ASX Announcement

Correction: HY22 Appendix 4D and Financial Report

24 March 2022- The Company advises that the 2022 Appendix 4D and Half Year Financial Report, released earlier today requires two typographical changes which have been replaced in the attached Appendix 4D and Half Year Financial Report.

The two typographic changes related to:

1. Inserting the comparative on page 20 where the prior corresponding period balance for 'Gain on derecognition of an associates reserves' was missing; and,
2. Updating the 'Weighted average number of ordinary shares' in the current year and prior corresponding period on page 27. We note that the Basic and Diluted earnings per share disclosed in the half year financial report are unaffected by this change.

Enquiries:

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This ASX announcement has been authorised for release by the Company Secretary.

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Appendix 4D
Half Year Financial Report
31 January 2022

ASX Listing Rule 4.2A.3

Results for announcement to the market

		Current period January 2022 $'000	Prior Period January 2021 $'000	Change $'000
Revenue from continuing operations	up 117% to	**1,277,983**	589,219	688,764
(Loss)/Profit After Tax attributable to members	down 1,033% to	**(643,091)**	68,905	(711,996)
Regular Profit After Tax attributable to members[1]	up 281% to	**343,686**	90,237	253,449

Dividends

		Cents per share	Franking %
This period			
Interim dividend		29.0	100
Previous corresponding period			
Interim dividend		26.0	100
Record date for determining entitlement to interim dividend:	21 April 2022		
Date the interim dividend is payable:	13 May 2022		

No dividend reinvestment plan was in operation during the reporting period.

Reporting Period

The reporting period for this report is the half year ending 31 January 2022. The previous corresponding period is the half year ending 31 January 2021.

[1] *Regular Profit After Tax is a non-statutory profit measure and represents profit before Non-regular items. A reconciliation to statutory profit is included in the section Alternative Performance Measures.* *Refer to pages 19 to 20.*

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Explanation of performance

Consolidated Entity perspective

This Consolidated Half Year Financial Report combines the operating results, financial position and cash flows of Washington H. Soul Pattinson and Company Limited (the Parent Entity, Company, WHSP) and each entity that it controls (subsidiaries), into a single set of financial statements.

A controlling stake in a subsidiary often occurs where the Parent Entity owns less than 100% of the subsidiary. The term 'non-controlling interest' is used to describe that portion not owned by the Parent Entity. The non-controlling interest's share of the consolidated profit and net assets is disclosed separately in the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and the Consolidated Statement of Changes in Equity.

Investments in which the Parent Entity or a subsidiary has significant influence but does not have control are termed 'associate entities'. Unlike subsidiaries, the individual financial reports of associates are not consolidated. Associates are equity accounted with the Consolidated Entity's share of an associate's result recorded in the Statement of Comprehensive Income. The investment in associates is disclosed as a line item (equity accounted associates) in the Consolidated Statement of Financial Position and is adjusted for the Consolidated Entity's share of the associate's result and decreased by any dividends received. This method treats dividends from associates as if they are a return of capital rather than being recognised in profit or loss.

Please refer to Note 2 of the Half Year Financial Report for an explanation of the new operating segments.

Portfolio perspective

WHSP is a diversified investment entity that manages its investments on a portfolio basis. In contrast to the consolidated financial report, the portfolio information reflects the entity's activities as an 'investor' and provides details of its investments (subsidiaries, associate entities and other investments), together with the cash flows generated by these investments (largely dividend income).

Key performance measures

Consistent with its function as an investment vehicle, WHSP considers the key drivers of its success to be growth in the capital value of the portfolio (Net Asset Value or NAV) and a growing yield, as measured by the Net Cash Flows From Investments. WHSP does not consider its earnings to be a key indicator of its performance.

For a detailed explanation of the year's operating results, please refer to the Chairman's Review and Portfolio Review attached. A summary of the results is set out below.

Net Profit After Tax (including Non-regular items) attributable to members

The Statutory Net Loss After Tax attributable to shareholders was $643.1 million compared to a $68.9 million profit in the previous corresponding period. The decrease in Statutory Net Profit After Tax of $712.0 million was largely due to the goodwill impairment of $954.0 million (refer Note 3(c)) arising from the Milton merger, partly offset by the increase in Regular Profit After Tax attributable to members described below.

Regular Profit After Tax attributable to members

The Regular Profit After Tax attributable to shareholders for the half year ending 31 January 2022 was $343.7 million compared to $90.2 million for the previous corresponding period.

The increase in Regular Profit after Tax was mainly attributable to the following:

Portfolio	$m	% change
Strategic: increased contribution from New Hope driven by increased thermal coal prices and property profits in Brickworks	227.9	461%
Large caps: largely higher dividend income arising from the Milton acquisition	20.1	228%
Private equity: largely improved contribution from Round Oak on increased commodity prices and lower treatment charges	11.2	66%
Emerging companies: lower trading income and mark to market of the portfolio	(5.5)	(37%)
Other portfolios and corporate costs	(0.2)	(179%)
Total	**253.5**	**281%**

Dividends

Interim dividends increased by 12% to 29 cents per share fully franked.

Earnings per share and Net Tangible Assets per share

	Current period January 2022 Cents	Prior Period January 2021 Cents
Basic earnings per share	(228.00)	34.70
Diluted earnings per share[1]	(228.00)	34.70
Regular Profit After Tax[2] attributable to members per share	121.85	45.45

	Current period January 2022 $'s	Prior Period July 2021 $'s
Net Tangible Asset backing per ordinary security[2] (based on the Consolidated Statement of Financial Position)	22.59	15.90
Net asset value (pre-tax) per ordinary security[3] (based on the NAV statement included in the Chairman's Review)	25.06	24.24

Details of entities over which control has been gained or lost during the period

On 5 October 2021, WHSP completed its acquisition of the remaining 97% (which it did not previously own) of the issued and outstanding equity of Milton Corporation Limited. Refer to Note 5 Business Combinations on page 45 for details of the acquisition and the contribution of Milton Corporation Limited to the operating results of the Consolidated Entity.

Review of operations

For a further explanation of the operating results for this reporting period, please refer to the Chairman's Review and the Portfolio Review commencing from page 5.

Audit

The Half Year Financial Report has been reviewed by WHSP's auditors.

[1] *Diluted EPS excludes the impact of the convertible bond holders converting into ordinary equity of the parent as the Consolidated Entity recorded a net loss for the reporting period and assumes any long term incentive rights that vest in future reporting periods are expected to be satisfied by purchasing shares on the market.*

[2] *Regular Profit After Tax is a non-statutory profit measure and represents profit before non-regular items. A reconciliation to statutory profit is included in the section Alternative Performance Measures. Refer to page 19. Net Tangible Assets per share is a statutory measure based on the Consolidated Entity's Consolidated Statement of Financial Position.*

[3] *Refer to the Chairman's Review for the market based Net Asset Value of the Consolidated Entity.*

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Reporting Period

The reporting period is the half year ending 31 January 2022. The previous corresponding period is the half year ending 31 January 2021.

Chairman's Review

Dear Shareholders,

I am pleased to present the 2022 Washington H. Soul Pattinson and Company Limited (WHSP, Company) Half Year Financial Report on behalf of the Board of Directors.

Financial Highlights

Performance for the period	January 2022	% change
Statutory (Loss) After Tax	($643.1) million	(1,033%)
Regular Profit After Tax[1]	$343.7 million	281%

Key Performance Indicators	January 2022	% change
Net Asset Value (pre-tax)[2] as at 31 January 2022	$9,042 million	56%
Net Cash Flow From Investments[3]	$182.6 million	114%
Interim dividend per share (fully franked)	29 cents	12%
Total dividend growth over 20 years (ordinary dividend compound annual growth rate)	8%	
Total Shareholder Return over 20 years (to 31 January 2022)	13%	

Operational Highlights

- Net Cashflow From Investments per share up 42% (compared with First Half FY21)
- Pre-tax Net Asset Value per share up 3.4% for the period (outperformance of 8.6% against market)
- Pre-tax Net Asset value per share up 17.7% over first half (outperformance of 22.9% against market)
- Milton successfully integrated creating a unique investment product with diversification across a range of asset classes and investments and access to liquidity to pursue new investments
- 20 year Total Shareholder Return (TSR) of 13.0% per annum (4.8% higher than the market)

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 Alternative Performance Measures, page 19.*
2 *Refer to page 11 for details of the portfolio Net Asset Value. % change is calculated based on 31 July 21 Net Asset Value.*
3 *Refer to Alternative Performance Measures on page 19 for the definition of Net Cash Flow from Investments.*

Overview

WHSP provides exposure to a diversified range of asset classes and an investment approach which is focused on investing in resilient businesses with good long term prospects and excellent management. WHSP is focused on creating capital growth along with steadily increasing dividends through disciplined, long term investing.

A significant highlight during the half year, was the merger with Milton Corporation Limited (Milton) on 5 October 2021. WHSP welcomed Milton shareholders and staff through this merger of two successful investment companies who share similar long term value focused investment philosophies. By the end of January 2022, WHSP had 55,161 shareholders compared with 29,115 the same time last year (up 89%). This half year report includes the Milton investment portfolio and results from that date.

