During the 6 months ending 31 July 2017, Pengana Capital Group Limited was classified as an equity accounted associate. This was due to the 39.2% holding in the newly merged Pengana Capital Group Limited. Prior to the merger, Washington H. Soul Pattinson and Company Limited held shares in both Hunter Hall International and Pengana Capital Limited.

(v) During the 6 months ended 31 July 2017, Washington H. Soul Pattinson and Company Limited disposed of all remaining shares in Ruralco Holdings Limited.

(vi) During the current reporting period, Washington H. Soul Pattinson and Company Limited participated in TPG Telecom Limited Dividend Reinvestment Plan. As a result, Washington H. Soul Pattinson and Company Limited's shareholding increased to 25.2% (increase of 0.05%).

(vii) During the current reporting period, Washington H. Soul Pattinson and Company Limited purchased additional shares in TPI Enterprises Limited for \$750,000. This resulted in the Group's shareholding increasing to 19.3% (increase of 0.4%).

7. 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 6.

Notes to the Consolidated Financial Statements

7. 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 January 2018 and 31 July 2017.

As at 31 January 2018	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Trading equities	44,866	-	9,028	53,894
Long term equity investments	643,022	-	-	643,022
Other financial assets – equity investments	-	-	14,849	14,849
Derivatives - Foreign exchange hedge	-	3,796	-	3,796
Non-financial assets				
Investment properties	-	-	168,528	168,528
Total assets	687,888	3,796	192,405	884,089
Financial liabilities				
Derivatives – Interest rate swap	-	69	-	69
Total liabilities	-	69	-	69
As at 31 July 2017				
Financial assets				
Trading equities	32,509	-	14,484	46,993
Long term equity investments	648,102	-	3	648,105
Other financial assets – equity investments	-	-	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

Notes to the Consolidated Financial Statements

8. Contingent liabilities

There are no other material changes to contingent liabilities of the Group since 31 July 2017.

9. Events occurring after the balance date

During the period, Washington H Soul Pattinson and Company Limited entered into a contract of sale for its property at 160 Pitt Street, Sydney. Settlement is expected to occur in the second half of the year, at which time an after tax gain of approximately \$70 million will be recognised.

Other than the above and announcements made to market since 31 January 2018, the Directors are not aware of any other events subsequent to balance date that would materially affect the half year financial report.

10. Other significant information

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

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Directors' Declaration

In the opinion of the Directors of the Company:

1. the financial statements and notes, as set out on pages 24 to 45, are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standards and the Corporations Regulations 2001;
 - b) giving a true and fair view of the financial position as at 31 January 2018 and the performance for the half year ended on that date of the consolidated entity;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



R.D. Millner
Director



T.J. Barlow
Managing Director

Dated this 22nd day of March 2018

**Independent Auditor's Review Report
to the Members of Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Washington H. Soul Pattinson and Company Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 January 2018, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Washington H. Soul Pattinson and Company Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *"Review of a Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *"Interim Financial Reporting"* and the *Corporations Regulations 2001*. As the auditor of Washington H. Soul Pattinson and Company Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

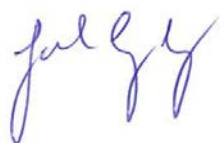
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Washington H. Soul Pattinson and Company Limited, would be on the same terms if provided to the Directors as at the date of signing this review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Washington H. Soul Pattinson and Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



J GAVLIJAK
Partner



PITCHER PARTNERS
Sydney

22 March 2018