

Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

Level 14, 151 Clarence Street, Sydney NSW 2000



ASX Appendix 4D and Half year financial report 31 January 2020

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 2020. The previous corresponding period is the half year ended 31 January 2019.

Results for Announcement to the Market

		Current period 31 January 2020 \$'000	Previous period 31 January 2019 \$'000	Change \$'000
Revenue from continuing operations	Up 0.3% to	725,531	723,289	2,242
Regular profit after tax * attributable to members	down 33.2% to	124,732	186,694	(61,962)
Profit after tax attributable to members	down 71.5% to	50,979	179,188	(128,209)

* 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.

Dividends

	Cents per share	Franking %
This period		
Interim dividend	25c	100%
Previous corresponding period		
Interim dividend	24c	100%
Record date for determining entitlement to interim dividend:		23 April 2020
Date the interim dividend is payable:		14 May 2020

Comments on above results

The Regular profit after tax attributable to shareholders for the half year ended 31 January 2020 was \$124.7 million compared to \$186.7 million for the previous corresponding period.

The decrease in regular profit, compared to the first half of last year, was mainly attributable to lower contributions by:

- New Hope Corporation down 47.4%, due to lower coal prices and lower production at New Acland which offset the increased production at its Bengalla joint venture and the increased interest in Bengalla;
- TPG Telecom down 29.9% due to the continuing margin erosion from migration to NBN and costs associated with the aborted mobile network rollout;
- Brickworks Limited down 36.5%, driven by a decline in building activity and lower property earnings from sales compared to those achieved in the prior period; and
- Round Oak Minerals increased loss, mainly due to lower commodity prices for zinc and copper.
which were partially offset by an increase in Parent Company earnings, due mainly to increases in the value of Small Caps investments.

WHSP does not consider its earnings to be the key indicator of the Company's performance. As with any investment portfolio, the key drivers of success are growth in the capital value of the portfolio and a growing yield.

The profit after tax attributable to members (including non-regular items) was \$51.0 million compared to \$179.2 million for the previous corresponding period last year. Profit after tax was impacted by the reduction in regular profit and impairments in Round Oak Minerals.

Interim dividend increased by 4.2% to 25 cents per share fully franked.

Washington H. Soul Pattinson and Company Limited

Half year ended 31 January 2020

Earnings per share

	31 January 2020	31 January 2019
From operations		
Basic Earnings per Share	21.29 cents	74.85 cents
Diluted Earnings per Share [#]	21.29 cents	74.85 cents
From continuing operations		
Basic Earnings per Share	21.29 cents	74.76 cents
Diluted Earnings per Share [#]	21.29 cents	74.76 cents
From regular profit after tax attributable to members	52.10 cents	77.99 cents

[#] Diluted EPS is equal to the basic earnings per share as any long-term incentive plan rights that vest in future financial years are expected to be satisfied by purchasing shares on market.

Net tangible assets per security

	31 January 2020	31 July 2019
Net tangible asset backing per ordinary security** (based on the Consolidated statutory Statement of Financial Position)	\$13.43	\$14.00

** Refer to the Chairman's Review 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

ASX Code: SOL

Half Year Ended 31 January 2020

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 2020 on behalf of the Board of Directors of the Company.

Key Highlights

Performance for the Half Year		compared to 1H19
Group Regular profit after tax ¹	\$124.7 million	- 33.2%
Group Statutory Profit after tax	\$51.0 million	- 71.5%

Key Performance Indicators		
WHSP net asset value (pre-tax) ²	\$5.5 billion	+ 0.2%
Net regular cash from operations ³	\$92.7 million	+ 0.7%
2020 Interim Dividend (fully franked per share)	25 cents	+ 4.2%
Interim Dividend growth over 20 years (ordinary dividend compound annual growth rate)	9.0% p.a.	
Total Shareholder Return over 20 years (to 31 January 2020)	1,102%	

¹ 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.

² Refer to page 9 for details of the portfolio valuation.

³ Refer to page 7 for details of net regular cash flow from operations.

Washington H. Soul Pattinson and Company Limited

WHSP holds a diversified portfolio of uncorrelated investments across listed equities, private equity, property and loans. Its flexible mandate is a key advantage to generating returns by allowing WHSP to make long-term investment decisions and adjust the portfolio by changing the mix of investment classes over time.

Our objective is to deliver superior returns to our shareholders by creating capital growth along with steadily increasing dividends.

WHSP has a strong track record of delivering outperformance over the long-term¹ along with increased dividends. We continue to attract new shareholders and during the six months to 31 January 2020 the number of shareholders grew by 25.2% to 25,663.

The portfolio has grown over the last six months and we believe that is well positioned for growth and continued performance over the long-term.

Total Shareholder Returns (TSR) to 31 January 2020

Annual Return	1 Year	2 Years p.a.	5 Years p.a.	10 Years p.a.	15 Years p.a.	20 Years p.a.
WHSP	(16.0%)	14.7%	14.0%	8.0%	8.2%	13.2%
All Ordinaries Accumulation Index	24.9%	12.1%	9.6%	9.0%	8.2%	8.6%
Performance ¹	(40.9%)	2.6%	4.4%	(1.0%)	0.0%	4.6%

This table 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.

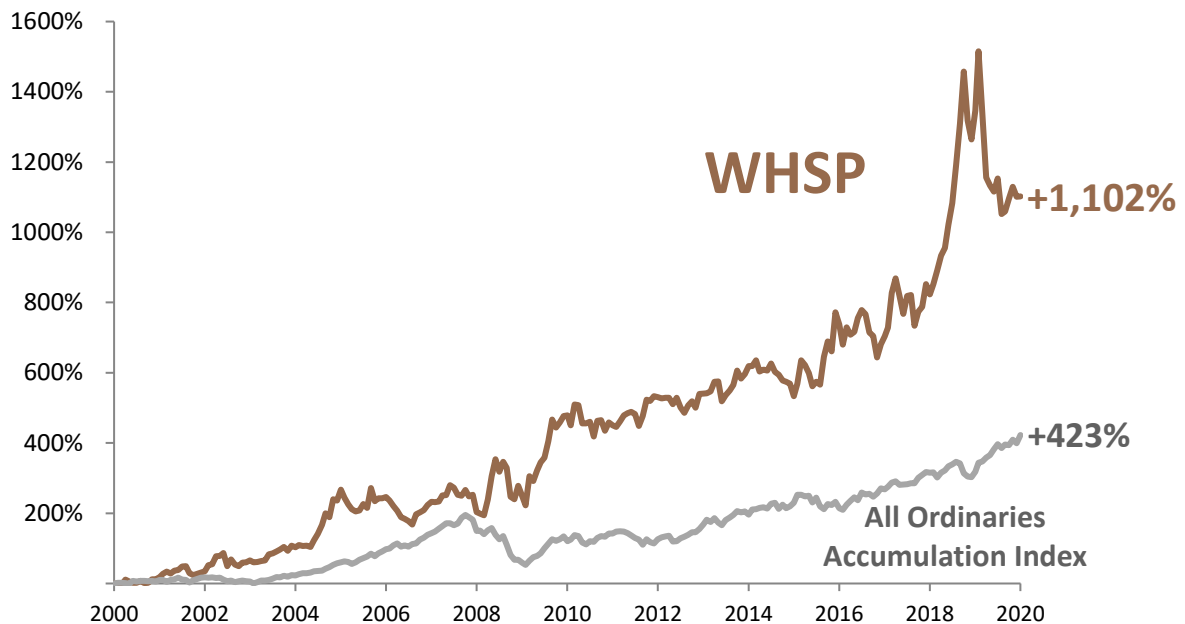
WHSP is focused on long-term growth. The TSR performance has been strong over the periods show above with the exception of the 1 year period.

Short-term TSR can be significantly impacted by share price volatility. WHSP's 1 year TSR to 31 January 2019 was 56.5% due to a sharp increase in the share price at that time, whereas the 1 year TSR to 31 January this year was negative 16.0%.

¹ Performance compared to the All Ordinaries Accumulation Index.

20 Year Total Shareholder Return

The following chart shows the total return over time of an initial investment made in WHSP shares in January 2000 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP has grown by over eleven times over the last 20 years while an investment in the index has increased by less than half of that over for the same period.



Includes the re-investment of dividends.

Dividends

As with any investment portfolio, the key drivers of success are growth in the capital value of the portfolio and a growing yield. WHSP is focused on delivering increasing capital value and steady and growing dividends.

WHSP has an 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.

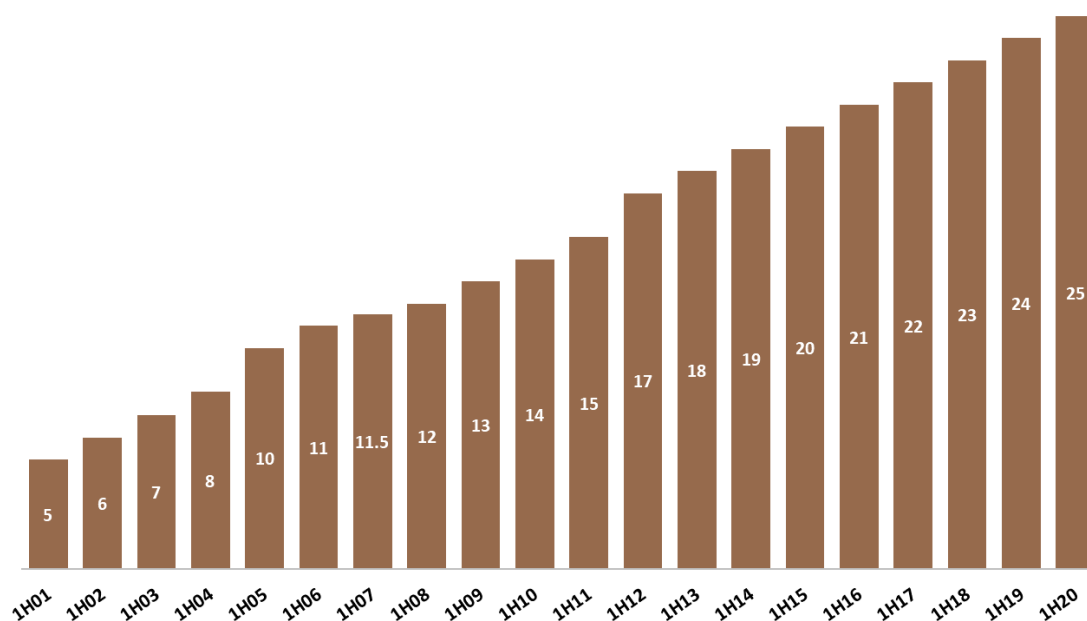
The Directors declare interim and final dividends based on the Company's net regular cash inflow. This consists of dividends, distributions and interest from its portfolio of investments and gains on property assets less regular operating costs. For the six months to 31 January 2020 net regular cash inflow was \$92.7 million, an increase of \$0.7 million over 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.

The net regular cash inflow for the full year FY20 is expected to be in line with the previous year and will support our ability to pay a growing final dividend.

20 Year Interim Dividend History

Cents per Share



Interim Dividend

The Directors have declared a fully franked interim dividend of 25 cents per share in respect of the half year ended 31 January 2020, an increase of 4.2% over last year's interim dividend of 24 cents per share.

The record date for the dividend will be 23 April 2020 with payment due on 14 May 2020. The last day to purchase shares and be eligible for the interim dividend is 21 April 2020.

Consolidated Financial Performance

Regular profit after tax

The regular profit after tax¹ attributable to shareholders for the half year ended 31 January 2020 was \$124.7 million compared to \$186.7 million for the previous corresponding period.

The decrease in regular profit¹, compared to the first half of last year, was mainly attributable to lower contributions by:

- New Hope Corporation down 47.4%, due to lower coal prices during the half which were down an average of 29% on the average price achieved in 1H19. Higher ownership of Bengalla and increased production at Bengalla partially offset this decline;
- TPG Telecom down 29.9%, due to continuing margin erosion from migration to NBN and amortisation costs associated with the aborted mobile network rollout;
- Brickworks Limited down 36.5%, driven by a decline in building activity and lower property earnings from sales compared to those achieved in the prior period; and
- Round Oak Minerals increased loss, mainly due to lower commodity prices for zinc and copper and higher zinc treatment charges,

which were partly offset by an increase in Parent Company earnings, due mainly to increases in the value of Small Caps investments.

WHSP does not consider its earnings to be the key indicator of the Company's performance. As with any investment portfolio, the key drivers of success are growth in the capital value of the portfolio and a growing yield.

Net profit after tax (including non-regular items)

The statutory profit after tax attributable to shareholders was \$51.0 million compared to \$179.2 million for the previous corresponding period.

The profit after tax attributable to shareholders (including non-regular items) was \$51.0 million compared to \$179.2 million for the previous corresponding period last year. Profit after tax was impacted by the reduction in regular profit and impairments in Round Oak Minerals.

The first half last year included a number of non-regular items which were not repeated this year including; the gain on the sale of the 160 Pitt Street building; the write off by TPG of costs associated with the aborted mobile network rollout; and Bengalla acquisition costs which were expensed by New Hope.

¹ 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.