The Company has again increased its dividend and continued to generate solid cashflows from its investments. Solid cash generation from our diversified investment portfolio continued to support another increase to the interim dividend making WHSP the only company in the All-Ordinaries Index to have increased its dividends every year for over 20 years. WHSP is proud of its history of paying dividends every year since listing in 1903.

Our dividends to shareholders are paid out of the net cash flows from our investment portfolios, which increased by 114% on the prior corresponding period. Key drivers for the increased dividends were higher dividends from the Strategic and Private Equity portfolios and the acquisition of Milton. On a like for like basis (excluding the Milton acquisition), Net Cash Flows From Investments increased by 81% from the prior corresponding period. This is a robust performance across WHSP's investment portfolio that saw increased contributions across all portfolios except Property.

Despite the All Ordinaries Index falling 5.2% throughout the period, the value of the Company's portfolio increased over the six months to 31 January 2022. Net Asset Value per share before tax outperformed the market by 8.6% through the period and on a post-tax basis, the outperformance was 22.9%.

One of WHSP's key advantages is its flexible mandate to make long term investment decisions and adjust the portfolio by changing the mix of investment classes over time. WHSP maintains a strong balance sheet with modest gearing and solid liquidity. WHSP also has available profit reserves and franking credit balances that provide confidence and support to its aim of paying a stable and growing dividend year-on-year.

WHSP remains focussed on long term growth and has a strong track record of delivering outperformance over the long term with its Total Shareholder Returns exceeding the All-Ordinaries Accumulation Index over 5, 10, 15 and 20 year periods. Over the last 20 years, WHSP has outperformed the market by 4.8% per annum.

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

Total Shareholder Returns (TSR) to 31 January 2022[1]

Annualised TSR's	1 year	5 years	10 years	15 years	20 years
WHSP	2.5%	14.7%	10.2%	11.0%	13.0%
All Ordinaries Accumulation Index	9.7%	9.1%	9.7%	5.8%	8.2%
Relative performance[2]	(7.2%)	5.6%	0.5%	5.2%	4.8%

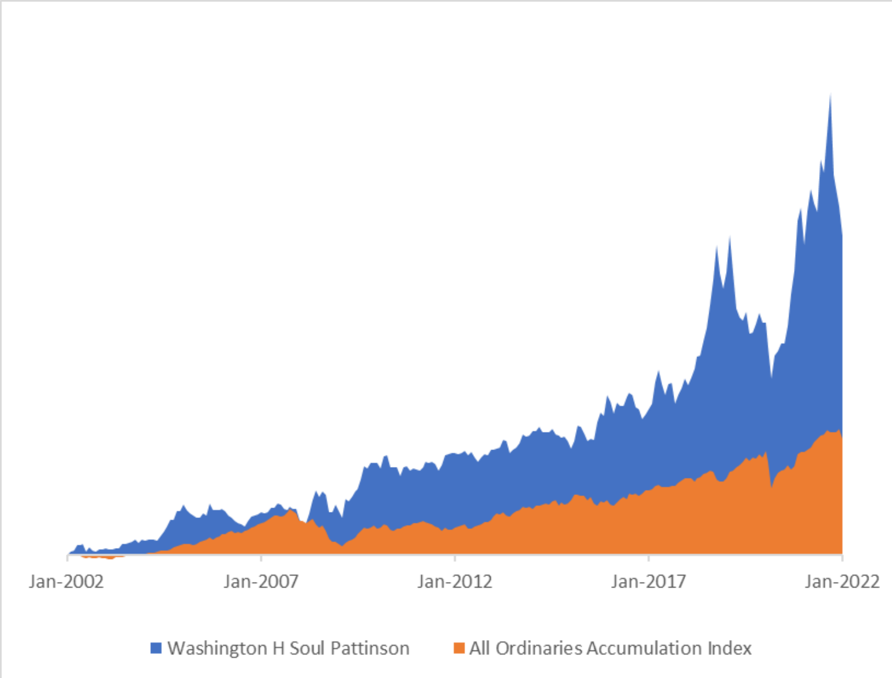
WHSP continues to deliver solid long term total shareholder returns when compared to market returns.

[1] *Net Cash Flows From Investments is a non-statutory cash flow measure to show the underlying cashflows generated by the Parent Entity's investment portfolios. Parent Entity corporate costs are deducted from Net Cash Flows From Investments. The cash flow impact on non-regular items are excluded.*

[2] *Relative performance compared to the All Ordinaries Accumulation Index.*

20 Year Total Shareholder Return[1]

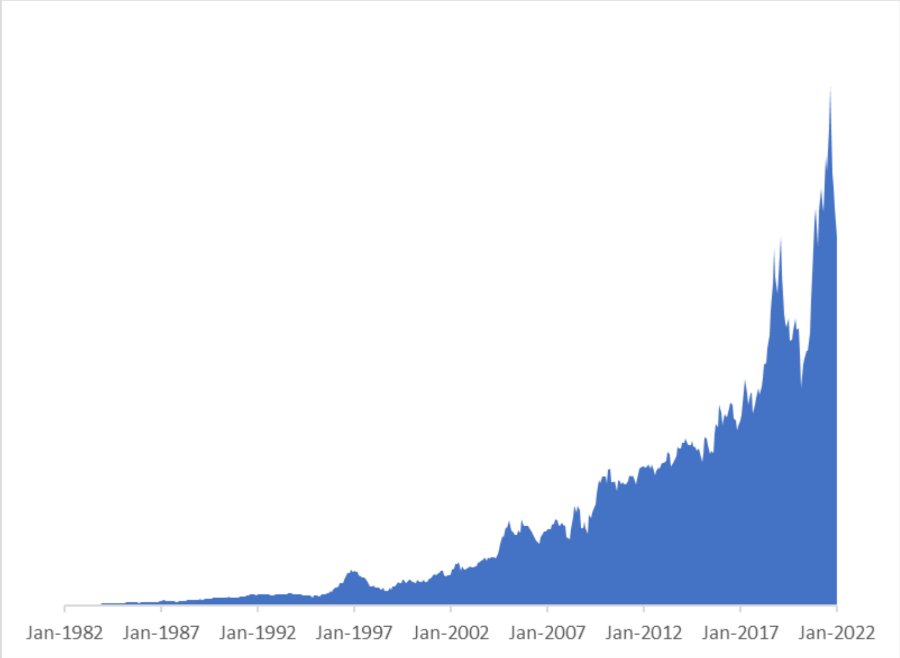
The following chart shows the total return over time of an initial investment made in WHSP shares on 31 January 2002 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP has grown by over 10 times over the last 20 years while an investment in the index has increased by less than a half of this for the same period.



[1] *Includes the reinvestment of dividends.*

40 Year Total Shareholder Return[1]

This performance has been maintained for a long period of time. If a shareholder had invested $1,000 in 1982 and reinvested all dividends, the shareholding would have appreciated to over $221,802 as at 31 January 2022. This equates to a compound annual growth rate of 14.5% year on year for 40 years. This growth does not include the value of the franking credits which have been passed on to shareholders by WHSP.



1 *Includes the reinvestment of dividends.*

Dividends

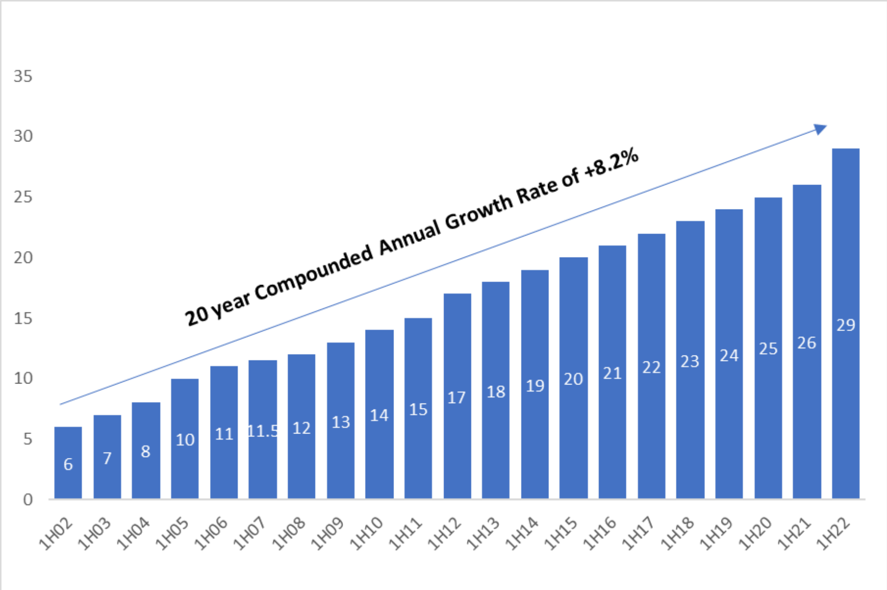
The Directors determine interim and final dividends based on the Parent Entity's Net Cash Flow from Investments[1]. These cash flows include dividends and distributions from its investments, interest income and gains on property assets.

The Net Cash Flow from Investments for the first half was $182.6 million, up 114% compared to the first half of the 2021 financial year. Net Cash Flow from Investments for the half exceeded the amount generated in the whole of FY21. This increase was mainly due to increased dividends from the Strategic and Private Equity portfolios and the acquisition of Milton.

WHSP is the only company in the All-Ordinaries Index to have increased its dividends every year for over 20 years.

20 Year dividend history

Cents per share



Interim dividend

The Directors have resolved to pay a fully franked interim dividend of 29 cents per share in respect of the period ending 31 January 2022 (2021: 26 cents fully franked).

The record date for the interim dividend will be 21 April 2022 with payment due on 13 May 2022. The last day to purchase shares and be eligible for the final dividend is 19 April 2022.

In the first half of the 2022 financial year, WHSP will pay out as dividends 57% of its Net Cash Flow From Investments[1] (2021: 73%).

[1] *Refer to Alternative Performance Measures on page 19 for the definition of Net Cash Flow from Investments.*

Consolidated financial performance and portfolio Net Asset Value

Net Profit After Tax (including non-regular items) attributable to members

The statutory (loss) after tax attributable to shareholders was ($643.1) million compared to a profit of $68.9 million for the same period last year. The statutory (loss) after tax was largely due to a one-off, non-cash goodwill impairment charge arising from the acquisition of Milton on 5 October 2021. This was partly offset by an increase in Regular Profit After Tax to $343.7 million, compared to $90.2 million in the prior corresponding period.

The Milton acquisition created $954 million of goodwill, as the scrip-based purchase consideration was required under accounting standards to be calculated using the WHSP share price of $38.20 on the Scheme implementation date of 5 October 2021, reflected trading conditions at the time. The residual value allocated to goodwill was a function of WHSP's share price increasing throughout the transaction period rather than representing any future quantifiable economic benefits available from the acquisition of Milton. Consequently, it was determined that the goodwill calculated in accordance with accounting standards should be fully impaired.

A comparison with the previous corresponding period is as follows:

Six months ending January	2022	2021	% change
Statutory (loss) / profit after tax attributable to shareholders	($643.1) million	$68.9 million	(1,033%)
Regular profit after tax attributable to shareholders	$343.7 million	$90.2 million	281%
Interim dividend (payable 13 May 2022)	29 cents	26 cents	12%
Final dividend (paid 14 December 2021)	36 cents	35 cents	3%
Total dividends (calendar year)	**65 cents**	**61 cents**	**7%**

Regular Profit After Tax attributable to members

The regular profit after tax attributable to shareholders for the period ending 31 January 2022 was $343.7 million compared to $90.2 million for the previous corresponding period.

The increase in regular profit after tax was mainly attributable to the following:

Portfolio	$m	% change
Strategic: increased contribution from New Hope from increased thermal coal prices and property profits in Brickworks	227.9	461%
Large caps: largely higher dividend income arising from the Milton acquisition	20.1	228%
Private equity: largely improved contribution from Round Oak on increased commodity prices and lower treatment charges	11.2	66%
Emerging companies: lower trading income and mark to market of the portfolio	(5.5)	(37%)
Other portfolios and corporate costs	(0.2)	(179%)
Total	**253.5**	**281%**

Portfolios as at 31 January 2022	Value of WHSP's Holding $m	6 month movement $m	% change
Strategic investments[1]	4,125	(51)	(1%)
Large caps[1]	3,376	2,728	421%
Private equity[2]	650	6	1%
Emerging companies[1,2]	531	126	31%
Property[2]	174	64	58%
Structured yield[2]	360	28	8%
Net working capital[3]	(174)	338	(66%)
Net Asset Value (pre-tax)[4,5]	**9,042**	**3,239**	**56%**

1 At market value.

2 At cost or Directors' valuation.

3 Refer to Note 8 for details regarding bank borrowings.

4 Tax of approximately $731 million would be payable if all assets had been sold at pre-tax NAV as at 31 January 2022.

5 Net asset value (pre-tax) is calculated as the value 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.

The net asset value of WHSP is summarised in the table above. The pre-tax value as at 31 January 2022 was $9,042 million, up 56% compared to 31 July 2021. On a per share basis the increase in pre-tax net asset value exceeded the All-Ordinaries Index by 8.6%, which decreased by 5.2% over the same period.

Significant investments and divestments in the portfolio over the first half of the 2022 financial year were as follows:

- On 5 October 2021, the merger with Milton Corporation Limited was completed, increasing the net asset value of WHSP by $3,844 million; and
- In December 2021, WHSP completed the sale of its investment in Australian Pharmaceutical Industries Limited for $131.2 million (and a subsequent payment of $16.2 million was received in March 2022).

WHSP has been a net seller of equities since 1 August 2021 and increased its liquidity levels by approximately $350 million.

Outlook

The fall in share prices in January 2022, when combined with robust earnings, has returned stock market valuations to long run averages. Prior to this recent decline, valuations were at elevated levels and markets were susceptible to a pullback.

We expect that investors will continue to reallocate from long term bonds to equities and have large cash reserves given the higher than average savings rates. This suggests that equity markets will remain supported with a rising rate environment favouring profitable assets with robust cash flows. WHSP's portfolio remains well positioned.

WHSP continues to have significant investment capacity, holds a diversified portfolio of assets designed to produce growing earnings and cash flow over the long term, and will look to use periods of volatility to add to the portfolio in a disciplined manner.

Portfolio Review as at 31 January 2022

Introduction

Our investment product is unique in the Australian market and provides investors with exposure to:

- a range of asset classes, including private equity, private credit and property;
- investment strategies that have delivered above market returns for decades;
- steady and growing fully franked dividends; and
- a board and management team with a strong track record of execution and active stewardship of capital.

Following the merger with Milton, we have divided the combined portfolio by asset class, rather than by individual investments.

WHSP investment philosophy

Our investment philosophy has six guiding principles. We do not seek to replicate any index.

Diversified

We invest in a diverse range of uncorrelated investments across listed equities, private equity and venture capital, property, structured credit and cash.

Unconstrained

Our flexible investment mandate allows us to invest in and support companies from an early stage and grow with them over the long term.

Long term

We use a disciplined and value focussed approach to investing through market cycles to deliver returns over the long term.

Growing dividends to our shareholders

We are proud of our track record of paying a consistent and increasing dividend to our shareholders for over 20 years.

Capital protection

We aim to have a portfolio of assets that generates reliable cash flows through market cycles, providing downside protection in market corrections.

Trusted partner

We partner with attractive companies looking to access growth capital and undertake strategic merger and acquisition opportunities.

Current investment environment

The fall in share prices in January 2022, when combined with robust earnings, has returned stock market valuations to long run averages. Prior to this recent decline, valuations were at elevated levels and markets were susceptible to a pullback.

Companies and economies have performed well post Covid-19 including a rapid recovery from lockdowns brought on by the recent omicron strain. Earnings growth has been generally robust, with pronounced strength in the resource sector as demand outstripped supply causing sharp commodity price rises. The banking sector also performed well as growth recovered and credit quality improved.

Supply chains have struggled to cope with increased demand as the impacts of global lockdowns and constricted labour supplies continue to linger, and inflation has emerged as a concern for consumers and central banks. Whilst supply chains appear to be normalising, interest rate expectations have shifted globally with the spectre of rising rates causing a sharp retracement in the valuations of risky assets, many of which were bolstered by a low-rate environment. Interest rates have not risen materially since the Global Financial Crisis and we expect this change in inflationary expectations has the potential to alter the long term return profile for many asset classes. Gearing levels in our portfolio are typically more conservative geared and less likely to be impacted by interest rate increases.

WHSP's portfolio is also well positioned to outperform in low growth environments. Our bias to investments in businesses with strong earnings and cashflows, defensible market positions and excellent management provides some protection against market volatility. Over the last 20 years, the All Ordinaries has recorded 83 negative return months and averaged a (3.4%) return in each of those months. For each of those months, WHSP's average return was 2.2% higher than the market.

Our investments in energy and commodities should be resilient in a higher inflation environment and are well positioned to take advantage of the energy security and food security themes that are emerging with global political disruption.

We have significant investment capacity, with a diversified portfolio of assets designed to produce growing earnings and cash flow over the long term and will look to use periods of volatility to add to the portfolio in a disciplined manner.

Strategic Portfolio

Net Asset value	$4,125 million
% of portfolio	46%
Net Cash Flow From Investments	$87.6 million
Portfolio composition	Interests in TPG, New Hope, Brickworks, Tuas, Apex and Pengana
Strategic rationale	Significant investments in uncorrelated listed companies with board representation

Background

We have a portfolio of long term cornerstone shareholdings in diverse industries with low share price correlations with each other.

The merger with Milton has diluted the proportion of the total portfolio allocated to Strategic investments, falling from 72% as at 31 July 2021 to 46% by 31 January 2022.

Our largest industry exposure in the Strategic Portfolio is in telecommunications through our investments in TPG Telecom Limited and Tuas Limited.

Portfolio changes during the period

We sold the 19.3% stake in Australian Pharmaceutical Industries ("API") to Wesfarmers.

Performance

Over the first half of 2022, the portfolio delivered a total return of 3.8%. This is a significant outperformance as compared to the ASX200 index which delivered a total return of -3.8%. New Hope, Tuas and Pengana delivered significant gains, partly offset by TPG, Brickworks and Apex.