Net Assets Value of WHSP

As at 31 January 2020	Value of WHSP's Holding \$m	6 month Movement \$m	%
TPG Telecom ¹	1,753	117	7.2%
Brickworks ¹	1,307	207	18.9%
New Hope Corporation ¹	779	(264)	(25.3%)
Financial Services Portfolio ^{1 & 2}	374	21	5.9%
Pharmaceutical Portfolio ¹	269	4	1.5%
Round Oak Minerals ²	160	(28)	(14.9%)
Large Caps Portfolio ¹	345	6	1.7%
Small Caps Portfolio ^{1 & 2}	262	37	16.5%
Private Equity Portfolio ^{1 & 2}	239	104	76.6%
Property Portfolio ²	91	2	2.1%
Cash and other net assets (excluding bank borrowings)	99	(27)	(21.5%)
Less: Bank Borrowings ³	(200)	(170)	566.7%
Net asset value (pre-tax)^{4 & 5}	5,478	9	0.2%
<p>¹ At market value.</p> <p>² At cost or Directors' valuation.</p> <p>³ Refer to note 8 for details regarding bank borrowings.</p> <p>⁴ The tax payable if all of these assets had been disposed of on 31 January 2020 would have been approximately \$1,040 million.</p> <p>⁵ 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, cost or Directors' valuation as shown.</p>			

The net asset value of WHSP is summarised in this table. The pre-tax value as at 31 January 2020 was \$5.5 billion, up \$9 million compared to 31 July 2019.

This net increase was mainly attributable to strong share price performances by TPG Telecom and Brickworks which were significantly offset by New Hope Corporation when its share price returned to FY17 levels.

New investments in the Private Equity Portfolio included \$102 million in the agricultural sector.

Borrowings were increased by \$170 million to fund new acquisitions.

Post balance date developments

On 13 February 2020, the Federal Court ruled that the merger of TPG and Vodafone should not be blocked on competition grounds. It is now expected that the merger will proceed in July 2020. The merger is a positive for TPG shareholders as it brings together the complementary network infrastructure of the two companies. The merged company will be able to generate significant operational synergies and be in a position to aggressively compete with the other major telecommunications providers.

Since 31 January 2020, WHSP's share price has demonstrated resilience to the impact of the COVID-19 virus on the market. Our share price has fallen by 10.7% (to 25 March 2020) compared to the ASX All Ordinaries Index which has fallen by 29.7%.

WHSP will continue to seek attractively priced investment opportunities in companies with fundamentally strong business models which operate in industries with long-term favourable characteristics.

Review of Group Entities – as at 31 January 2020

TPG Telecom Limited

Associated entity: **25.3% held**
 Total market capitalisation: **\$6.94 billion**
 Value of WHSP's holding: **\$1.75 billion**
 ASX code: **TPM**



TPG reported the following results for the half year ended 31 January 2020 (1H20).

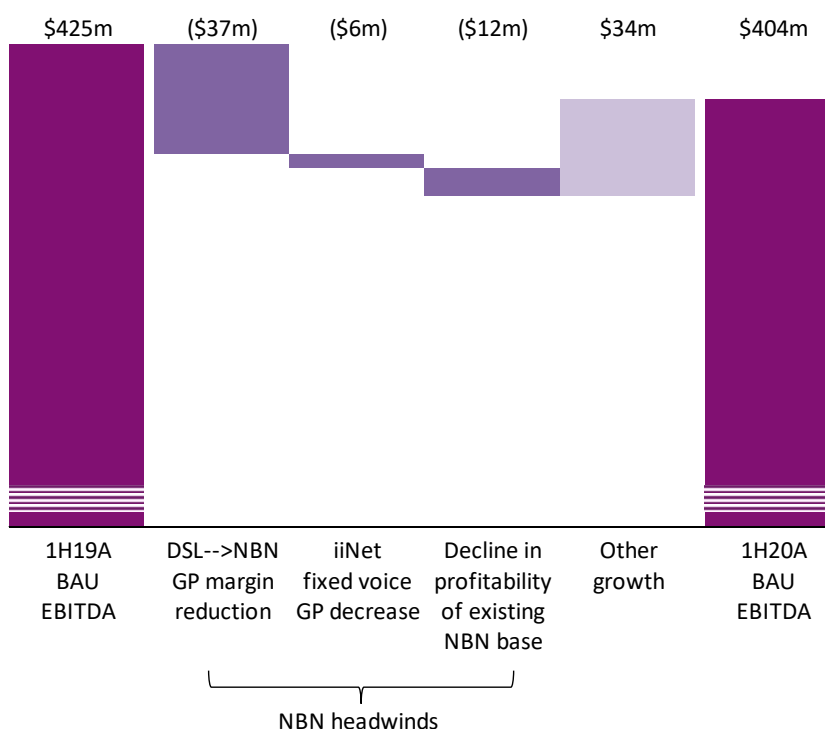
Reported net profit for 1H20 was up substantially (by 206%) compared to the previous corresponding period due to 1H19 having been adversely impacted by a \$227.4 million (pre-tax) impairment expense arising from the cessation of the Australian mobile network build.

Excluding the impairment, net profit for 1H20 was down by 30% compared to 1H19 because of \$53.7 million of Australian spectrum amortisation affecting 1H20 which was not incurred in 1H19, and a \$19.6 million increase in net financing costs due primarily to the cessation of interest capitalisation associated with the Australian mobile network.

Business as Usual (BAU) Earnings before interest, tax, depreciation and amortisation (EBITDA)

1H20 reported EBITDA included \$6.0 million of one-off transaction fees relating to the planned merger with Vodafone Hutchison Australia (VHA) and a non-recurring benefit of \$3.3 million within the Corporate Division's results. Reported EBITDA for the period also benefitted by \$10.2 million from the implementation of AASB16 (new leasing standard) from the start of 1H20.

Excluding these items, as well as Singapore start-up losses of \$1.8 million and Australian mobile network operating costs of \$3.3 million, BAU EBITDA (the same basis on which FY20 guidance of \$735 million to \$750 million was provided) was \$404.2 million for 1H20, 5% lower than the equivalent \$425.2 million for 1H19. The chart below sets out a bridge between 1H19 and 1H20 BAU EBITDA.



Contribution to WHSP

TPG has declared an interim dividend of 3 cents per share fully franked, a 50% increase on last year's interim dividend of 2 cents. TPG's Dividend Reinvestment Plan remains suspended.

TPG contributed \$39.9 million to the Group's regular profit after tax for the half year (2019: \$56.9 million).

Segment Results

The Consumer Segment's EBITDA for 1H20 was \$211.4 million compared to \$243.0 million for 1H19.

The Corporate Segment achieved EBITDA of \$193.0 million for 1H20, up by \$10.5 million from the \$182.5 million in 1H19, driven by continued strong improvement in margins.

Cash Flow, Capital Expenditure and Gearing

TPG had another strong operating cash flow performance in the half year with operating cash flow after tax of \$339.1 million.

Total capital expenditure for the half year of \$546.0 million included the final \$352.4 million instalment for the Australian 700MHz spectrum acquired at auction in 2017 and \$68.9 million for the Singapore mobile network build.

At the end of 1H20 TPG had net debt (including outstanding 3.6GHz spectrum commitment due in March 2020) of \$1,869.1 million which represents a leverage ratio of approximately 2.4 times the underlying EBITDA for the last 12 months.

Singapore Update

Preparations for the commercial launch of mobile services in Singapore on TPG's new mobile network progressed well over the period. To date over 400 thousand users have been onboarded to the free trial service. A prepaid service is expected to be launched shortly.

The network has excellent outdoor and indoor coverage (outdoor coverage most recently measured at 99.89% in January 2020) and progress has continued to be made in covering tunnels and the metro. In February 2020, TPG submitted an application for a national 5G licence. TPG's network has been designed to be very quickly and simply upgradable to 5G.

Vodafone Hutchison Australia (VHA) Merger Update

The Federal Court has ruled that the planned merger with VHA would not substantially lessen competition and the ACCC did not appeal this decision.

This clears one of the conditions precedent to completion of the merger. However, there remain other regulatory conditions which must be satisfied before the merger can proceed, including Foreign Investment Review Board (FIRB) and the Committee on Foreign Investment in the United States (CFIUS).

If successful 49.9% of the merged company will be owned by TPG shareholders and 50.1% by VHA shareholders. The Company will be called TPG Telecom Limited and will be listed on the ASX. TPG and VHA are targeting completion of the merger in mid 2020.

Brickworks Limited

Associated entity: **43.8% held**
Total market capitalisation: **\$2.99 billion**
Value of WHSP's holding: **\$1.31 billion**
ASX code: **BKW**

BRICKWORKS
— LIMITED —

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

Contribution to WHSP

The directors of Brickworks have declared a fully franked interim dividend of 20 cents per share for the half year ended 31 January 2020, up 5.3% from 19 cents last year.

Brickworks contributed \$26.6 million to the Group's regular profit after tax for the half year (2019: \$41.9 million). This contribution excludes the WHSP profit taken up by Brickworks under the equity accounting method.

Building Products Australia

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

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

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

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

Austral Precast earnings were down on the prior corresponding period, with revenue decreasing 29% to \$28 million for the half.

Southern Cross Cement is now providing quality, cost effective cement to Austral Masonry and Bristile Roofing operations in Brisbane, as well as to other Joint Venture shareholders. This follows the completion of construction of the terminal during the first half. The commissioning process is progressing well, with 3 shipments of cement having now been received. In total, the terminal is expected to supply in excess of 200,000 tonnes to Joint Venture shareholders on an annual basis.

Building Products North America

Building Products North America performance was very strong and has exceeded initial expectations following the market entry in the prior year. In February, Brickworks completed the acquisition of assets from Redland Brick. This marked Brickworks' third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

EBIT for the period was \$6 million and EBITDA was \$13 million. The integration of Sioux City Brick was successfully completed during the half.

Property

Property EBIT was \$89 million for the first half, driven primarily by a significant revaluation profit within the Joint Venture Industrial Property Trust (Property Trust). Brickworks' share of the net asset value within the Property Trust increased by \$77 million during the period and now stands at \$710 million.

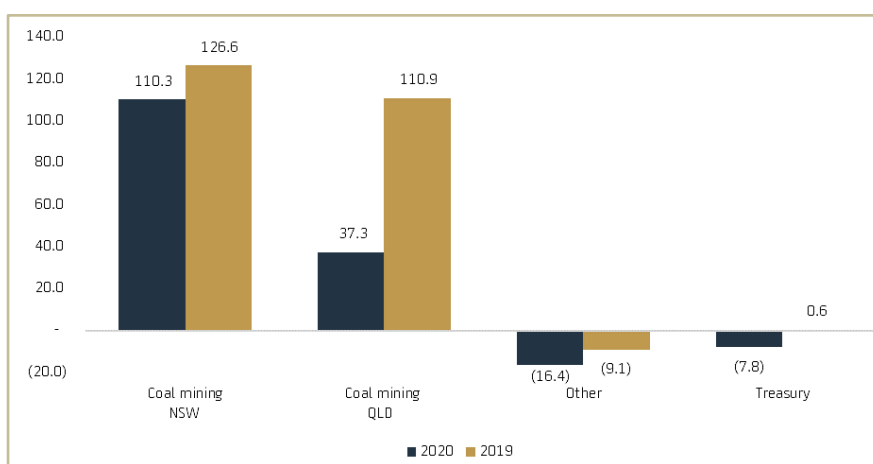
New Hope Corporation Limited

Controlled entity: **50.0% held**
Total market capitalisation: **\$1.56 billion**
Value of WHSP's holding: **\$779 million**
ASX code: **NHC**



NEW HOPE
GROUP

New Hope recorded a net profit before tax and before non-regular items for the first half of the 2020 financial year of \$123.5 million (2019: \$228.9 million). The contributions to this result by its business operations are shown below.



The net profit after tax and before non-regular items for the first half was \$86.4 million. This result represents a decrease of 46% on the \$159.8 million recorded in the six months to January 2019.

The profit before non-regular items for the first six months of the 2020 financial year was underpinned by increased production volumes from Bengalla as a result of the increased ownership interest (from 40% to 70% on 1 December 2018 and subsequently to 80% on 25 March 2019) and improved underlying production from the site, however, this was offset by lower global coal prices across the half year and reduced production tonnes from the New Acland operation due to the ramp down of operations in October 2019.

During the six months ended 31 January 2020, New Hope continued to generate a strong operating cash surplus of \$166.6 million (before interest and tax), a decrease of 41%.

Contribution to WHSP

The directors of New Hope have declared a fully franked interim dividend of 6 cents per share for the half year ended 31 January 2020 (2019: 8 cents).

New Hope contributed \$43.2 million to the Group's regular profit after tax for the half year (2019: \$82.1 million).

Bengalla Joint Venture

During the half year Bengalla produced 5.4 million tonnes (100% basis), with New Hope's share of production increasing by 84%, from 2.4 million tonnes for 1H19 to 4.3 million tonnes for 1H20. This is the highest recorded production level from the Bengalla operation over a six month period since the mine commenced operations. Bengalla is on target to deliver just over 10 million tonnes of production for the 2020 financial year.

New Acland Coal Mine

The mine produced 1.6 million tonnes, which is down 0.3 million tonnes on the prior corresponding period due to a ramp down in operations as Stage 2 coal reserves are depleted. As a result of the ramp down and exhaustion of Stage 2 reserves, production for the full year is expected to be approximately 2.6 million tonnes.

New Acland Stage 3 Development

Due to the lack of action by the Queensland Government in relation to progressing the approvals for Stage 3, approximately 150 full-time positions had to be made redundant at the New Acland mine at the end of October 2019.

On 10 September 2019, the Queensland Court of Appeal found in New Hope's favour and dismissed the Oakey Coal Action Alliance's (OCAA) appeal. The orders requested by New Acland Coal Pty Limited were granted on 1 November 2019. Following these orders there are no legal impediments to the Queensland Government issuing the requisite project approvals.

Subsequently, OCAA has sought special leave to appeal to the High Court of Australia. OCAA is not challenging the Court of Appeal's findings against it on the substantive issues, only the final orders.

The Queensland Minister for Natural Resources, Mines and Energy has confirmed the State Government would wait for the result of High Court proceedings before deciding on the New Acland Stage 3 approvals. This is contrary to the normal historical practice of government not waiting for the completion of all legal appeal processes before deciding on the grant of approvals for mining projects.

New Hope does not expect an initial decision from the High Court on whether it will allow OCAA's appeal to be heard until the second quarter of calendar year 2020.

West Moreton Operations

The Jeebropilly mine produced 0.2 million tonnes during the period, exhausting all remaining economically recoverable coal. As a result, mining operations concluded on 20 December 2019.

Queensland Bulk Handling (QBH)

During the first six months of the financial year, 2.9 million tonnes of coal was exported through the QBH coal terminal at the Port of Brisbane, down 11% on the 3.2 million tonnes for the same period in 2019.

Bridgeport Energy Limited

Oil production totalled 186,284 barrels for the half year, broadly in line with the prior corresponding period in 2019. Oil prices for the half year averaged A\$95 per barrel, a 4% decrease from the previous half year due to lower average Brent oil prices. Revenue for the business was \$15.8 million for the half year.

Pastoral Operations

Following the acquisition of a controlling interest in Bengalla by New Hope, its land management expertise is being applied to the active management of agricultural land surrounding the Bengalla operation.

Financial Services Portfolio

Value of WHSP's holdings: **\$374 million***
Listed and unlisted entities

*Market values, costs or Directors' valuations



The assets in the Financial Services Portfolio include investments in funds management, corporate advisory and Listed Investment Companies (LICs). This portfolio provides WHSP with exposure to both Australian and international equities.

The value of the Portfolio increased during the period by \$21 million to \$374 million due to an increase in value of all but one of the listed investments, and a further investment in Ironbark Asset Management. None of the unlisted investments were revalued during the period. The total value of the portfolio continues to be significantly higher than its cost base.

WHSP increased the portfolio's investment in Ironbark Asset Management during the period from 25.6% to 31.2%. Ironbark provides asset management solutions for investors and financial advisers by partnering with best in class investment managers across a range of asset classes.

In December 2019, the responsible entity of 360 Capital Total Return Fund (360) finalised the scheme of arrangement under which 360 acquired all of the ordinary shares of URB Investments Limited (URB). As a result, WHSP received 0.9833 360 securities for each of its URB shares.

Contribution to WHSP

WHSP received dividends of \$12.2 million from the Financial Services Portfolio during the six months, up 13.8% on the first half last year.

The Financial Services Portfolio contributed \$10.2 million to the Group's regular profit after tax for the half year (2019: \$9.5 million).

As at 31 January 2020	WHSP's Holding %
BKI Investment Company Limited (ASX: BKI)	8.5%
Contact Asset Management Pty. Limited	20.0%
Ironbark Asset Management	31.2%
Milton Corporation Limited (ASX: MLT)	3.3%
Pengana Capital Group Limited (ASX: PCG)	38.6%
Pengana International Equities Limited (ASX: PIA)	9.6%
Pitt Capital Partners Limited	100%
360 Capital Total Return Fund (ASX: TOT)*	6.3%

* URB Investments Limited was taken over by 360 Capital Total Return Fund in December 2019.

Pharmaceutical Portfolio

Total market capitalisation: **\$1.17 billion**
Value of WHSP's holdings: **\$269 million**
Listed entities



The Pharmaceutical Portfolio is made up of Australian Pharmaceutical Industries Limited (API), Palla Pharma Limited (formerly TPI Enterprises Limited) and Apex Healthcare Berhad. API and Palla are listed on the ASX and Apex is listed on the Main Board of Bursa Malaysia.

Contribution to WHSP

WHSP has equity accounted Apex's and Palla's results for the 6 months to 31 December 2019 and API's result for the 6 months to 31 August 2019.

The Pharmaceutical Portfolio contributed \$5.9 million to the Group's regular profit after tax for the half year (2019: \$8.1 million)

As at 31 January 2020	WHSP'S Holding %
Australian Pharmaceutical Industries Limited (ASX: API)	19.3%
Apex Healthcare Berhad (Bursa Malaysia code: APEX MK)	30.0%
Palla Pharma Limited (ASX: PAL) (formerly TPI Enterprises Limited)	19.9%

API

For the year ended 31 August 2019, API reported a net profit after tax of \$56.6 million, up 17.4% on the previous financial year.

The Priceline Pharmacy store network grew by a net 13 stores during the year to 488 stores. The network's sales for the year were \$2.2 billion, up 2.4% on FY19.

API's Consumer Brands continued to provide a major source of expansion with revenue growth of 30.7% over FY18 and a gross margin of \$33.3 million, up 24.7%.

The integration of Clear Skincare into API's business is now largely complete. Clear Skincare's revenue increased to \$45.6 million, up 20% on FY18 (which pre-dated API's ownership). Gross profit for the year was \$37.9 million and eight clinics were added during the year bringing the total to 52.

API paid a fully franked final dividend of 4 cents per share, unchanged from 2018. The total fully franked dividend for the 2019 financial year was 7.75 cents per share, up 3.3%.

Apex Healthcare

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 and is publicly listed on the Main Board of Bursa Malaysia.

While Apex's results are converted to Australian dollars (AUD) in WHSP's results, the percentage movements shown below are based on Malaysian Ringgit (MYR) movements to aid comparison.

For the year ended 31 December 2019, Apex generated revenue of \$239.9 million, an increase of 5.5% in MYR over the 2018 financial year and the 19th consecutive year of growth. Net profit after tax

attributable to shareholders was \$18.4 million, a decrease of 10.0% in MYR. The reduction in profit was mainly attributable to higher operating and finance costs from the start-up of its new SPP Novo manufacturing facility and the absence of the reinvestment tax allowance which was utilised in 2018.

Apex's new SPP Novo manufacturing facility in Malacca Malaysia more than doubling its production floor space. Apex is endeavouring to accelerate manufacturing revenue growth at the facility in order to optimise utilisation and reduce the impacts of its operating costs on margins.

Apex has declared a final dividend of 0.70 cents per share, bringing total dividends for the year to 1.28 cents for the year ended 31 December 2019. After adjusting for the bonus issue in June, this represents an increase of 9.6% over last year in MYR and 12.2% in AUD over 2018.

Palla Pharma Limited (formerly TPI Enterprises Limited)

Palla is an internationally licenced narcotic producer supplying pain relief products. It is a fully integrated manufacturer and supplier to the global pain relief market. Palla utilises its innovative, efficient and environmentally sustainable water-based method to extract narcotic raw material from opium poppies.

For the year ended 31 December 2019, Palla reported the following results, which are compared to the previous financial year:

- Gross profit of \$17.3 million, up 15.3%.
- Operating earnings before interest and tax up \$2.1 million, to a \$0.3 million loss.

Palla views the improved results as support for its strategy to capture further value from the supply chain by moving downstream from narcotic raw material supply to Active Pharmaceutical Ingredient and Finished Dosage Form production.

In January 2020, Palla acquired six Marketing Authorisations from its largest UK customer which allow it a presence in the highly margin accretive segment of direct sales to wholesale distributors.

Round Oak Minerals Pty. Limited

Controlled entity: **100% held**
Value of WHSP's holding: **\$160 million***
Unlisted entity

*Directors' valuation



Round Oak is a mining and exploration company focused primarily on the production of copper, zinc and gold. Round Oak has several operating assets throughout Australia as well as projects under development.

Queensland assets

The Mt Colin underground copper mine commenced commercial production in October 2019, with the first batch of approximately 70,000 tonnes of ore successfully toll treated at Glencore's Ernest Henry operation.

Copper ore from the Barbara open pit copper mine is toll treated at Glencore's Mt Isa operation with the first ore successfully processed in December 2019.

Gold mining at the Wallace South mine was completed in December 2019 and the processing facilities will be placed on care and maintenance at the completion of treating this ore in mid 2020.

Exploration activities are continuing in north-west Queensland to identifying additional copper and gold resources within the operating radius of the Cloncurry processing facilities.

Western Australian assets

Ore production from the Bentley underground mine at Jaguar stabilised in the second half of 2019 with additional mining fronts, including the new high grade Bentayga ore lens. Another new lens (Pegasus) was discovered in 2019 and is being evaluated. It is expected to add to the Bentley mineral inventory.

Work on the Definition Phase Study for the development of the Triumph resource at Jaguar was completed. This project has the potential to both increase production capacity and extend the life of the Jaguar mine.

Exploration continues to identify additional near-mine base metals resources and test base metals and gold targets further from the current mining operations.

Victorian assets

The primary approvals and permits for the Stockman copper-zinc project in north-east Victoria, are in place, including the Mine Work Plan. A Selection Phase Study was completed in the second half of 2019. Exploration activity is focused on the identification of targets with potential to increase mineral inventories.

Contribution to WHSP

Round Oak contributed a net loss of \$37.3 million to the Group's regular result after tax for the half year (2019: \$22.3 million loss).

In the current half year, the increased regular loss after tax principally arose from lower commodity prices for zinc and copper reducing revenue and the realisable value of inventory; partly offset by increased revenue from the commencement of operations at Mt Colin and Barbara and a lower Australian dollar exchange rate.

The statutory loss after tax of \$87.5 million includes a non-regular impairment charge of \$49.8 million following a reassessment of the carrying values of development and exploration assets and processing infrastructure.

WHSP is currently reviewing its strategic options for these assets.

Large Caps Portfolio

The WHSP Large Caps Portfolio aims to provide long-term capital preservation and an attractive income stream through investment in a diversified Australian equities portfolio. The goal of the Portfolio is to deliver a yield that exceeds the market.

For the half year ended 31 January 2020 the Large Caps Portfolio increased in value by \$5.8 million to \$344.7 million despite disposal proceeds exceeding purchases by \$8.3 million.

At 31 January 2020, the Portfolio, which was made up of 23 companies, was valued at approximately \$345 million. The grossed-up dividend annual yield of the portfolio is estimated to be 5.7%.

Over the six months to 31 January 2020, the Portfolio generated a total return of +6.9%. By comparison, the ASX 300 Accumulation Index returned +5.2%.

Cash generated from dividends/distributions from securities within the Portfolio is paid directly to the WHSP.

The five largest investments in the portfolio as at 31 January 2020 were:

As at 31 January 2020	Market Value \$million
Large Caps Portfolio	
Commonwealth Bank of Aust	55.5m
Woolworths Limited	37.2m
Macquarie Group Limited	31.0m
Magellan Financial Group Limited	24.1m
Wesfarmers Limited	22.7m

Small Caps Portfolio

WHSP's Small Caps Portfolio is our allocation of capital to earlier stage, higher growth, companies. In this portfolio we aim to find companies which can grow into a bigger part of WHSP's overall portfolio and become core investments.

As at 31 January 2020 the portfolio was worth \$262.0 million, an increase of \$37.1 million over the balance at 31 July 2019 despite a net \$0.9 million being withdrawn from the portfolio.

For the 12 months to 31 January 2020 the portfolio generated an investment return of +59.1% and for the 6 months to 31 January 2020 the portfolio generated an investment return of +18.1%.

This compares favourably to the ASX Small Companies Accumulation Index which returned +18.8% and +2.8% over the same periods. We do not make investment decisions to correlate our returns against an index, however, we show this comparison as market context for our shareholders.

Portfolio Performance	WHSP Small Caps Portfolio	ASX Small Ordinaries Accumulation Index
6 months to 31 January 2020	+18.1%	+2.8%
12 months to 31 January 2020	+59.1%	+18.8%

The largest six holdings accounted for 71% of the portfolio as at 31 January 2020.

Top 6 Holdings at 31 January 2020

Clover Corporation Limited
SiteMinder (unlisted)
Electro Optic Systems Holdings Limited
Bailador Technology Investments Limited
Kangaroo Island Plantation Timber Limited
Uniti Group Limited

Private Equity Portfolio

The Private Equity Portfolio increased in value by \$103.8 million to \$239.2 million during the half year ended 31 January 2020. This increase was due to a net investment of \$101.2 million and revaluation up lifts of \$2.9 million.