Summarised below is the underlying financial performance of each significant investment in the portfolio during the reporting period:

TPG Telecom Limited (TPG)

TPG Telecom announced full year 2021 results, generating a Net Profit After Tax of $110 million. This was $624 million lower than the prior year due to a one-off tax benefit arising from the TPG – Vodafone merger occurring in the previous year. Operating cash flows for the year were $1,627 million, up 37% on the prior year as realised merger cost synergies are ahead of schedule. Total fully franked dividends paid in 2021 were 16.5 cents compared to 7.5 cents in the previous year.

New Hope Corporation Limited (New Hope)

New Hope recorded a Net Profit After Tax of $330.4 million for its 2022 interim results, compared with a loss of $55.4 million for the prior corresponding period. Thermal coal prices continued to rise over the first half with the average AUD realised prices increasing by $114.40/t to A$192.38/t, or 147%. New Hope exhibited strong cost control and limited production disruption from Covid-19 and adverse weather events. New Hope held $513.1m in cash and cash equivalents as at 31 January 2022. An ordinary interim fully franked dividend of 17 cents and a fully franked special dividend of 13.0 cents were declared, both payable on 4 May 2022.

Brickworks Limited (Brickworks)

Brickworks posted a Net Profit After Tax of $581 million for the half year ending 31 January 2022 compared to $71 million in the prior corresponding period. The profit increase is largely due to revaluation and development profits in the property trust joint venture with the Goodman Group and a one-off accounting gain from a deemed disposal of its interest in WHSP following the WHSP – Milton merger. An ordinary interim fully franked dividend of 22 cents was declared, payable on 3 May 2022.

Tuas Limited (Tuas)

Tuas recorded a Net (Loss) After Tax of (S$13.4 million) for its 2022 interim results, compared with a loss of (S$11.4 million) for the prior corresponding period. Subscriber numbers increased by 95,000 over the half to 487,000 active subscribers, with a current average subscriber revenue (ARPU) of S$9.42 per month.

Tuas estimates its mobile market share at 6.6%. Tuas is now EBITDA positive, generating S$6.3 million over the half, compared to a loss of S$2.3 million in the previous corresponding period. Cash at bank stands at S$50 million as at 31 January 2022.

Contribution to WHSP

The Strategic Portfolio contributed Net Cash Flow From Investments of $87.6 million, up 50% over the prior corresponding period. The increase is largely due to New Hope resuming dividend payments and TPG paying an interim dividend following the first full year of the combined TPG and Vodafone businesses.

Outlook

There is a solid outlook for improved dividends from each of the significant investments:

- New Hope: continued elevated thermal coal prices and strong cost control.
- TPG: realisation of merger synergies, resumption of international travel increasing global roaming charges and improvement in market share from initiatives including fixed wireless broadband.
- Brickworks: continued strong demand for industrial land and development activities in New South Wales and Queensland.

Large caps portfolio

Net Asset value	$3,376 million
% of portfolio	37%
Net Cash Flow From Investments	$36.9 million
Portfolio composition	Companies within the ASX-100 index
Strategic rationale	Actively managed Australian equities delivering strong dividends and providing portfolio liquidity

Background

The Large Caps Portfolio brings together the investment capabilities of Milton and WHSP to generate consistent capital and income growth. It does not seek to replicate any index. The portfolio is defensive in nature and will tend to outperform in periods of market weakness due to a value investing bias and low allocations to technology and other high growth sectors.

Portfolio changes during the period

As required under the terms of the Scheme of Arrangement between Milton and WHSP, the Large Caps Portfolio sold its stakes in Brickworks and WHSP.

Performance

Over the first half of 2022, the portfolio delivered a total return of (3.2%). This compares with the ASX200 index of (3.8%). Defensive shares and bond proxies have generally underperformed the market as they are perceived to be exposed to interest rate increases.

Not only did the portfolio outperform the market during the period, WHSP was a net seller of equities and if that additional cash was reflected in performance, the outperformance would have been greater.

Contribution to WHSP

The Large Caps Portfolio contributed Net Cash Flow From Investments of $36.9 million, up 297% over the prior corresponding period. The increase is largely due to the acquisition of Milton and generally increased dividends as companies emerge from Covid-19 induced uncertainty.

Outlook

We remain confident that underlying conditions are supportive of investing in listed equities with improved earnings, economic growth and strong savings rates. In Australia, equity valuations have moderated and returned to long term averages. Commodities remain well supported as demand remains robust and supply is limited.

Private equity portfolio

Net Asset value	$650 million
% of portfolio	7%
Net Cash Flow From Investments	$37.4 million
Portfolio composition	Round Oak, Ampcontrol, Ironbark, Agricultural and Water investments, Aquatic Achievers
Strategic rationale	Investments in unlisted companies to support their growth

Background

We look for established businesses, with distinctive capabilities and strong demand tailwinds that provide a platform for growth. The largest investment in the Private Equity Portfolio is Round Oak, a mining and exploration company producing copper, zinc, silver and gold. Round Oak has operating assets in Western Australia and Queensland as well as a development project in Victoria.

Key investment themes for the Private Equity portfolio are:

- Energy transition
- Financial services
- Health and aged care services
- Food security and agriculture
- Education

Performance

The total Private Equity Portfolio contribution to Net Regular Profit After Tax was $30.5 million.

Of this total, Round Oak contributed $16.8 million (2021: $12.8 million). The improved profit contribution arose from increased production at the Jaguar mine and higher commodity prices for copper and zinc.

The balance of the portfolio saw increased contributions from Ampcontrol, Ironbark and Aquatic Achievers.

Contribution to WHSP

The Private Equity Portfolio contributed Net Cash Flow From Investments of $37.4 million, up 274% over the prior corresponding period. The increase is largely due to increased dividends from Round Oak, Ampcontrol and the Agricultural investments.

Outlook

We expect to allocate additional capital to expand this portfolio of private investments with the aim of providing a platform for further growth.

Emerging companies portfolio

Net Asset value	$531 million
% of portfolio	6%
Net Cash Flow From Investments	$20.9 million
Portfolio composition	Ex-ASX100 listed equities and unlisted growth companies
Strategic rationale	Exposure to fast growing companies often benefiting from structural changes and global trends

Background

The Emerging Companies Portfolio invests in early stage and high growth companies. The portfolio comprises pre-IPO, IPO, listed investments and opportunistic positions. Investments are currently allocated across materials, industrials, information technology, consumer discretionary and communication services sectors.

Performance

Over the first half of 2022, the portfolio delivered a total return of 6.5%. This is a significant outperformance of 11.1% against the ASX Small Ords Accumulation Index over the period.

Contribution to WHSP

The Emerging Companies Portfolio contributed Net Cash Flow From Investments of $20.9 million, up 158% over the prior corresponding period.

Structured yield portfolio

Net Asset value	$359.7 million
% of portfolio	4%
Net Cash Flow From Investments	$10.9 million
Portfolio composition	Corporate loans or hybrid instruments
Strategic rationale	To invest in financial instruments across an investee's capital structure to optimise the portfolio's risk adjusted returns

Background

The portfolio comprises investments in corporate loans and convertible notes with the following characteristics:

- Ongoing cash yield.
- Strong asset backing, security and seniority to equity investors.
- Gain upside exposure through warrants or conversion rights.

There are currently 27 investments across a range of industries, including technology, financial services and real estate.

Contribution to WHSP

The Structured Yield Portfolio contributed Net Cash Flow From Investments of $10.9 million, up 19% over the prior corresponding period. The increase is largely due to an increase in the loan book across the property and healthcare sectors.

Outlook

We are leveraging our existing relationships and expertise into a growing lending market, especially in market segments vacated by the major banks.

Property

Net Asset value	$174.2 million
% of portfolio	2%
Net Cash Flow From Investments	$nil
Portfolio composition	Direct property and equity accounted joint ventures
Strategic rationale	Actively managed Australian property to deliver superior returns when compared to passive ownership

Background

Direct property investments largely concentrated in the Sydney region and positioned towards infrastructure development and repositioning older assets.

Our Property Portfolio is underweight direct property due to the significant property backing in many other of our investments; for example, the Brickworks industrial property division.

Portfolio changes during the period

An industrial development asset was acquired in Kirrawee, NSW.

The retirement lifestyle development, Sage by Moran at Cronulla, NSW is currently under construction. Forward sales are ahead of expectations.

Following the merger with Milton, the Consolidated Entity now has non-controlling interests in multiple residential development joint ventures, which continue to generate returns through the development and sale of land parcels.

Outlook

The supply of industrial property is tight and there is scope to increase rents. The market is pricing in interest rate increases. It remains to be seen if the increase in rents can offset any expansion in capitalisation rates.

Net working capital

Net Asset value	($175.1 million)
% of portfolio	(2%)
Net Cash Flow From Investments	($1.1 million)
Portfolio composition	Net interest-bearing liabilities and other assets and liabilities
Strategic rationale	Provide portfolio liquidity

As at 31 January 2022, WHSP's net working capital included net debt of $245.0 million, comprising gross interest-bearing debt of $411.1 million with an average cost of debt at 0.72%pa. Available cash at bank stood at $167.0 million.