The new investments were mainly in the agricultural sector with \$102.0 million invested.

As at 31 January 2020	WHSP's Holding %
Unlisted	
Ampcontrol Pty Limited	42.9%
Aquatic Achievers	100%
Dimeo Cleaning Services	16.0%
Seven Miles Coffee Roasters Pty Limited	40.0%
Specialist Oncology Property Pty Limited	17.3%
Verdant Minerals Limited	33.4%
WHSP Agricultural Investments	various

Property

WHSP has maintained its ownership of: the office building at Pennant Hills; the industrial property at Castle Hill; and its 50.1% interest in the Penrith shopping centre and hotel.

The carrying value of the Property Portfolio increased by \$1.9 million to \$91.2 million during the half due to an initial investment in a retirement living project.

Contribution to WHSP

Property contributed \$8.0 million to the Group's regular profit after tax for the half year

The Property Portfolio contributed \$8.0 million to the Group's regular profit after tax for the half year (2019: \$5.3 million).

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 2020.

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

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

Non-executive Director since December 2017

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

Lead Independent Director

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

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

Non-executive Director since 2006

Review of Operations

Profit after tax attributable to shareholders for the half year ended 31 January 2020 was \$51.0 million, a decrease of 71.5% compared to \$179.2 million for the previous corresponding period.

Comparisons with the corresponding period last year are as follows:

	Half Year 31 Jan 2020 \$000	Half Year 31 Jan 2019 \$000	% Change
Revenue from continuing operations	725,531	723,289	+ 0.3%
Profit after tax attributable to shareholders	50,979	179,188	- 71.5%
Interim Dividend	25 cents	24 cents	+ 4.2%

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 23 of this report.

Interim Dividend

Directors have declared an interim dividend of 25 cents per share in respect of the half year ended 31 January 2020, an increase of 4.2% over last year's interim dividend of 24 cents per share. The dividend will be fully franked and payable on 14 May 2020.

Auditors' Independence Declaration

The lead auditor's independence declaration for the half year ended 31 January 2020 has been received and is included on page 26.

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 26th day of March 2020.

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Sydney NSW 2000

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Sydney NSW 2001

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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 2020, 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 period.



M Alexander
Partner

Pitcher Partners
Sydney

24 March 2020

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2020

Consolidated Statement of Comprehensive Income
For the half year ended 31 January 2020

		31 January 2020 \$'000	31 January 2019 \$'000
	Notes		
Revenue from continuing operations	4(a)(i)	725,531	723,289
Other income	4(a)(ii)	38,397	96,801
Expenses			
Cost of sales		(510,971)	(358,465)
Selling and distribution expenses		(101,466)	(84,747)
Administration expenses		(39,435)	(48,020)
Acquisition costs expensed		(1,756)	(35,553)
Other expenses		(1,974)	(11,940)
Impairment expense	4(a)(iii)	(88,947)	(28,444)
Finance costs		(19,148)	(13,521)
Share of results from equity accounted associates	7	70,516	95,164
Profit before income tax from continuing operations		70,747	334,564
Income tax benefit/(expense)	4(b)	15,181	(91,969)
Profit after income tax from continuing operations		85,928	242,595
Profit after tax from discontinued operations		-	220
Profit after income tax for the half year		85,928	242,815
Profit for the half year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		50,979	179,188
Non-controlling interest		34,949	63,627
		85,928	242,815
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in fair value of long term equity investments at fair value through other comprehensive income		18,838	(42,878)
Disposal of long term equity investments, net of tax		(7,368)	(1,832)
Net movement in capital profit reserves, net of tax		12,967	2,297
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement in hedge reserve, net of tax		(5,384)	8,445
Net movement in foreign currency translation reserve, net of tax		1,480	699
Net movement in equity reserve, net of tax		411	(1,715)
Total other comprehensive income/(loss), net of tax		20,944	(34,984)
Total comprehensive income for the half year		106,872	207,831
Total comprehensive Income for the half year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		73,734	138,870
Non-controlling interest		33,138	68,961
		106,872	207,831

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 2020

Consolidated Statement of Comprehensive Income
For the half year ended 31 January 2020

	31 January 2020	31 January 2019
Earnings per share from continuing operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited (in cents)		
Basic earnings per share	21.29	74.76
Diluted earnings per share [^]	21.29	74.76
Earnings per share from discontinued operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited (in cents)		
Basic earnings per share	-	0.09
Diluted earnings per share [^]	-	0.09
Earnings per share attributable to the Owners of Washington H. Soul Pattinson and Company Limited (in cents)		
Basic earnings per share	21.29	74.85
Diluted earnings per share [^]	21.29	74.85
 Weighted average number of shares used in calculating basic and diluted earnings per share		
	239,395,320	239,395,320

[^] Diluted EPS is equal to the basic earnings per share as any long-term incentive plan rights that vest in future financial years are expected to be satisfied by purchasing shares on the market.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2020

Consolidated Statement of Financial Position
As at 31 January 2020

		31 January 2020 \$'000	31 July 2019 \$'000
	Notes		
Current assets			
Cash and cash equivalents		113,944	125,445
Term deposits		1,970	1,470
Trade and other receivables		159,937	162,258
Inventories		145,633	120,471
Biological assets		4,006	-
Assets classified as held for sale		1,738	53
Trading equities	10	122,091	77,148
Current tax asset		10,667	-
Total current assets		559,986	486,845
Non-current assets			
Trade and other receivables		52,272	38,588
Equity accounted associates	7	1,660,162	1,603,610
Long term equity investments	10	869,948	785,135
Derivative financial instruments	10	-	190
Investment properties	10	102,742	106,281
Property, plant and equipment		2,322,614	2,351,799
Exploration and evaluation assets		321,860	333,623
Right of use assets	12	110,253	-
Deferred tax assets		83,510	56,669
Intangible assets		117,290	114,479
Total non-current assets		5,640,651	5,390,374
Total assets		6,200,637	5,877,219
Current liabilities			
Trade and other payables		156,464	158,874
Contract liabilities		626	591
Interest bearing liabilities	8	201,416	32,537
Lease liabilities	12	25,130	-
Derivative financial instruments	10	15,615	10,774
Current tax liabilities		-	9,234
Provisions	9	70,459	93,029
Total current liabilities		469,710	305,039
Non-current liabilities			
Trade and other payables		17,301	15,989
Interest bearing liabilities	8	387,945	370,213
Deferred tax liabilities		432,927	422,445
Lease liabilities	12	88,130	-
Provisions	9	293,887	252,064
Total non-current liabilities		1,220,190	1,060,711
Total liabilities		1,689,900	1,365,750
Net assets		4,510,737	4,511,469
Equity			
Share capital		43,232	43,232
Reserves		198,045	176,603
Retained profits		3,285,131	3,301,831
Parent entity interest		3,526,408	3,521,666
Non-controlling interest		984,329	989,803
Total equity		4,510,737	4,511,469

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 2020

Consolidated Statement of Changes in Equity
For the half year ended 31 January 2020

Consolidated Entity	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total Parent Entity interest \$'000	Non-controlling interest \$'000	Total \$'000
Total equity at the beginning of the half year – 1 August 2019	43,232	3,301,831	176,603	3,521,666	989,803	4,511,469
Effect of AASB 16 implementation	-	(2,859)	-	(2,859)	-	(2,859)
Restated balance at the beginning of the half year – 1 August 2019	43,232	3,298,972	176,603	3,518,807	989,803	4,508,610
Profit after income tax for the half year	-	50,979	-	50,979	34,949	85,928
Other comprehensive income/(loss) for the half year						
Net movement after tax in asset revaluation reserve	-	-	11,519	11,519	(49)	11,470
Net movement after tax in hedge reserve	-	-	(3,622)	(3,622)	(1,762)	(5,384)
Net movement after tax in foreign currency translation reserve	-	-	1,480	1,480	-	1,480
Net movement after tax in general reserve *	-	2,342	(2,342)	-	-	-
Net movement after tax in equity reserve	-	-	411	411	-	411
Net movement after tax in capital profit reserve	-	-	12,967	12,967	-	12,967
Total comprehensive income for the half year	-	53,321	20,413	73,734	33,138	106,872
Transactions with owners						
Dividends provided for or paid	-	**(67,350)	-	(67,350)	(39,887)	(107,237)
Net movement in share-based payments reserve	-	188	1,029	1,217	173	1,390
Transactions with non-controlling interest	-	-	-	-	1,601	1,601
Return of capital	-	-	-	-	(499)	(499)
Total equity at the end of the half year – 31 January 2020	43,232	3,285,131	198,045	3,526,408	984,329	4,510,737

* The General reserve historically recorded funds set aside for future requirements of the Group and related to the Parent Entity. This reserve was created by transferring retained profits in prior years. In the current half year, this reserve has been transferred back to retained profits.

** After the elimination of \$14.044 million dividend paid by the Parent Entity to Brickworks Limited (HY20: 43.8%).

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 2020

Consolidated Statement of Changes in Equity
For the half year ended 31 January 2020

Consolidated Entity	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total Parent Entity interest \$'000	Non-controlling interest \$'000	Total \$'000
Total equity at the beginning of the half year – 1 August 2018	43,232	2,718,057	605,865	3,367,154	974,451	4,341,605
Effect of initial adoption of AASB 9	-	53,892	(53,892)	-	-	-
Effect of AASB 15 implementation	-	2,955	-	2,955	-	2,955
Restated balance at the beginning of the half year – 1 August 2018	43,232	2,774,904	551,973	3,370,109	974,451	4,344,560
Profit after income tax for the half year	-	179,188	-	179,188	63,627	242,815
Other comprehensive income/(loss) for the half year						
Net movement after tax in asset revaluation reserve	-	-	(44,453)	(44,453)	(257)	(44,710)
Net movement after tax in hedge reserve	-	-	2,953	2,953	5,492	8,445
Net movement after tax in foreign currency translation reserve	-	-	699	699	-	699
Net movement after tax in general reserve *	-	402,206	(402,206)	-	-	-
Net movement after tax in equity reserve	-	-	(1,715)	(1,715)	-	(1,715)
Net movement after tax in capital profit reserve	-	-	2,198	2,198	99	2,297
Total comprehensive income for the half year	-	581,394	(442,524)	138,870	68,961	207,831
Transactions with owners						
Dividends declared and paid	-	**(64,195)	-	(64,195)	(35,045)	(99,240)
Net movement in share-based payments reserve	-	205	1,502	1,707	196	1,903
Transactions with non-controlling interest	-	-	-	-	(1,371)	(1,371)
Total equity at the end of the half year – 31 January 2019	43,232	3,292,308	110,951	3,446,491	1,007,192	4,453,683

* The General reserve historically recorded funds set aside for future requirements of the Group and related to the Parent Entity. This reserve was created by transferring retained profits in prior years. The majority of this balance has been transferred back to retained profits.

** After the elimination of \$14.81 million dividend paid by the Parent Entity to Brickworks Limited (FY19: 43.8%)

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 2020

Consolidated Statement of Cash Flows
For the half year ended 31 January 2020

		31 January 2020 \$'000	31 January 2019 \$'000
	Note		
Cash flows from operating activities			
Receipts from customers inclusive of GST		719,090	750,399
Payments to suppliers and employees inclusive of GST		(604,443)	(487,767)
		114,647	262,632
Dividends received		53,091	51,987
Interest received		2,466	6,827
Interest on lease liabilities	12	(3,343)	-
Finance costs paid		(10,821)	(285)
Acquisition costs expensed	6	(863)	(701)
Income taxes paid		(34,894)	(101,966)
Net cash inflow from operating activities	11	120,283	218,494
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(75,701)	(72,987)
Proceeds from sale of property, plant and equipment		2,958	95,882
Payments for capitalised exploration and evaluation activities		(12,298)	(18,399)
Net proceeds from term deposits		(509)	205,000
Payments for development of investment properties		(454)	(21,057)
Payments for equity investments		(114,734)	(46,134)
Proceeds from sale of equity investments		45,247	17,755
Proceeds from sale of investment properties		3,802	1,428
Payments for acquisition of business, net of cash acquired		(36,203)	(645,000)
Payments to acquire equity accounted associates		(16,786)	-
Return of capital from equity investments		452	-
Loan repayments		27,900	7,041
Loans advanced		(4,050)	(46,000)
Net cash (outflow) from investing activities		(180,376)	(522,471)
Cash flows from financing activities			
Dividends paid to WHSP shareholders		(81,394)	(79,000)
Dividends paid by subsidiaries to non-controlling interest		(39,889)	(34,944)
Proceeds from external borrowings		303,416	495,000
Repayment of external borrowings		(118,858)	(289,646)
Return of capital to non-controlling interest		(499)	(1,371)
Principal repayments of lease liabilities	12	(16,509)	-
Payments for shares acquired for the employee long term incentive plan		(590)	(569)
Transactions with subsidiaries non-controlling interest		1,029	-
Net cash inflow from financing activities		46,706	89,470
Net (decrease) in cash and cash equivalents		(13,387)	(214,507)
Cash and cash equivalents at the beginning of the half year		125,445	337,933
Effects of exchange rate changes on cash and cash equivalents		1,886	(303)
Cash and cash equivalents at the end of the half year		113,944	123,123

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 interim financial report for the half year ended 31 January 2020 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 2019 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, except as disclosed in Note 12.

The interim financial statements have been authorised for issue by the Directors on 26 March 2020.

(b) Key judgements and 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, revenue 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 2019.

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 2020 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(a)(i)), copper assets and oil producing assets.

Determination of recoverable value – New Hope Corporation Limited (Queensland Mining Operations)

In accordance with accounting standards, New Hope Corporation Limited has completed an impairment assessment for its Queensland Mining Operations.

As a result of this assessment, New Hope Corporation Limited has determined that no impairment is required in relation to these assets for the half year ended 31 January 2020.

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

Impairment assessment

All property, plant and equipment allocated to Queensland Mining Operations containing goodwill must be tested for impairment on an annual basis. Other property, plant and equipment assets must also be tested for impairment when impairment indicators are identified.

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

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

Where the recoverable amounts of New Hope Corporation Limited's Queensland Mining Operations 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 Queensland Mining Operations (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 project (NAC03 or Stage 3) remain at 31 January 2020. Consistent with the position outlined in the financial report for the previous year ended 31 July 2019, the significant delays in the approval process, which have the potential to delay the commencement of NAC03, have been assessed to be an indicator of potential impairment of the Queensland coal mining operations assets.

A summary of the key events pertaining to NAC03 project approvals are:

- On 31 May 2017, the Land Court recommended that the Environmental Authority (EA) and Mining Leases (ML) for the project not be granted;
- On 14 February 2018, the Chief Executive of the Department of Environment and Heritage Protection (DEHP) made a decision to refuse the application for amendment of the EA;
- On 28 May 2018 the Supreme Court of Queensland ruled in favour of New Acland with the key orders being:
 - The decisions made by the Land Court on 31 May 2017 recommending rejection of the ML applications for NAC03, and for the refusal of the application for amendment of the EA, were set aside with effect from 31 May 2017;
 - The decision of the Chief Executive of DEHP to refuse the application for an amendment of the EA was set aside with effect from 14 February 2018; and
 - The recommendations of the Land Court in respect of groundwater and intergenerational equity (as it relates to groundwater) were held to be not relevant for consideration by the Land Court and that the matter of noise required further consideration by the Land Court.
- A hearing of the Land Court, in accordance with the instructions of the Supreme Court from the Judicial Review, was held in early October 2018 with a decision handed down on 7 November 2018. The Land Court conditionally recommended that the ML and EA amendment be granted subject to certain conditions including the Coordinator-General first amending the noise limit conditions to 35 dBA in the evening and night with the Department of Environment and Science (DES) incorporating the changes in the amendment of the EA by 31 May 2019;
- The Associated Water Licence (AWL) application process re-started during July 2018 following engagement with the Department of Natural Resources, Mines and Energy (DNRM). On 19 January 2019, NAC lodged an Amended AWL application which has now progressed through public consultation and is with the Minister for decision;
- On 12 February 2019, NAC received a change report from the Coordinator-General in respect of the noise conditions for NAC03. On 15 February 2019, DES confirmed that the change report had satisfied all of the preconditions imposed by the Land Court for the approval of the ML and amendments to the EA and the EA was granted on 12 March 2019;

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

- The Supreme Court of Queensland decision was appealed by the Oakey Coal Action Alliance (OCAA). On 10 September 2019, the Queensland Court of Appeal found in New Acland's favour and dismissed the OCAA appeal. The orders requested by New Acland were granted on 1 November 2019. As a result of these new orders there are no legal impediments to the Queensland Government issuing the requisite project approvals;
- With approvals not forthcoming by 1 September 2019 New Acland completed a partial redundancy process;
- Subsequently, OCAA have sought special leave to appeal to the High Court of Australia in respect of the orders issued by the Queensland Court of Appeal. OCAA have no further legal avenues for appeal in relation to this process should the request for special leave be denied. If appeal is successful and ultimately the hearing of the High Court is found in favour of OCAA, the NAC03 approvals will likely be remitted to the Land Court;
- The NAC03 project requires a Regional Interests Development Approval (RIDA) in accordance with the *Regional Planning Interests Act 2014*. New Acland has been progressing this application with public submissions closing on 17 January 2020. The Department of State Development, Manufacturing, Infrastructure and Planning has since issued an information request with a response due in June 2020;
- The Minister for Natural Resources has indicated that a decision on the ML and the AWL will not be forthcoming while the appeal to the High Court of Australia remains outstanding.

New Hope Corporation Limited has undertaken a detailed assessment regarding impairment as required under AASB 136 for the half year ended 31 January 2020. New Hope Corporation Limited carefully considered the potential impact that recent developments in the legal and regulatory environment may have and the possibility of any resultant impacts on future cash flows.

The fair value discounted cash flow models prepared for the Queensland Mining Operations have confirmed that the recoverable amount exceeds the carrying value. The updated models include assumptions relating to approval timelines and coal price as follows:

- *Approvals and timelines*

The assumptions of the impairment assessment reflect that once approvals are granted NAC03 operates for the full life of mine. The conditions on which the NAC03 project is approved may impact on the judgements made by New Hope Corporation Limited including the tonnes recoverable over the life of mine which may impact the recoverable value.

New Hope Corporation Limited has considered a number of impairment assessment scenarios with varying assumptions as to when production commences from Stage 3 operations as well as the level of reserves recovered over the life of the Stage 3 operations. For scenarios that assume higher coal recoveries, a production gap of at least three years can occur while maintaining a recoverable amount in excess of the Queensland coal mining operations carrying value. In lower recovery scenarios, the recoverable amount remains in excess of carrying value where approvals are received in 2020.

- *Coal price assumptions*

Short term coal prices have declined since 31 July 2019 while long term indications of pricing have remained largely consistent. The coal price range for assessments at 31 January 2020 is US\$55 – US\$131 per tonne (nominal basis).

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

In undertaking its impairment assessment, New Hope Corporation Limited has considered the potential impact of climate change risk on the future cash flows contained within the fair value discounted cash flow model. These risks include the potential impact on future coal prices of changes in market supply and demand dynamics over the life of NAC03, and the potential for cost volatility associated with factors such as climate change related regulatory changes and/or market participation by suppliers of services to New Hope Corporation Limited.

These types of risks are taken into account in a variety of ways which include the use of forecast commodity prices and industry risk measures as an input into the calculation of the discount rate applied against future cash flows. In addition, given the near-term timing and expected life of the project, New Hope Corporation Limited does not consider there to be a significant risk of climate change materially impacting project outcomes once current approvals are received.

Having due regard to all relevant information, New Hope Corporation Limited has concluded that none of these matters, either individually or in aggregate, result in the recoverable amount for the Queensland Mining Operations being below its carrying value. As a result of the impairment assessment undertaken there are no impairments required in relation to the assets of the Queensland Mining Operations as at 31 January 2020.

The carrying value of the Queensland mining operation's assets Limited is set out below:

	31 January 2020 \$'000	31 July 2019 \$'000
<i>Property, plant and equipment</i>		
Land and buildings	55,390	56,193
Plant and equipment	86,035	98,025
Mine reserves, leases and development assets	1,908	2,887
Plant under construction	52,559	49,495
<i>Intangibles</i>		
Software	845	887
<i>Exploration and evaluation</i>		
Exploration and evaluation at costs	44,067	42,025
Total carrying value	240,804	249,512

The Queensland coal mining operations 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. The port and water arrangements are not of a sufficient amount to constitute a material impact on value unless approval delays extend beyond those that are currently foreseeable.

The financial statements have been prepared on the basis that approvals are granted within a reasonable time period, and as a result, there is no significant impact on the value recoverable from the project and therefore the Queensland coal mining CGU at 31 January 2020. In the event that future events have a negative impact on the recoverable value of the Queensland coal mining operations, these assets may be subject to impairment.

The Queensland coal mining is a customer of the Port operations of New Hope Corporation Limited. 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.

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

The carrying value of the New Hope Corporation Limited's Port Operations assets is set out below:

	31 January 2020 \$'000	31 July 2019 \$'000
<i>Property, plant and equipment</i>		
Land and buildings	1,579	1,617
Plant and equipment*	137,327	80,552
Port developments	11,111	11,367
Plant under construction	377	1,556
<i>Intangibles</i>		
Software	98	112
Goodwill	5,596	5,596
Total carrying value	156,088	100,800

* The Plant and equipment balance includes right-of-use assets recognised on adoption of AASB 16 on 1 August 2019.

2. Parent Entity Financial Information

Source of shareholder's 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 Entity's investments and regular profit and the cash flows generated by these investments.

Regular profit after tax is a measure of the Parent entity'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. This is a non-statutory measure and a reconciliation to the Parent Entity's profit after tax is provided. The Director's 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.

ACCOUNTING POLICIES

Parent Entity

The statement of financial position, profit after tax and total comprehensive income for the Parent Entity, 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 Entity, 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 Parent entity's activities as an investor.

The consolidated financial statements recognises the individual assets, liabilities, income and expenses of 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 2020 \$'000
Current assets	
Cash and term deposits	44,353
Assets held for sale	53
Trading equities – measured at market value	122,091
Other current assets	10,475
Total current assets	176,972
Non-current assets	
Long term equity investments – measured at market value	744,228
Long term equity investments – measured at fair value	75,346
Other financial assets	
Listed controlled and associated entities – measured at the lower of cost or impaired value	546,903
Unlisted entities – measured at the lower of cost or impaired value	478,856
Other non-current assets	177,666
Total non-current assets	1,947,653
Total assets	2,199,971
Total current liabilities	202,685
Total non-current liabilities	128,215
Total liabilities	330,900
Net assets	1,869,071
Equity	
Share capital	43,232
Reserves	208,208
Retained profits	1,617,631
Total equity	1,869,071

Income Statement

	Half year 2020 \$'000
Profit after tax	62,435
Less: Non-regular items after tax	
Net impairment expense on investments	45,262
Net impairment expense on associates	4,639
Other	1,126
Regular profit after tax	113,462
Other comprehensive income	
Net movement in the fair value of the listed investment portfolio	11,013

Market value of listed entities as at 31 Jan 2020 (based on ASX closing prices 31 Jan 2020)

		\$'000
Long term equity investments		
Milton Corporation Limited		111,747
BKI Investment Company Limited		108,273
Clover Corporation Limited		91,699
Commonwealth Bank of Australia		55,513
Woolworths Limited		37,233
Macquarie Group Limited		31,000
Pengana International Equities Limited		28,148
Magellan Financial Group Limited		24,116
Bailador Technology Investments Limited		23,999
Wesfarmers Limited		22,664
Brambles Limited		20,455
Other listed entities		189,381
Market value of long term equity investments		744,228
Listed controlled and associated entities	Holding	\$'000
TPG Telecom Limited	25.3%	1,753,283
Brickworks Limited	43.8%	1,306,995
New Hope Corporation Limited	50.0%	779,431
Australian Pharmaceutical Industries Ltd	19.3%	125,015
Apex Healthcare Berhad	30.0%	117,566
Pengana Capital Group Limited	38.6%	63,725
Palla Pharma Limited	19.9%	26,167
Market value of listed controlled and associated entities		4,172,182
Total value of WHSP's listed investments		4,916,410

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

WHSP is a long term equity investor.

If WHSP had disposed of all of its assets on 31 January 2020, a capital gains tax liability of approximately \$1,151.4 million would have arisen based on market values as at 31 Jan 2020. Of this amount, only \$115.86 million has been recognised in the Parent company accounts at 31 January 2020.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 January 2020 and are therefore subject to price fluctuations.

Regular Profit after Tax and Regular Operating Cash Flows

	Year ended 31 Jan 2020 \$'000
For the half year ended 31 Jan 2020	
Interest income (from cash and loans)	5,691
Dividend and distribution income	
Milton Corporation Limited	2,310
BKI Investment Company Limited	2,933
Clover Corporation Limited	607
Commonwealth Bank of Australia	1,504
Woolworths Limited	507
Macquarie Group Limited	535
Pengana International Equities Limited	853
Magellan Financial Group Limited	399
Wesfarmers Limited	391
Brambles Limited	235
Other listed entities	6,629
TPG Telecom Limited	4,688
Brickworks Limited	24,945
New Hope Corporation Limited	37,413
Australian Pharmaceutical Industries Ltd	3,803
Apex Healthcare Berhad	844
Pengana Capital Group Limited	–
Other controlled and associates	9,541
Total dividend and distribution income	98,137
Other revenue	76
Realised and fair value (losses)/gains on equities	26,334
Other expenses	(6,909)
Finance costs	(1,304)
Regular profit before tax	122,025
Income tax (expense)	(8,563)
Regular profit after tax	113,462
Non-cash fair value (gains)/loss on equities	(25,362)
Net movements in working capital	4,565
Regular operating cash flows	92,665
The Board declares dividends having regard to the Parent company's regular operating cash flows.	
Dividends paid/payable	
Interim of 25 cents per share paid 14 May 2020	59,849
Total dividends paid/payable	59,849
Payout ratio	
Dividends as a percentage of regular operating cash flows	64.59%

Notes to the Consolidated Financial Statements

3. Segment Information

Corporate structure

The Parent Entity is an investment company that invests in a diversified range of entities and asset classes.