Alternative Performance Measures

The Consolidated Entity presents certain Alternative Performance Measures ("APMs"), including Regular and Non-Regular Profit After Tax, Net Cash Flows From Investments and Net Asset Value. These APMs are used by management to assess the performance of the business against its principal objective of maximising capital and income returns over the long term. They are not a substitute for the Australian Accounting Standard measures and should be considered supplementary to those measures.

Regular and Non-Regular Profit After Tax

Financial performance is measured by Regular Profit and Regular Profit After Tax attributable to members. These results are non-statutory profit measures and represent profit 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 part of ordinary activities but are unusual due to their size. The classification of income and expenses as Regular and Non-Regular is consistent within the Consolidated Entity. Regular Profit After Tax attributable to members is reconciled to its directly comparable Australian Accounting Standards financial measure, Profit After Tax, on page 20.

Net Cash Flows From Investments

Net Cash Flows From Investments represent the underlying cash flows generated by the WHSP's investment portfolio after deducting corporate costs and adjusting for Non-Regular cash flows. The Board of the Parent Entity determines dividends having regard to Net Cash Flows from Investments. Net Cash Flows From Investments is reconciled to Profit After Tax on page 22.

Net Asset Value

WHSP is a long term investor. Net Asset Value (pre-tax) is the value of all the assets less all its liabilities (excluding any tax payable upon the sale of its assets). Assets are valued at market value or Directors' valuation as shown in the NAV statement. The NAV post-tax assumes WHSP disposed of its assets and incurred an income tax liability based on the market values or Directors' valuations.

Reconciliation between Regular Profit After Tax and Profit After Tax

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 as they consider the disclosure enhances the understanding of the financial results to shareholders and other users of the financial statements.

The allocation of revenue and expense items between Regular and Non-Regular Profit is consistent with the prior year. Transactions between business segments are on an arm's length basis in a manner similar to transactions with third parties.

	31 January 2022 $'000	31 January 2021 $'000
Regular Profit After Tax attributable to members		
Strategic portfolio	277,331	49,442
Large cap portfolio	28,966	8,840
Private equity portfolio	28,308	17,096
Emerging companies portfolio	9,208	14,699
Structured yield portfolio	6,123	4,055
Property	2,945	2,327
Intersegment/unallocated[1]	(9,195)	(6,222)
Regular Profit After Tax attributable to members	343,686	90,237
Non-regular items after tax		
Goodwill impairment arising from the Milton acquisition	(954,030)	-
Share of Non-regular items from equity accounted associates	(6,185)	(6,656)
Fair value adjustment on initial recognition of an equity accounted associate	(3,890)	-
(Loss)/gain on deemed disposal of equity accounted associates	(1,721)	5,161
Gain on sale of equity accounted associates' shares	4,491	-
Gain on derecognition of equity accounted associates' reserves	-	2,550
Deferred tax expense recognised on equity accounted associates	(28,413)	(12,372)
Impairment reversal on equity accounted associates	8,412	27,714
Impairment expense on property, plant and equipment	-	(13,569)
Impairment expense on exploration and evaluation assets	-	(842)
Impairment expense on other assets	-	(849)
Reversal of Mine development amortisation	-	4,857
Acquisition costs expensed	(2,124)	(60)
IPO transaction costs	(1,545)	-
Debt waiver consent fees	-	(374)
Expected credit losses allowance	734	(959)
Liquidation related costs	(677)	(401)
Restructuring costs	(181)	-
Reversal of New Acland ramp down costs	-	3,840
Onerous contract	-	(12,564)
Write off of loan and interest to external party	-	(11,550)
Redundancies	(1,483)	(3,416)
Other items	(165)	(1,842)
Total Non-regular Loss After Tax attributable to members	(986,777)	(21,332)
(Loss)/profit After Tax attributable to members	(643,091)	68,905
Less: profit/(loss) attributable to non-controlling interests	198,634	(29,048)
(Loss)/profit After Tax	(444,457)	39,857

[1] *Intersegment/unallocated represents Parent Entity corporate costs that are not allocated to individual segments.*

Investment Portfolio Financial Information

Financial performance of the Investment Portfolio is measured by Regular Profit After Tax and Net Cash Flows From Investments.

Regular profit after tax is a measure of the financial 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 profit after tax is provided. The Directors have presented this information, which is used by the Chief Operating Decision Maker as they consider the disclosure enhances the understanding of the results to members and users of the financial statements.

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

ACCOUNTING POLICIES

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

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 WHSP'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[1]

Statement of Financial Position[1]	As at 31 Jan 2022 $'000
Current assets	
Cash and term deposits	166,110
Financial assets held for trading	323,052
Other financial assets	4,756
Loans to third parties	158,370
Other current assets	184,012
Total current assets	836,300
Non-current assets	
Other financial assets – Listed equities	134,789
Long term equity investments – measured at market value	4,868,537
Long term equity investments – measured at fair value	145,130
Listed controlled and associated entities – measured at the lower of cost or impaired value	199,392
Unlisted controlled and associates – measured at the lower of cost or impaired value	520,077
Other financial assets – measured at fair value	29,935
Loans to controlled entities and associates	176,841
Other non-current assets	501,354
Total non-current assets	6,576,055
Total assets	7,412,355
Current liabilities	
Interest bearing liabilities	193,784
Other current liabilities	31,587
Other financial liabilities	8,398
Total current liabilities	233,769
Non-current liabilities	
Interest bearing liabilities	217,307
Other non-current liabilities	430,634
Total non-current liabilities	647,941
Total liabilities	881,710
Net assets	6,530,645
Equity	
Share capital	4,687,339
Reserves	(285,220)
Retained profits	2,128,526
Total equity	6,530,645

Statement of Comprehensive Income[1]

Statement of Comprehensive Income[1]	Half Year 2022 $'000
(Loss)/profit after tax	(811,279)
Less: Non-regular items after tax	
Write down of investment in Milton	954,030
Milton merger related costs	1,984
Net impairment expense on associates	8,642
Net impairment expense on investments	828
Revaluation of a property	(3,615)
Reversal of expected credit loss allowance	(734)
Other	3,160
Regular profit after tax	153,016
Other comprehensive income	
Net movement in the fair value of the listed investment portfolio	679,153

1 *The above Statement of Financial Position and Statement of Comprehensive Income represent the combined position of the key investment entities, WHSP and Milton Corporation. The numbers presented have been calculated as follows and include:*

- *The WHSP Parent Statement of Financial Position and Statement of Comprehensive Income;*
- *Elimination of the WHSP Parent's investment in Milton; and*
- *Inclusion of the corresponding assets and liabilities of Milton.*

Market value of listed entities as at 31 January 2022

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 January 2022 and are therefore subject to price fluctuations.

	$'000
Market value of financial assets held for trading	**454,199**
Long term equity investments	
TPG Telecom Limited	1,401,515
Macquarie Group Limited	338,552
Commonwealth Bank of Australia Limited	335,145
BHP Group Limited	244,321
Westpac Banking Corporation Limited	202,883
Wesfarmers Limited	178,090
CSL Limited	165,898
National Australia Bank Limited	132,406
Woolworths Limited	128,706
Transurban Group Limited	91,075
Johns Lyng Group Limited	88,964
Other listed entities	1,560,984
Market value of long term equity investments	**4,868,538**

Listed controlled and associated entities	**Holding**	**$'000**
Brickworks Limited	43.3%	1,480,298
New Hope Corporation Limited	39.9%	752,951
Tuas Limited	25.4%	225,687
Apex Healthcare Berhad	29.9%	117,120
Pengana Capital Group Limited	36.5%	88,418
Clover Corporation Limited	20.4%	50,803
Lindsay Australia Limited	23.0%	25,481
Market value of listed controlled and associated entities		**2,740,758**
Total value of WHSP's listed investments		**8,063,495**
Unlisted investments (Cost and Directors' valuation)		785,913
Gross interest bearing liabilities		(411,092)
Cash and other assets		603,252
Consolidated net assets value pre-tax		**9,041,568**

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 2022, the net capital gains tax liability of approximately $730.9 million would have arisen based on market values as at 31 January 2022.

Regular Profit after Tax and Regular Operating Cash Flows

For the half year ended 31 January 2022	**Half Year 2022** $'000
Interest income (from cash and loans)	**8,107**
Dividend and distribution income	
TPG Telecom Limited	18,752
Macquarie Group Limited	5,015
Commonwealth Bank of Australia Limited	1,697
BHP Group Limited	1,130
Westpac Banking Corporation Limited	5,997
Wesfarmers Limited	451
CSL Limited	–
National Australia Bank Limited	3,270
Woolworths Limited	3,130
Transurban Group Limited	1,097
Johns Lyng Group Limited	–
Other listed entities	26,590
Brickworks Limited	26,258
New Hope Corporation Limited	23,219
Tuas Limited	–
Apex Healthcare Berhad	1,148
Pengana Capital Group Limited	3,186
Clover Corporation Limited	170
Lindsay Australia Limited	278
Other controlled and associates	39,865
Total dividend and distribution income	**161,253**
Other revenue	**1,260**
Realised and fair value (losses) / gains on equities	**(14,172)**
Other expenses	**(13,656)**
Finance costs	**(3,513)**
Regular profit before tax	**139,279**
Income tax benefit/ (expense)	**13,737**
Regular profit after tax	**153,016**
Add back the following:	
Non-cash fair value (gains) /loss on equities	**50,997**
Net movements in working capital and tax paid	**(21,429)**
Net cashflow from investments	**182,584**
Dividends paid/payable	
– Interim of 29 cents per share payable 13 May 2022	104,651
Payout ratio	
Dividends as a percentage of regular operating cash flows	57.32%

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 2022.