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. Results from listed associates are sourced from publicly available information. Unlisted associates results are sourced directly from investee.

For changes in ownership of associates, refer to note 7.

For changes in ownership of controlled entities, refer to note 6.

Segment reporting

The Parent Entity, its subsidiaries and associates operate within five segments. Four segments are based on material holdings of individual investments, where the Parent Entity has board representation. All segments are predominately based in Australia.

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

The Group's operating segments are described as:

TPG Telecom Limited (TPG)

The Parent Entity has a 25.3% strategic investment in TPG, a telecommunications and internet provider.

Brickworks Limited (Brickworks)

The Parent Entity has a 43.8% strategic investment in Brickworks.

Brickworks is a diversified business that has four divisions, manufacture and sales of building products Australia, building products North America, property development and an investment in Washington H. Soul Pattinson and Company Limited.

New Hope Corporation Limited (New Hope)

New Hope engages in coal, oil and gas activities which include exploration, development, production, processing, associated transport infrastructure and ancillary activities.

Round Oak Minerals Pty Limited (ROM)

ROM engages in zinc, copper and gold mining activities which includes exploration, mining and processing of ore into copper concentrate, copper sulphide and gold.

Other investing activities

The Group invests in diverse portfolio of equities, properties, loans, cash and term deposits.

3. Segment Information continued



Notes to the Consolidated Financial Statements

3. Segment Information (continued)

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 are a 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 attributable to members is set out below.

The Directors have presented this information which is used by the Chief Operating Decision Maker (CODM), as they consider the disclosure enhances the understanding of the results to members and users of the financial statements.

The allocation of revenue 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.

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

Reconciliation between regular profit after tax attributable to members and profit after tax attributable to members:	31 January 2020 \$'000	31 January 2019 \$'000
TPG Telecom Limited	39,888	56,902
Brickworks Limited	26,594	41,906
New Hope Corporation Limited	43,174	82,149
Round Oak Minerals Pty Limited	(37,320)	(22,251)
Other investing activities	119,442	99,256
Intersegment/ unallocated	(67,046)	(71,268)
Regular profit after tax attributable to members	124,732	186,694
Non-regular items after tax		
Share of non-regular items from associate entities	(8,094)	(89,392)
Equity accounted gain on sale of WHSP shares by Brickworks	-	74,651
Gain on deemed disposal of equity accounted associates	5,225	1,345
Deferred tax recognised on equity accounted associates	6,058	(19,155)
Acquisition costs expensed	(1,168)	(13,234)
Gain on discontinued operation	-	110
Gain on sale of 160 Pitt Street Mall	-	68,968
Impairment expense on equity accounted associates	(12,310)	(28,444)
Impairment expenses on property, plant and equipment (including mine development costs)	(37,559)	-
Impairment expenses on exploration and evaluation assets	(12,265)	-
Impairment expenses on oil producing assets	(1,052)	-
Impairment expenses on other assets	(4,154)	-
Mine closure redundancies	(2,131)	-
Non-cash in-specie dividend	-	3,592
Onerous contract and other expenses	1,167	(5,971)
Rehabilitation costs	(7,342)	-
Transaction costs on guarantee facility	-	(1,529)
Other items	(128)	1,553
Total non-regular (losses) after tax attributable to members	(73,753)	(7,506)
Profit after tax attributable to members	50,979	179,188

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

a) Reporting segments

Half year ended 31 January 2020

	TPG Telecom Limited ^	Brickworks Limited ^	New Hope Corporation Limited	Round Oak Minerals Limited	Other investing activities	Intersegment /unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers **	-	-	618,203	72,696	34,632	-	725,531
Intersegment revenue ***	-	-	-	-	67,923	(67,923)	-
Total revenue from continuing operations	-	-	618,203	72,696	102,555	(67,923)	725,531
Regular profit/(loss) before income tax	39,888	26,594	123,478	(52,813)	63,230	(7,354)*	193,023
Add non-regular items before tax	(3,610)	(6,443)	(30,118)	(70,030)	(10,483)	(1,592)	(122,276)
Profit/(loss) before income tax	36,278	20,151	93,360	(122,843)	52,747	(8,946)	70,747
Less income tax (expense)/benefit	(9,128)#	15,804#	(23,576)	35,332	(5,935)	2,684	15,181
Profit/(loss) after tax	27,150	35,955	69,784	(87,511)	46,812	(6,262)	85,928
Less (profit) attributable to non-controlling interest	-	-	(34,903)	-	(46)	-	(34,949)
Profit/(loss) after tax attributable to members	27,150	35,955	34,881	(87,511)	46,766	(6,262)	50,979

* Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.

** The revenue of New Hope Corporation Limited and Round Oak Minerals Limited is in respect of contracts with customers recognised at a point in time.

*** Represents Inter-segment dividends and interest received from subsidiaries and associates that are eliminated on consolidation.

^ These investments are equity accounted associates, consequently there is no revenue recognised as only the share of associates profit after tax is recognised in profit or loss.

The income tax expense relates to the equity accounted associates deferred tax on consolidation.

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

b) Reporting segments

Half year ended 31 January 2019

	TPG Telecom Limited ^	Brickworks Limited ^	New Hope Corporation Limited	Round Oak Minerals Limited	Other investing activities	Intersegment /unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers **	-	-	616,690	64,380	42,219	-	723,289
Intersegment revenue ***	-	-	-	-	63,169	(63,169)	-
Total revenue from continuing operations	-	-	616,690	64,380	105,388	(63,169)	723,289
Regular profit/(loss) before income tax	56,902	41,906	230,905	(31,789)	41,408	(7,297)*	332,035
Add non-regular items before tax	(45,054)	32,935	(51,497)	(619)	66,867	(103)	2,529
Profit/(loss) before income tax	11,848	74,841	179,408	(32,408)	108,275	(7,400)	334,564
Less income tax (expense)/benefit	(2,148)#	(16,359)#	(57,169)	9,724	(28,237)	2,220	(91,969)
Loss after tax from discontinued operations	-	-	220	-	-	-	220
Profit/(loss) after tax	9,700	58,482	122,459	(22,684)	80,038	(5,180)	242,815
Less (profit) attributable to non-controlling interest	-	-	(60,095)	-	(3,532)	-	(63,627)
Profit/(loss) after tax attributable to members	9,700	58,482	62,364	(22,684)	76,506	(5,180)	179,188

* Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.

** The revenue of New Hope Corporation Limited and Round Oak Minerals Limited is in respect of contracts with customers recognised at a point in time.

*** Represents Inter-segment dividends and interest received from subsidiaries and associates that are eliminated on consolidation.

^ These investments are equity accounted associates, consequently there is no revenue recognised as only the share of associates profit after tax is recognised in profit or loss.

The income tax expense relates to the equity accounted associates deferred tax on consolidation.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2020

Notes to the Consolidated Financial Statements

4. Profit for the half year

(a) Profit before income tax expense

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

	31 January 2020 \$'000	31 January 2019 \$'000
(i) Revenue		
<i>Revenue from contracts with customers</i>		
Revenue from sales of goods	684,723	658,969
Revenue from provisional pricing adjustment	(3,759)	13,947
Rental revenue	4,744	5,368
Revenue from services	12,696	13,618
Total revenue from contracts with customers	698,404	691,902
<i>Other revenue</i>		
Dividend and distribution revenue	17,101	20,171
Interest revenue	4,394	9,593
Other	5,632	1,623
Total other revenue	27,127	31,387
Revenue from continuing operations	725,531	723,289

Disaggregation of revenue

The Group presented disaggregated revenue based on what each major strategic investment provided to customers and the timing of transfer of goods and services.

Major product lines

Revenue from contracts with customers come from the sale of coal, oil, gas, copper, zinc, silver, gold, properties and the provision of management and consulting services.

	New Hope Corporation Limited \$'000	Round Oak Minerals Pty Limited \$'000	Other investing activities \$'000	31 January 2020 Total \$'000
Major product lines				
Coal, oil and gas	607,866	-	-	607,866
Copper, gold and zinc	-	72,696	-	72,696
Other goods and services	6,517	-	11,325	17,842
Total revenue from contracts with customers	614,383	72,696	11,325	698,404
Other revenue	3,820	-	23,307	27,127
Total revenue from continuing operations	618,203	72,696	34,632	725,531
Total revenue from contracts with customers by geographical regions				
Australia	68,806	54,171	11,325	134,302
Overseas	545,577	18,525	-	564,102
Total revenue from contracts with customers	614,383	72,696	11,325	698,404

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2020

Notes to the Consolidated Financial Statements

4. Profit for the half year (continued)

(a) Profit before income tax expense (continued)

	New Hope Corporation Limited \$'000	Round Oak Minerals Pty Limited \$'000	Other investing activities \$'000	31 January 2020 Total \$'000
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	607,866	72,696	6,777	687,339
Goods and services transferred over time	6,517	-	4,548	11,065
Total revenue from contracts with customers	614,383	72,696	11,325	698,404

	Note	31 January 2020 \$'000	31 January 2019 \$'000
(ii) Other income			
Gains on sale of property, plant and equipment		2,963	92,206
Gain/(losses) on trading equities at FVTPL		26,334	(8,221)
Gain in fair value of biological assets		3,061	-
Gains on deemed disposal of equity accounted associates		5,348	1,921
Gain on revaluation of an investment property		-	7,655
Insurance recovery from ship loader		24	2,883
Other		667	357
		38,397	96,801

(iii) Impairment expenses

Equity accounted associates	(1)	(12,310)	(28,444)
Property, plant and equipment (including mine development costs)	(2)	(51,941)	-
Exploration and evaluation assets	(3)	(17,536)	-
Oil producing assets		(3,006)	-
Other assets		(4,154)	-
		(88,947)	(28,444)

(1) Impairment of equity accounted associates

The recoverable amount of investments in equity accounted associates has been assessed as at 31 January 2020. Where the carrying value of an investment exceeds the recoverable amount, the investment has been impaired. 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. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through the profit or loss.

During the half year ended 31 January 2020, impairment expense of \$5.59 million and \$9.18 million were recognised for Palla Pharma Limited and Australian Pharmaceutical Industries Limited respectively and reversal of impairment of \$2.46 million was recognised for Pengana Capital Group Limited.

Notes to the Consolidated Financial Statements

4. Profit for the half year (continued)

(a) Profit before income tax expense (continued)

(iii) Impairment expenses (continued)

(2) Impairment of property, plant and equipment (including mine development costs)

An impairment loss on property, plant and equipment (including mine development costs) is recognised for the amount by which the asset's carrying values exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purpose of assessing impairment under value-in-use testing, assets are grouped at the lowest levels for which these are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). At each reporting date, an assessment is undertaken to determine if there are any circumstances that would indicate that an asset had been impaired. During the half year ended 31 January 2020, an impairment expense of \$51.94 million was recognised on property, plant and equipment and mine development costs in Round Oak Minerals Pty Limited.

(3) Impairment of exploration and evaluation assets

In the half year ended 31 January 2020, Round Oak Mineral Pty Limited determined that an indicator of impairment existed as at 31 January 2020 in respect of certain exploration tenements. The indicator of impairment was the anticipated implementation of care and maintenance of these tenements in May 2020 following the cessation of mining (December 2019) and processing (May 2020). As a result, an impairment test was undertaken and an impairment of \$17.54 million was recognised for half year ended 31 January 2020.

Notes to the Consolidated Financial Statements

4. Profit for the half year (continued)

(b) Tax expense

	31 January 2020 \$'000	31 January 2019 \$'000
Reconciliation of prima facie tax expense to income tax expense:		
Profit before income tax from continuing operations	70,747	334,564
Profit before income tax from discontinuing operations	-	220
	70,747	334,784
Income tax at 30% (2019: 30%)	21,224	100,435
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sale of 160 Pitt Street Mall	-	(4,896)
Net impairment expenses	6,134	8,533
Franking credits received (excluding controlled and associate entities)	(4,255)	(4,155)
Tax benefit on the carrying value of equity accounted associates	(28,804)	(9,765)
Onerous contract	-	3,574
Over provisions in prior year	(10,657)	(807)
Other	1,177	(950)
Income tax (benefit)/expense	(15,181)	91,969
Income tax (benefit)/expense is attributable to:		
Profit from continuing operations	(15,181)	91,969
	(15,181)	91,969

Notes to the Consolidated Financial Statements

5. Dividends

	\$'000	Amount per security cents per share	Franking per security cents per share
Interim dividend			
Current half year dividend declared but not yet recognised in retained profits, payable on 14 May 2020	59,849	25c	25c
Previous corresponding half year, paid on 9 May 2019	57,455	24c	24c
Final dividend 2019			
A final dividend, not previously recognised in retained profits, was paid on 9 December 2019	81,394	34c	34c

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 (2019: 239,395,320).

6. Business Combination

(a) Accounting policy

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or assets are acquired. The consideration transferred for the acquisition of a business combination comprises the fair value of the assets transferred and the liabilities incurred. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the Group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will be no adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

Notes to the Consolidated Financial Statements

6. Business Combination (continued)

(b) Acquisition of WHSP Agricultural Trust

On 18 October 2019, a subsidiary of the Parent Entity, WHSP Agriculture Holding Trust acquired 95% interest in WHSP Agriculture Investments Trust, which owns a farmland portfolio. Total consideration paid for the acquisition was \$37,200,000. Accordingly, this new investment is consistent with Washington H. Soul Pattinson and Company Limited's diversified investment strategy.

The acquired business contributed revenues of \$0.2 million and loss before tax and non-regular items since acquisition of \$1.8 million to the WHSP Agriculture Holding Trust for the period 18 October 2019 to 31 January 2020. If the acquisition had occurred on 1 August 2019, revenue and profit before tax would have been \$2.72 million and \$3.22 million respectively.

Purchase consideration and the net assets acquired have been provisionally allocated as follows:

	18 October 2019
Total purchase consideration	\$'000
Total cash consideration in the current period	37,200
Total purchase consideration	37,200
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalent	997
Trade and other receivables *	4,219
Inventories	1,998
Biological assets	102
Property, plant and equipment	37,322
Right-of-use assets	1,332
Deferred tax assets	346
Intangibles	4,330
Trade and other payables	(2,381)
Interest bearing liabilities	(10,495)
Fair value of net identifiable assets	37,770
Non-controlling interest measured at fair value	(570)
Net assets acquired	37,200
Net cash outflow for the acquisition are as follows:	
Outflow of cash to acquire subsidiary, net of cash acquired	
Total cash consideration – current year	37,200
Less cash balance acquired	(997)
Outflow of cash – investing activities	36,203
Other acquisition costs expensed	863
Total cash outflow	37,066

* The fair value of trade and other receivables at acquisition date is equivalent to their gross receivable value and the contractual value of receivables.

Notes to the Consolidated Financial Statements

7. Equity accounted associates

	Group's percentage of holding at balance date*		Contribution to Group net profit for the half year **						Equity accounted carrying value***	
	31 January 2020	31 January 2019	2020			2019			31 January 2020	31 July 2019
			Regular \$'000	Non-regular \$'000	Total \$'000	Regular \$'000	Non-regular \$'000	Total \$'000	\$'000	\$'000
Associates- held by the Parent Entity	%	%								
Apex Healthcare Berhad (i)	30.1	30.3	3,028	(59)	2,969	5,385	(922)	4,463	41,968	40,130
Australian Pharmaceutical Industries Limited (i)	19.3	19.3	3,522	2,436	5,958	3,335	(85)	3,250	125,015	131,412
Brickworks Limited (i)	43.8	43.8	26,594	(6,443)	20,151	41,906	32,935	74,841	541,125	531,234
Pengana Capital Group Limited (i) (ii)	38.7	38.6	2,045	(785)	1,260	1,822	(1,461)	361	63,725	59,742
TPG Telecom Limited	25.3	25.3	39,888	(3,610)	36,278	56,902	(45,054)	11,848	761,368	732,177
Palla Pharma Limited (iii)	19.9	19.9	(679)	(29)	(708)	(666)	241	(425)	26,167	21,352
Other Associates (iv)	various	various	4,213	395	4,608	1,223	(397)	826	100,794	87,563
Share of results from equity accounted associates			78,611	(8,095)	70,516	109,907	(14,743)	95,164	1,660,162	1,603,610
Net gain on deemed disposal of equity accounted associates, net of tax			-	5,225	5,225	-	1,345	1,345		
Deferred tax expense recognised on equity accounted associates			-	6,058	6,058	-	(19,155)	(19,155)		
Net impairment expenses of equity accounted associates			-	(12,310)	(12,310)	-	(28,444)	(28,444)		
Net contribution from equity accounted associates			78,611	(9,122)	69,489	109,907	(60,997)	48,910		

* 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.

*** Equity accounted carrying amount is the carrying value of the associates in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

7. Equity accounted associates (continued)

Details of investments and results in associates

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

- Apex Healthcare Berhad
- Australian Pharmaceutical Industries Limited;
- Brickworks Limited (Brickworks);
- Pengana Capital Group Limited (Pengana Capital)

The Parent Entity did not participate in the above share issues. As a result, there has been a minor change in the Group's percentage of holding in each of these investments.

(ii) During the 6 months ended 31 January 2020, the Parent Entity's holding percentage increased from its non-participation in Pengana Capital's share buy-back program and was partly offset by reduction of ownership attributable to shares issued under Pengana Capital's Employee Loan Share Plan. This resulted in a net increment of 0.06% in shareholdings in Pengana Capital.

(iii) During the 6 months ended 31 January 2020, the Parent Entity purchased additional shares in Palla Pharma Limited for \$6.21 million under its Accelerated Non-Renounceable Entitlement Offer (ANREO). As a result of the ANREO, the Parent Entity's shareholding declined by 0.07% to be 19.9%.

(iv) Ironbark Investments Group (Ironbark) was first recognised as an associate at 31 July 2019 when the Parent Entity's holding percentage reached 23.45%. During the 6 months ended 31 January 2020, the Parent Entity purchased additional shares in Ironbark for \$9.89 million. The Parent Entity's shareholding was 31.23% at 31 January 2020.

Notes to the Consolidated Financial Statements

8. Interest bearing liabilities

(a) Accounting policy

Interest bearing liabilities are initially recognised at fair value, net of any transactions costs incurred. These balances are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of comprehensive income over the term of the liability using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the term of the facility to which it relates.

Interest bearing liabilities are classified as current liabilities to the extent that the Group has no unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(b) Interest bearing liabilities

	Note	31 January 2020 \$'000	31 July 2019 \$'000
Current liabilities			
Equity finance loan	(i)	200,000	30,000
Secured loans	(ii)	1,416	-
Finance lease liabilities	(iii)	-	2,537
		201,416	32,537
Non-current liabilities			
Secured loans	(ii)	387,945	364,948
Finance lease liabilities	(iii)	-	5,265
		387,945	370,213
Financing facilities		1,194,770	1,105,270
Facilities utilised at reporting date		(857,350)	(646,983)
Facilities not utilised at reporting date		337,420	458,287

The fair values of interest bearing liabilities materially approximate their respective carrying values as at 31 January 2020.

Notes to the Consolidated Financial Statements

8. Interest bearing liabilities (continued)

(b) Interest bearing liabilities (continued)

- (i) During the current period, the Parent Entity entered into another equity finance facility with Macquarie Bank. The facility is comprised of a \$100 million drawable equity facility repayable in 12 months. This increased the Parent Entity's total equity finance facility from \$200 million to \$300 million.

During the current period, the Parent Entity utilised \$200 million of the equity finance facility. The debt incurs interest at a variable rate and is repayable upon either the bank or the Parent Entity providing notice of 30 days. As security, the Parent Entity transfers ownership of title over certain long term equity investments to the bank. As the Parent Entity retains the risks and benefits of ownership of the transferred equity investments, including the right to receive dividends, these securities continue to be included as an asset on the Group's Statement of Financial Position. Upon repayment of the debt, ownership of title of the equity investments, is transferred back to the Parent Entity.

- (ii) At 31 January 2020, long term secured loan comprised of New Hope Corporation Limited of \$358.986 million (31 July 2019: \$352.948 million), the Parent Entity's property trust's bank loan facility for a commercial property in Penrith of \$12 million (31 July 2019: \$12 million) and the existing loan of the newly acquired Argyle Agricultural Trust of \$18.375 million.

New Hope Corporation Limited's secured loan facility is with a syndicate of Australian and international banks. The facility is comprised of a \$540 million drawable amortising facility and a \$300 million credit support facility. The facility's drawable line for credit is for general corporate purposes and has a maturity of November 2023. During the current half year, \$110 million of debt drawn under the facility was repaid.

Prior year transaction costs incurred in obtaining the secured loans above were \$8.436 million. Amortisation of the transaction costs during the period of \$1.038 million (2019: \$0.337 million) was recorded as financing expenses in the Statement of comprehensive income. As at 31 January 2020, the transaction cost balance of \$6.014 million offset against the secured loan balance.

The secured facility holds a fixed and floating charge over all assets held by the New Hope Corporation Limited (with the exception of excluded subsidiaries).

- (iii) In the previous reporting period, the Group recognised finance lease liabilities as part of the Group's interest bearing liabilities. These finance lease liabilities have been reclassified and disclosed under lease liabilities in Note 12.

Notes to the Consolidated Financial Statements

9. Provisions

	Note	31 January 2020 \$'000	31 July 2019 \$'000
Current liabilities			
Mining restoration and site rehabilitation)	(i)	10,512	17,717
Employee benefits		43,577	59,089
Onerous contracts		370	223
Other	(ii)	16,000	16,000
		70,459	93,029
Non-current liabilities			
Mining restoration and site rehabilitation	(i)	285,909	242,836
Employee benefits		7,978	8,374
Onerous contracts		-	656
Other		-	198
		293,887	252,064

(i) *Mining restoration and site rehabilitation (New Hope Corporation Limited)*

During the half year the Jeebropilly Operation lodged a revised estimated rehabilitation calculation (ERC) with the Department of Environment and Science (DES). As a result, in January 2020, Jeebropilly Collieries Pty Ltd (Jeebropilly) was issued with a notice requesting additional financial assurance to be provided of \$65.659 million which was lodged by 4 March 2020 however is not yet reflected in the contingent liabilities. As a result of the changes in the ERC the rehabilitation provision has been reassessed and increased during the half year to \$39.525 million representing New Hope Corporation Limited's best estimate of future probable economic outflows to settle the obligation. The impact on profit before tax attributable to members is \$10.488 million.

New Hope Corporation Limited has made judgements in respect of the probable future cash outflows associated with this rehabilitation based on the intentions of the Jeebropilly Operations in respect of the previously mined areas. The Jeebropilly Operation ceased activities in November 2019. There are presently multiple commercial transactions which may influence the final land use of the areas previously mined at Jeebropilly and these have been relevantly considered in determining the likelihood and potential timing of rehabilitation activities. In addition, New Hope Corporation Limited has intentions to amend its final land use position through amendments to its Environmental Authority later in 2020 which have also been considered.

Further progress in relation to the proposed amendments or the status of the commercial transactions may reduce the current rehabilitation provision. In the event New Hope Corporation Limited is unable to secure the proposed amendments, and or complete one or more of the commercial transactions, additional provisions may be required.

Notes to the Consolidated Financial Statements

9. Provisions (continued)

(ii) *Other provisions (New Hope Corporation Limited)*

Administration of subsidiaries

The Directors of Northern Energy Corporation Limited (NEC) and Colton Coal Pty Limited (Colton) placed the companies into voluntary administration on 17 October 2018. The companies were subsequently placed into liquidation by creditors at a meeting on 26 July 2019. New Hope Corporation Limited has recognised a provision for \$16 million (31 July 2019: \$16 million) which it considers is the best estimate of the future probable net economic outflows associated with the NEC and Colton liquidation process. A summary of developments during the half year ended 31 January 2020 associated with this matter to be considered in conjunction with note 34(iii) of the Washington H. Soul Pattinson and Company Limited's financial statements for the year ended 31 July 2019 (on page 149 of the Washington H. Soul Pattinson and Company Limited's Annual report released on 1 October 2019) are outlined below:

Deed of Cross Guarantee proceedings (DOCG)

On 20 August 2019, Wiggins Island Coal Export Terminal (WICET) and the Liquidators on behalf of NEC and Colton filed appeals with the Court of Appeal in New South Wales in relation to the Supreme Court's decision on the DOCG;

On 20 December 2019, the Court of Appeal in New South Wales confirmed the Supreme Court's declaration that the Company has not guaranteed the debts of NEC and Colton under the DOCG; and

In January 2020, applications were made by WICET and by the Liquidators on behalf of NEC and Colton for special leave to appeal to the High Court of Australia in relation to the New South Wales Court of Appeal decision. If special leave is granted and the appeal is successful, New Hope Corporation Limited will be exposed to a liability under the DOCG of approximately \$155 million. New Hope Corporation Limited continues to deny this claim.

Administration/Liquidation process

On 5 December 2019, the Liquidators indicated that they intend to continue their investigations into NEC and Colton, which will include investigating whether NEC and Colton were trading whilst insolvent and whether any claims exist in that regard.

In acknowledging the ongoing matters associated with the liquidation of NEC and Colton, New Hope Corporation Limited has considered its position and has determined that \$16 million remains the best estimate of the future probable net economic outflows that will be incurred as a result of the liquidation process. Although the Deed of Company Arrangement has lapsed following the second meeting of creditors in July 2019, New Hope Corporation Limited has not withdrawn the proposal and considers it to represent a present obligation that should be maintained as a provision.

Notes to the Consolidated Financial Statements

10. Fair value measurement

(a) Accounting policy

The fair value of financial assets, financial liabilities and investment properties must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Group is the last sale price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less estimated credit adjustments and expected credit losses of trade receivables and payables are assumed to approximate their fair value due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows to the current market interest rate that is available to the Group for similar financial instruments.

(b) 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.