Directors

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

Robert Millner FAICD
Chairman
Non-executive Director since 1984, Chairman since 1998

Todd Barlow B.Bus, LLB (Hons) (UTS)
Managing Director since 2015

Tiffany Fuller B.Com (UniMelb), CA, GAICD
Non-executive Director since 2017

Michael Hawker AM B.Sc (Sydney), FAICD, SFFin
Lead Independent Director
Non-executive Director since 2012

Thomas Millner B.Des (Industrial), GDip App Fin (Finsia), FFin, GAICD
Non-executive Director since 2011

Warwick Negus B.Bus (UTS), M.Com (UNSW), SFFin
Non-executive Director since 2014

Josephine Sukkar AM BSc (UNSW), Grad Dip Ed
Non-Executive Director since 2020

Joanne Pollard MAICD
Non-executive Director since March 2022

Review of Operations

The (loss) after tax attributable to shareholders for the half year ended 31 January 2022 was $643.1 million, a decrease of 1,033% compared to a profit of $68.9 million for the previous corresponding period.

The decrease in Statutory Net Profit After Tax was largely due to the goodwill impairment of $954.0 million arising from the Milton Corporation Limited merger on 5 October 2021. The goodwill impairment was partly offset by an increase in Regular Net Profit After Tax of $253.4 million to $343.7 million.

For further information regarding the operations of the Group, refer to the Chairman's Review and the Portfolio Review on pages 5 and 12 of this report.

Events after the reporting date

Other than the matter referred to in Note 13, since the end of the financial period no matter or circumstances have arisen that have or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Interim Dividend

Directors have resolved to pay an interim dividend of 29 cents per share in respect of the half year ended 31 January 2022, an increase of 12% over last year's interim dividend of 26 cents per share. The dividend will be fully franked and is payable on 13 May 2022.

Auditors' Independence Declaration

The lead auditor's independence declaration for the half year ended 31 January 2022 has been received and is included on page 25.

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	T J Barlow
Director	*Managing Director*

Dated this 24th day of March 2022.

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Auditor's Independence Declaration to the Directors of Washington H. Soul Pattinson and Company Limited

As lead auditor for the review of the interim financial report of Washington H. Soul Pattinson and Company Limited for the half-year ended 31 January 2022, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b) no contraventions of any applicable code of professional conduct in relation to the review; and

c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
24 March 2022

Consolidated Statement of Comprehensive Income

for the half year ending 31 January 2022

	Notes	31 January 2022 $'000	31 January 2021 $'000
Revenue	3(a)	1,277,983	589,219
Other income	3(b)	2,331	67,115
Cost of sales		(583,631)	(409,233)
Selling and distribution expenses		(80,120)	(125,524)
Administration expenses		(45,409)	(38,079)
Acquisition costs expensed		(3,035)	(63)
Impairment reversal/(expense)	3(c)	8,125	(16,406)
Write off of goodwill	3(c)	(954,030)	-
Other expenses		(3,898)	(22,695)
Finance costs		(19,045)	(18,399)
Share of results from equity accounted associates	6	120,788	24,523
(Loss)/profit before income tax expense		(279,941)	50,458
Income tax (expense)	3(d)	(164,516)	(10,601)
(Loss)/profit after income tax expense for the half year		(444,457)	39,857
(Loss)/profit for the half year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		(643,091)	68,905
Non-controlling interests		198,634	(29,048)
		(444,457)	39,857
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		(251,310)	(78,492)
Disposal of long term equity investments, net of tax		22,470	(4,934)
Net movement after tax in capital gains reserve		115,383	5,081
Items that may be reclassified subsequently to profit or loss			
Net movement after tax in hedge reserve		(7,532)	(6,286)
Net movement after tax in foreign currency translation reserve		867	(2,721)
Net movement after tax in equity reserve		(1,842)	(4,717)
Total other comprehensive loss for the half year, net of tax		(121,964)	(92,069)
Total comprehensive loss for the half year		(566,421)	(52,212)
Total comprehensive income/(loss) for the half year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		(760,461)	(19,751)
Non-controlling interests		194,040	(32,461)
		(566,421)	(52,212)

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

Consolidated Statement of Comprehensive Income (continued)

for the half year ending 31 January 2022

	31 January 2022 $'000	31 January 2021 $'000
(Loss)/profit attributable to ordinary equity holders of the Parent Entity for basic earnings	(643,091)	68,905
Weighted average number of ordinary shares[1]	282,063,641	198,554,594
	Cents	Cents
Earnings per share attributable to the Owners of Washington H. Soul Pattinson and Company Limited (in cents)		
Basic earnings per share	(228.00)	34.70
Diluted earnings per share[2, 3]	(228.00)	34.70

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

1 *Adjusted for the reciprocal interest with Brickworks Limited (2022: 35,891,580 shares); (2021: 40,840,726 shares).*

2 *31 January 2022: Diluted EPS excludes the impact of the convertible bond holders converting their ordinary equity of the parent as the Consolidated Entity recorded a net loss for the reporting period and assumes any long term incentive rights that vest in future reporting periods are expected to be satisfied by purchasing shares on the market.*

3 *31 January 2021: Diluted EPS is equal to the basic earnings per share as any long term incentive plan rights that vest in future financial periods, are expected to be satisfied by purchasing shares on the market.*

Consolidated Statement of Financial Position

as at 31 January 2022

	Notes	31 January 2022 $'000	31 July 2021 $'000
Current assets			
Cash and cash equivalents		757,905	610,324
Trade and other receivables		396,269	163,987
Inventories		99,204	126,966
Biological assets		10,627	4,658
Assets classified as held for sale		97,835	13,655
Financial assets held for trading		322,136	397,582
Other financial assets		149,873	18,814
Current tax asset		6,490	-
Total current assets		1,840,339	1,335,986
Non current assets			
Trade and other receivables		47,602	233,514
Equity accounted associates	6	1,073,927	899,236
Long term equity investments	7	4,979,619	2,362,838
Other financial assets		164,725	49,521
Investment properties		76,191	87,158
Property, plant and equipment		2,029,231	2,117,066
Exploration and evaluation assets		91,163	124,181
Right-of-use assets		123,797	125,324
Deferred tax assets		391,487	30,324
Intangible assets		133,710	133,339
Total non current assets		9,111,452	6,162,501
Total assets		10,951,791	7,498,487
Current liabilities			
Trade and other payables		141,672	112,717
Contract liabilities		1,810	1,031
Interest bearing liabilities	8	195,370	294,727
Lease liabilities		17,139	18,596
Derivative financial instruments		9,963	-
Current tax liabilities		131,399	56,345
Provisions		33,804	63,703
Total current liabilities		531,157	547,119
Non current liabilities			
Trade and other payables		102	143
Interest bearing liabilities	8	474,577	747,905
Lease liabilities		112,475	112,816
Deferred tax liabilities		520,534	619,567
Provisions		262,872	317,356
Total non current liabilities		1,370,560	1,797,787
Total liabilities		1,901,717	2,344,906
Net assets		9,050,074	5,153,581
Equity			
Share capital	9	4,687,340	47,177
Reserves		(272,642)	(155,144)
Retained profits		3,417,310	4,201,400
Parent Entity interest		7,832,008	4,093,433
Non-controlling interests		1,218,066	1,060,148
Total equity		9,050,074	5,153,581

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

Consolidated Statement of Changes in Equity

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Half year ended 31 January 2022	Share capital $'000	Retained profits $'000	Reserves $'000	Total Parent Entity interest $'000	Non-controlling interests $'000	Total equity $'000
Total equity at the beginning of the half year 1 August 2021	47,177	4,201,400	(155,144)	4,093,433	1,060,148	5,153,581
Net (loss)/profit for the half year after tax	-	(643,091)	-	(643,091)	198,634	(444,457)
Other comprehensive income/(loss) for the half year						
Net movement after tax in asset revaluation reserve	-	-	(228,825)	(228,825)	(15)	(228,840)
Net movement after tax in hedge reserve	-	-	(2,965)	(2,965)	(4,567)	(7,532)
reserve	-	-	879	879	(12)	867
Net movement after tax in equity reserve	-	-	(1,842)	(1,842)	-	(1,842)
Net movement after tax in capital profit reserve	-	-	115,383	115,383	-	115,383
Total comprehensive income/(loss) for the half year	-	(643,091)	(117,370)	(760,461)	194,040	(566,421)
Transactions with owners						
Dividends provided for or paid[1]	-	(112,079)	-	(112,079)	(36,391)	(148,470)
New issued ordinary shares[2]	4,640,163	-	-	4,640,163	-	4,640,163
Equity transfer from members on issue of share capital in a subsidiary	-	-	-	-	291	291
Net movement in share based payments reserve	-	-	(128)	(128)	(22)	(150)
Reclassification of a fair value investment to an associate	-	(28,920)	-	(28,920)	-	(28,920)
Total equity at the end of the half year 31 January 2022	4,687,340	3,417,310	(272,642)	7,832,008	1,218,066	9,050,074

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

[1] *After the elimination of $14.7million of the Parent Entity dividend paid to Brickworks Limited (2022: 43.3%) and the elimination of $3.15 million dividends paid to Milton.*

[2] *New issued ordinary shares to purchase the balance of Milton shares under a Scheme of Arrangement. Refer Note 9 for further details.*

Consolidated Statement of Changes in Equity (continued)

Half year ended 31 January 2021	Share capital $'000	Retained profits $'000	Reserves $'000	Total Parent Entity interest $'000	Non-controlling interests $'000	Total equity $'000
Total equity at the beginning of the half year 1 August 2020	43,232	4,133,308	63,253	4,239,793	872,194	5,111,987
Net profit for the half year after tax	-	68,905	-	68,905	(29,048)	39,857
Other comprehensive income/(loss) for the half year						
Net movement after tax in asset revaluation reserve	-	(4,287)	(79,085)	(83,372)	(54)	(83,426)
Net movement after tax in hedge reserve	-	-	(2,927)	(2,927)	(3,359)	(6,286)
Net movement after tax in foreign currency translation reserve	-	-	(2,721)	(2,721)	-	(2,721)
Net movement after tax in equity reserve	-	(939)	(3,778)	(4,717)	-	(4,717)
Net movement after tax in capital profit reserve	-	114	4,967	5,081	-	5,081
Total comprehensive income/(loss) for the half year	-	63,793	(83,544)	(19,751)	(32,461)	(52,212)
Transactions with owners						
Dividends provided for or paid[1]	-	(69,404)	-	(69,404)	(637)	(70,041)
Equity portion of convertible bond issued	5,634	-	-	5,634	-	5,634
Net movement in share based payments reserve	-	404	(1,607)	(1,203)	203	(1,000)
Tax on partial disposal of a subsidiary to non-controlling interest	-	(19,257)	-	(19,257)	-	(19,257)
Transactions with non-controlling interests	-	(29,272)	(2,529)	(31,801)	101,819	70,018
Equity transfer from members on issue of share capital in a subsidiary	-	-	-	-	1,004	1,004
Return of capital	-	-	-	-	(6,627)	(6,627)
Total equity at the end of the half year 31 January 2021	48,866	4,079,572	(24,427)	4,104,011	935,495	5,039,506

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

Consolidated Statement of Cash Flows

for the half year ending 31 January 2022

	Note	31 January 2022 $'000	31 January 2021 $'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		1,174,879	592,193
Payments to suppliers and employees inclusive of GST		(648,081)	(473,351)
		526,798	118,842
Dividends received		110,316	49,111
Interest received		7,087	3,789
Interest on lease liabilities		(2,713)	(2,833)
Payments for financial assets held for trading		(299,862)	(86,985)
Proceeds from sale of financial assets held for trading		279,673	37,590
Acquisition costs expensed		(3,035)	(62)
Transaction costs relating to issuance of convertible notes		-	(2,839)
Finance costs paid		(10,661)	(9,159)
Income taxes paid		(57,364)	(103)
Net cash inflow from operating activities	10	550,239	107,351
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(51,532)	(74,417)
Proceeds from sale of property, plant and equipment and intangibles		22,878	2,480
Payments for capitalised exploration and evaluation activities		(8,548)	(4,409)
Payments for acquisition and development of investment properties		(30,381)	(109)
Proceeds from sale of investment properties		-	25,947
Payments for equity investments		(93,151)	(11,018)
Proceeds from sale of equity investments		239,513	14,227
Payments to acquire equity accounted associates		(4,022)	(441)
Proceeds from sale of equity accounted associates		12,448	-
Cash flow from acquisition of business, net of cash received		15,848	-
Payments for deferred consideration		(1,601)	(1,000)
Proceeds from sale of business, net of cash received		1,000	88
Refund/(payment) for security and bond guarantee		1,691	(2,597)
Return of capital from equity investments		6,757	-
Loan repayments from external parties		67,762	10,817
Loans advanced to external parties		(33,288)	(75,381)
Net cash inflow/(outflow) from investing activities		145,374	(115,813)
Cash flows from financing activities			
Dividends paid to WHSP shareholders		(126,765)	(83,788)
Dividends paid by subsidiaries to non-controlling interests		(36,391)	(637)
Proceeds from external borrowings		93,509	57,495
Repayments of external borrowings		(468,245)	(234,503)
Return of capital to non-controlling interests		-	(6,627)
Principal repayments of lease liabilities		(9,337)	(15,866)
Proceeds from part sale of shares in a subsidiary		-	70,018
Proceeds from issue of convertible notes		-	225,000
Payment for shares acquired for the employee long term incentive plan		(2,585)	(4,123)
Transactions with subsidiaries' non-controlling interests		291	1,004
Net cash (outflow)/inflow from financing activities		(549,523)	7,973
Net increase/(decrease) in cash and cash equivalents		146,090	(489)
Cash and cash equivalents at the beginning of the half year		610,324	344,813
Effects of exchange rate changes on cash and cash equivalents		1,491	(2,172)
Cash and cash equivalents at the end of the half year		757,905	342,152

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

Contents

01 Basis of preparation

Washington H. Soul Pattinson and Company Limited (the Company, the Parent Entity or WHSP) is a for profit company listed on the Australian Securities Exchange (ASX:SOL).

The interim financial report for the half year ending 31 January 2022 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 financial report presents reclassified comparative information where required for consistency with the current half year's presentation.

The Half Year Financial Report does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial report for the year ending 31 July 2021 and any public announcements made by Washington H. Soul Pattinson and Company Limited during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 January 2022 reporting period. The Group has assessed the financial impact of these pending standards to be immaterial and therefore the Group has elected not to early adopt these standards and interpretations.

This interim financial report was authorised for issue by the Board on 24 March 2022.

Covid-19 impact on operations and financial statements

The majority of the Consolidated Entity's investments operated uninterrupted during the reporting period, with a priority to protect the health and safety of all employees. The operating businesses of the Consolidated Entity used strict workplace protocols, including physical distancing, travel restrictions, roster changes, flexible working arrangements, rapid screening and personal hygiene controls.

Key financial impacts to the Consolidated Entity resulting from Covid-19 during the six months to 31 January 2022 were as follows:

- Changes to demand resulting in higher commodity prices, in particular, increased average realised prices achieved for thermal coal, copper and zinc;
- The impact of increased sales volumes of major product lines in response to market demand;
- The Consolidated Entity has not needed to grant any material deferrals or waiver of rents received from its investment properties; and
- Changes to operating costs, including additional costs incurred to manage the impact on our assets (e.g., costs relating to controls such as cleaning, screening and roster changes) and the effect of favourable exchange rate and input cost movements. The Consolidated Entity has not received any material benefit from the deferral or waiver of lease payments. The Consolidated Entity has not received any Federal Government support during the current reporting period.

02 Segment Information

Strategic Investments Portfolio

TPG Telecom Limited — ASX: TPG
Long term equity Investment
WHSP: 12.6%

Brickworks Limited — ASX: BKW
Associate
WHSP: 43.3%

New Hope Corporation Limited — ASX: NHC
Subsidiary
WHSP: 39.9%

TUAS Limited — ASX: TUA
Associate
WHSP: 25.4%

Apex Healthcare Berhad — KLSE: AHEALTH
Associate
WHSP: 29.8%

Pengana Capital Group — ASX: PCG
Associate
WHSP: 36.5%

Private Equity Portfolio

Round Oak Minerals Pty Limited
Subsidiary WHSP: 100%

WHSP Agricultural Holdings
Subsidiary WHSP: 95%

WHSP Water Holdings
Subsidiary WHSP: 100%

Aquatic Achievers
Subsidiary WHSP: 100%

Ironbark Asset Management
Associate WHSP: 30.7%

Ampcontrol
Associate WHSP: 42.9%

WHSP GROUP
(CONSOLIDATED ENTITY)

Property Portfolio

- **Direct Property Investments** — Subsidiaries
- **Property Joint Ventures** — Associates

Large Caps Portfolio

- **ASX 200**
- **Listed Investment Companies**

Structured Yield Portfolio

- **Listed Convertible Notes**
- **Hybrid Instruments**
- **Corporate Loans**

Emerging Company Portfolio

- **Ex-100 listed equities**
- **Pre-IPO equities**
- **Technology equities**

Net Working Capital

- **Cash**
- **Interest bearing liabilities**
- **Other receivables**
- **Other net assets**

02 Segment Information (continued)

Segment reporting

The Consolidated Entity is an investment house that operates within six segments based on its investment portfolio allocation. 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.

Change in reporting segments

Following the acquisition of Milton Corporation Limited during the reporting period, the Consolidated Entity has amended its segment disclosures to more accurately reflect the current information provided to the CODM and the changes to how the CODM manages and assesses the performance of the operating segments. The information provided to the CODM has changed since the prior reporting period and therefore it was appropriate to update the segment disclosure to reflect these changes. The comparative segment disclosures have been updated to be consistent with the current reporting period segment disclosures.