(c) Fair value measurements

The following table presents the Group's assets and liabilities measured and recognised at fair value as at 31 January 2020 and 31 July 2019.

As at 31 January 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading equities	100,561	-	21,530	122,091
Long term equity investments	758,879	-	111,069	869,948
Non-financial assets				
Investment properties	-	-	102,742	102,742
Total assets	859,440	-	235,341	1,094,781
Financial liabilities				
Derivatives financial instruments	-	15,615	-	15,615
Total liabilities	-	15,615	-	15,615

Notes to the Consolidated Financial Statements

10. Fair value measurement (continued)

As at 31 July 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trading equities	60,950	-	16,198	77,148
Long term equity investments	753,966	-	31,169	785,135
Derivatives financial instruments	-	190	-	190
Non-financial assets				
Investment properties	-	-	106,281	106,281
Total assets	814,916	190	153,648	968,754
Financial liabilities				
Derivatives financial instruments	-	10,774	-	10,774
Total liabilities	-	10,774	-	10,774

(d) Valuation techniques

Listed equities

The fair value of listed equities is based on quoted market prices being the last sale price, at the reporting date. Listed equities are traded in an active market, with the majority of the Group's investments being publicly traded on the Australian Securities Exchange.

Unlisted equities

In the absence of an active market for unlisted equities, the Consolidated Entity selects and uses one or more valuation techniques to measure the fair value of these unlisted equities. The Parent Entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The following valuation techniques are used by the Parent Entity:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset as its current service capacity.
- Net asset approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including the assumptions about risk. When selecting a valuation technique, the Parent Entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Notes to the Consolidated Financial Statements

10. Fair value measurement (continued)

(e) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the change in level 3 items for the half year ended 31 January 2020 and 31 July 2019.

	Trading equities \$'000	Long term- equity investments \$'000	Investment properties \$'000	Total \$'000
Opening balance 1 August 2018	9,028	29,542	158,254	196,824
Acquisitions	4,620	13,884	26,321	44,825
Disposals	(2,038)	-	(85,756)	(87,794)
Transfer to Equity accounted associates	-	(12,257)	-	(12,257)
Gain recognised in other income- realised	-	-	7,655	7,655
Gain recognised in other income- unrealised	4,588	-	(193)	4,395
Closing balance 31 July 2019	16,198	31,169	106,281	153,648
Acquisitions	250	77,459	220	77,929
Disposals	-	-	(3,757)	(3,757)
Loss recognised in other income- realised	-	(38)	-	(38)
Gain/(loss) recognised in other income- unrealised	5,082	(385)	(2)	4,695
Gain recognised in other comprehensive income- unrealised	-	2,864	-	2,864
Closing balance 31 January 2020	21,530	111,069	102,742	235,341

Notes to the Consolidated Financial Statements

11. Reconciliation of profit after income tax to net cash inflow from operating activities

	31 January 2020 \$'000
Net profit after tax	85,928
Adjustment for non-cash items	
Depreciation and amortisation	125,330
Amortisation of transaction costs	1,038
Gain on deemed disposal of equity accounted associates	(5,348)
Gain on sales of other investments	(3,020)
Gain on trading equities fair value through profit or loss	(26,334)
Impairment charges	88,947
Increase in fair value of biological assets	(3,061)
Net foreign exchange (gain)/loss	(1,886)
Non-cash acquisition costs expensed	893
Non-cash share based payments	1,177
Unwinding of interest on deferred purchase consideration	1,114
Share of profits of associates not received as dividends or distributions	(34,280)
Other non-cash items	5,049
Changes in operating assets and liabilities, net of effects from purchase and sales of Business:	
Increase in trade debtors, other debtors and prepayments	(28,398)
Increase in inventory	(23,164)
Increase in forward overburden and stripping costs	(10,942)
Decrease in trade creditors and accruals	(7,172)
Increase in employee entitlements and provisions	4,511
Increase in current tax asset	(12,527)
Decrease in current tax liability	(8,385)
Increase in deferred tax asset	(39,039)
Increase in deferred tax liability	9,852
Net cash flow from operating activities	120,283

Notes to the Consolidated Financial Statements

12. New or amended Accounting Standards and Interpretation adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standard has been adopted for the first time from 1 August 2019 and its impact on the Consolidated Entity's financial statement is disclosed below.

AASB 16 Leases

New accounting standard AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise lease assets (also known as right-of-use assets) and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

(a) Accounting policy

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments. These lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments. Interest expense on lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Lease payments made in relation to leases of 12 months or less and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

(b) Critical judgements and estimates

The Group has made certain assumptions and judgements in relation to economic conditions including but not limited to: the incremental borrowing rates, composition of the lease portfolio, exercise of extension options and non-cancellable lease terms that may cause the actual output to differ to that experienced in the current period.

Notes to the Consolidated Financial Statements

12. New or amended Accounting Standards and Interpretation adopted (continued)

AASB 16 Leases (continued)

(c) Adoption of AASB 16

On adoption of the new AASB 16 *Leases*, the Group recognised right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- (i) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or
 - property, plant or equipment, the lessee applies the revaluation model in AASB 116 *Property, plant and equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (ii) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

For certain leases, the right-of-use asset at the date of initial application is recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

For some material associates (Brickworks and TPG Telecom), they have used an initial adoption approach allowed under AASB 16, to measure the right of use asset as if AASB 16 had been applicable from the lease commencement date.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the Group elected to apply AASB 16 using the modified retrospective approach to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application from 1 August 2019. Accordingly, comparative information has not been restated.

The Group leases various offices, equipment, vehicles and a port facility. Rental contracts are typically made for fixed periods of 1 year to 5 years, but may have extension options. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Notes to the Consolidated Financial Statements

12. New or amended Accounting Standards and Interpretation adopted (continued)

AASB 16 Leases (continued)

(c) Adoption of AASB 16 (continued)

The Group has elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

The application of AASB 16 resulted in the restatement of the assets and liabilities in the statement of financial position at 31 July 2019 as follows:

	As reported 31 July 2019 \$'000	AASB 16 transition adjustments \$'000	Opening balance 1 August 2019 \$'000
Property, plant and equipment	2,351,799	(6,444)	2,345,355
Right-of-use assets	-	123,060	123,060
Interest bearing liabilities (current and non-current)	(402,750)	7,802	(394,948)
Lease liabilities	-	(124,419)	(124,419)
Retained profits	3,301,831	(2,859)	3,298,972

The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 5%.

Notes to the Consolidated Financial Statements

12. New or amended Accounting Standards and Interpretation adopted (continued)

AASB 16 Leases (continued)

(c) Adoption of AASB 16 (continued)

The following is a reconciliation of non-cancellable operating lease commitments disclosed at 31 July 2019 to the aggregate carrying amount of lease liabilities recognised at the date of initial application, 1 August 2019:

	\$'000
Aggregate non-cancellable operating lease commitments at 31 July 2019	98,672
Add: finance lease liabilities recognised at 31 July 2019	7,802
Add: restoration to leased property provision included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	1,124
Add: extension options included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	62,763
Add: lease payments included in the measurement of lease liabilities and previously included in capital expenditure commitments	10,829
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	(7,175)
Less: property lease rent outgoings and related costs previously included in non-cancellable lease commitments and not included in lease liabilities	(1,865)
Less: impact of discounting lease payments to their present value at 1 August 2019	(47,731)
Carrying amount of lease liabilities recognised at 1 August 2019	<u>124,419</u>

Notes to the Consolidated Financial Statements

12. New or amended Accounting Standards and Interpretation adopted (continued)

AASB 16 Leases (continued)

(c) Adoption of AASB 16 (continued)

The Group holds the following right-of-use assets:

	31 January 2020 \$'000
Right-of-use assets	
Carrying amount of lease assets, by class of underlying asset:	
Buildings	19,710
Plant, fixtures and motor vehicles	90,543
Total carrying amount of right-of-use assets	110,253
Reconciliation of the carrying amount of right-of-use assets at the beginning and end of the half year:	
Carrying amount at 1 August 2019	123,060
Additions	4,672
Depreciation	(17,479)
Carrying amount at 31 January 2020	110,253

The Group recognised the following lease liability:

	31 January 2020 \$'000
Lease liability	
Balance as at 1 August	116,617
Reclassification of finance lease liabilities from interest bearing liabilities	7,802
Additions during the current period	5,350
Accretion of interest	3,343
Payments	(19,852)
Total lease liability	113,260
The present value of Right-of-use lease liabilities is as follows:	
Current	25,130
Non-current	88,130
Recognised as lease liability	113,260

Secured liability

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. No other assets are pledged as security for the leased liability.

The total cash outflow for leases for the six months period ending 31 January 2020 was \$19.85 million.

Notes to the Consolidated Financial Statements

13. Commitments

In October 2019, the Group formed a partnership with Provectus Care, an aged care and retirement living operator, to build and operate luxury independent living accommodation for retirees. The Group has committed to fully fund the acquisition of the first site in Cronulla, New South Wales for \$39.0 million of which a \$1.9 million deposit has been paid as of the reporting date. The balance will be settled in August 2020.

Other than the above, there are no material changes to the commitments of the Group since 31 July 2019.

14. Contingent liabilities

Other than the matters set out in note 9 (ii), there are no other material changes to the contingent liabilities of the Group since 31 July 2019.

15. Events occurring after the balance date

TPG Telecom Limited (TPG) and Vodafone Hutchison Australia (VHA) merger update

The Federal Court has ruled that the planned merger with VHA would not substantially lessen competition and the ACCC did not appeal this decision.

This clears one of the conditions precedent to completion of the merger. However, there remain other regulatory conditions which must be satisfied before the merger can proceed, including Foreign Investment Review Board (FIRB) and the Committee on Foreign Investment in the United States (CFIUS).

If successful 49.9% of the merged company will be owned by TPG shareholders and 50.1% by VHA shareholders. The Company will be called TPG Telecom Limited and will be listed on the ASX. TPG and VHA are targeting completion of the merger in mid 2020.

Coronavirus (COVID-19)

Since balance date the Coronavirus (COVID-19) has had a significant impact on local and world economies and it has had impact on the financial position and may affect financial performance of the Group in the future.

(i) Financial position - listed investments fluctuation

The Parent Entity is an investment company and is exposed to equity security price risk. The majority of the Group's investments are publicly traded on the Australian Securities Exchange (ASX).

Since the declaration by the World Health Organisation, on 11 March 2020, of the Coronavirus as a pandemic, there has been a substantial decline in the Australian share market. This movement in the value of investments since balance date has not been reflected in the financial position or financial performance of the Group or the Parent Entity.

The estimated change in value of the Group's investments since 31 January 2020 is shown in the table below:

	25 March 2020 \$'000	31 January 2020 \$'000
Net asset value of the investment portfolio (pre-tax)	4,455,911	5,478,162

Net asset value represents what WHSP as a long-term investor would realise on disposal of all its assets at a point in time. The market values of the listed investments included above represent the last sale price quoted on the ASX on the dates provided. Unlisted investments are carried at fair value (based on Directors' valuation).

Notes to the Consolidated Financial Statements

15 Events occurring after the balance date (continued)

Coronavirus (COVID-19) (continued)

(i) Financial position - listed investments fluctuation (continued)

Investments in associates are not carried at fair value in the consolidated statement of financial position but are instead equity accounted. The initial investment is increased/(decreased) by the Group's share of the associate's profits/(losses) as recognised in profit or loss, movements in their reserves (other comprehensive income) and decreased by dividends received. For listed associates the market value is taken into consideration when assessing the recoverable value of an equity accounted associate.

The share price of our listed associates has declined on average by 12.6% since 31 January 2020. However, we are unable to accurately determine the reduction in the equity accounted carrying value of these investments given the inability to obtain sufficient information on the post 31 January 2020 financial performance of these associates.

(ii) Financial performance – business outlook

At this point in time given the rapidly evolving situation, the Group is unable to reliably quantify the impact of the COVID-19 pandemic on future financial performance. The Group continues to actively monitor the situation and its impact.

(iii) New debt facility

On the 20 March 2020, the Parent Entity signed a \$100 million, 3-year secured term loan agreement with Credit Suisse AG. The facility is for refinancing existing debt and for general corporate purposes (excluding dividend payments and/or funding of New Hope Corporation Limited). The facility has included an option to increase the facility to \$200 million if both parties agree at a later date. As at 26 March 2020, the \$100 million facility is fully drawn.

16. 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 27 to 67, 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 2020 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 26 day of March 2020

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**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 group"), which comprises the consolidated statement of financial position as at 31 January 2020, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 *Corporation Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2019 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, 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*, which has been given to the directors of Washington H. Soul Pattinson and Company Limited, would be in the same terms if given to directors as at the time of this auditor's review report.

Emphasis of Matter – Events occurring after the balance date: Coronavirus (COVID-19)

We draw attention to Note 15, which describes the impact of the Coronavirus (COVID-19). Our conclusion is not modified in respect of this matter.

Conclusion

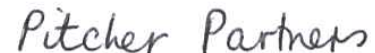
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Washington H. Soul Pattinson and Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the group's financial position as at 31 January 2020 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



M Alexander
Partner

26 March 2020



Pitcher Partners
Sydney