In accordance with AASB8 Operating Segments the Consolidated Entity has identified its operating segments to be the following:

Strategic portfolio

Comprises significant investments in uncorrelated listed companies where WHSP has board representation. The strategic portfolio includes holdings in TPG Telecom Limited, New Hope Corporation Limited, Brickworks Limited, Tuas Limited, Apex Healthcare Berhad and Pengana Capital Group Limited. The Consolidated results are impacted by the appropriate accounting methodology that applies to each investment.

During the half, the investment in TPG Telecom Limited is held at a Fair Value through Other Comprehensive Income. New Hope Corporation Limited is consolidated. The other investments are equity accounted. There has been no change to the accounting methodology used for these investments since the prior reporting period.

Large caps portfolio

This is an activity managed, Australian listed equities portfolio. The portfolio seeks to generate consistent income and capital growth over the long term. It does not aim to replicate any stock market index.

Emerging companies portfolio

This portfolio invests in attractive, early stage and high growth companies that are listed, about to undertake an Initial Public Offering ("IPO") or at a pre-IPO stage. It aims to provide exposure to fast growing companies often benefitting from structural changes and trends in the global economy.

Private equity portfolio

Includes long term investments in unlisted companies to support their future growth. Round Oak Minerals Pty Limited, agricultural investments and Aquatic Achievers Pty Limited are consolidated. Ampcontrol Limited and Ironbark Investment Partners Pty Limited are equity accounted.

Structured yield portfolio

The structured yield portfolio contains investments in corporate loans and hybrid instruments. The portfolio can invest in different types of financial instruments across an investee's capital structure to optimise the portfolio's risk adjusted returns. Investments are usually structured as loans and convertible notes with an ongoing cash yield and strong asset backing and seniority to equity investors.

Property portfolio

The property portfolio largely comprises direct investments that are activity managed with an aim to generate superior long term returns from passive ownership. The portfolio also includes investments in property development joint ventures.

02 Segment Information (continued)

Reporting segments	Strategic portfolio $'000	Large caps portfolio $'000	Emerging companies portfolio $'000	Private companies portfolio $'000	Structured yield portfolio $'000	Property portfolio $'000	Intersegment/ unallocated[1] $'000	Consolidated $'000
Half year ending 31 January 2022								
Revenue from continuing operation	1,044,564	46,253	1,255	174,566	12,310	1,519	(2,484)	1,277,983
Total revenue from continuing operations	1,044,564	46,253	1,255	174,566	12,310	1,519	(2,484)	1,277,983
Profit/(loss) after tax	459,046	28,967	(7,355)	30,434	6,857	2,947	(965,352)	(444,457)
Less: profit/(loss) attributable to non-controlling interests	(198,709)	-	-	77	-	(2)	-	(198,634)
Profit/(loss) after tax attributable to members	260,337	28,967	(7,355)	30,511	6,857	2,945	(965,352)	(643,091)
Segment Assets	5,025,081	3,890,637	488,345	846,610	358,284	168,020	174,814	10,951,791
Segment Liabilities	(1,154,493)	(53,380)	(11,537)	(225,325)	(38)	(1,387)	(455,557)	(1,901,717)
Net assets	3,870,588	3,837,257	476,808	621,285	358,246	166,633	(280,743)	9,050,074

[1] *Unallocated represents Parent Entity revenue and corporate costs that are not allocated to individual segments. In the current reporting period, unallocated also includes the impairment of goodwill arising from the acquisition of Milton. Refer to notes 3 and 5.*

02 Segment Information (continued)

Reporting segments	Strategic portfolio $'000	Large caps portfolio $'000	Emerging companies portfolio $'000	Private companies portfolio $'000	Structured yield portfolio $'000	Property portfolio $'000	Intersegment/ unallocated[1] $'000	Consolidated $'000
Half year ending 31 January 2021								
Revenue from external customers	407,268	8,840	1,370	155,485	7,911	7,823	522	589,219
Total revenue from continuing operations	407,268	8,840	1,370	155,485	7,911	7,823	522	589,219
Profit/(loss) after tax	13,414	8,840	11,846	21,353	(8,455)	2,326	(9,467)	39,857
Less: loss attributable to non-controlling interests	28,712	-	-	336	-	-	-	29,048
Profit/(loss) after tax attributable to members	42,126	8,840	11,846	21,689	(8,455)	2,326	(9,467)	68,905
Segment Assets	5,186,585	646,805	376,050	651,151	343,552	103,356	190,988	7,498,487
Segment Liabilities	(1,503,023)	(96,874)	(27,809)	(169,020)	(8)	(989)	(547,183)	(2,344,906)
Net assets	3,683,562	549,931	348,241	482,131	343,544	102,367	(356,195)	5,153,581

[1] *Unallocated represents Parent Entity revenue and corporate costs that are not allocated to individual segments.*

03 Revenue and expense

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

3(a) Revenue from contracts with customers

	31 January 2022 $'000	31 January 2021 $'000
Revenue from contracts with customers		
Revenue from sale of goods	1,156,261	526,905
Revenue from provisional pricing adjustments	19,562	14,794
Rental revenue	2,567	4,019
Revenue from services	15,170	12,876
	1,193,560	558,594
Other revenue		
Dividend and distribution revenue	67,147	16,376
Interest revenue	11,466	4,417
Other	5,810	9,832
	84,423	30,625
Total revenue	1,277,983	589,219

03 Revenue and expense (continued)

3(a) Revenue from contracts with customers (continued)

Disaggregation of revenue

The Consolidated Entity presents disaggregated revenue based on major product lines and the timing of transfer of goods and services.

Half year ended 31 January 2022	Strategic Portfolio $'000	Private Equity Portfolio $'000	Other activities $'000	Total $'000
Major product lines				
Coal, oil and gas	1,012,793	-	-	1,012,793
Copper, gold and zinc	-	157,838	-	157,838
Other goods and services	7,435	13,976	1,518	22,929
Total revenue from contracts with customers[1]	**1,020,228**	**171,814**	**1,518**	**1,193,560**
Other revenue	24,336	2,752	57,335	84,423
Total revenue	**1,044,564**	**174,566**	**58,853**	**1,277,983**
Total revenue from contracts with customers by geographical regions				
Australia	70,434	69,495	1,518	141,447
Japan	553,767	-	-	553,767
Taiwan	146,935	-	-	146,935
Korea	52,920	70,328	-	123,248
India	14,764	-	-	14,764
Chile	4,668	-	-	4,668
Malaysia	-	(1,509)	-	(1,509)
Finland	-	33,500	-	33,500
Other[2]	176,740	-	-	176,740
Total revenue from contracts with customers[1]	**1,020,228**	**171,814**	**1,518**	**1,193,560**
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	1,012,792	171,688	-	1,184,480
Goods and services transferred over time	7,436	126	1,518	9,080
Total revenue from contracts with customers	**1,020,228**	**171,814**	**1,518**	**1,193,560**

Major product lines

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

Major customers

Revenues of $240.01 million (2021: $59.3 million) are derived from two external customers of New Hope, representing 12% and 15% of total Revenue from Customer Contracts. These revenues are attributed to the Japan and Taiwan geographical region.

[1] *Revenue from customers contracts includes income from commodity sales and services.*
[2] *Other revenue from customer contracts relates to third party customer contracts with undisclosed geographical information.*

03 Revenue and expense (continued)

3(a) Revenue from contracts with customers (continued)

Major customer (continued)

Revenues of $157.8 million (2021:$117.1 million) are sourced from three (2021: two) external customers of Round Oak, representing 100% (2021: 81%) of Round Oak's total revenue from contracts with customers.

There are no other individual customers which represent more than 10% of revenue from contracts with customers for the period ended 31 January 2022.

Half year ended 31 January 2021	Strategic Portfolio $'000	Private Equity Portfolio $'000	Other activities $'000	Total $'000
Major product lines				
Coal, oil and gas	384,910	-	-	384,910
Copper, gold and zinc	-	145,828	-	145,828
Other goods and services	13,091	11,525	3,240	27,856
Total revenue from contracts with customers[1]	398,001	157,353	3,240	558,594
Other revenue	7,526	1,965	21,134	30,625
Total revenue from continuing operations	405,527	159,318	24,374	589,219
Total revenue from contracts with customers by				
Australia	55,077	139,165	3,240	197,482
Japan	154,019	-	-	154,019
China	20,614	3,713	-	24,327
Taiwan	67,222	-	-	67,222
Korea	34,404	14,475	-	48,879
Chile	37,456	-	-	37,456
Vietnam	6,409	-	-	6,409
India	8,333	-	-	8,333
Other[2]	14,467	-	-	14,467
Total revenue from contracts with customers[1]	398,001	157,353	3,240	558,594
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	391,220	157,256	-	548,476
Goods and services transferred over time	6,781	97	3,240	10,118
Total revenue from contracts with customers	398,001	157,353	3,240	558,594

[1] *Revenue from contracts with customers includes income from commodity sales and services.*

[2] *Other revenue from contracts with customers relates to third party customer contracts with undisclosed geographical information.*

03 Revenue and expense (continued)

3(b) Other income

	31 January 2022 $'000	31 January 2021 $'000
Gain on sale of property, plant and equipment	711	246
Reclassification adjustment from reserves on derecognition of an associate	-	3,643
Gain on fair value of biological assets	11,433	4,611
(Loss)/gain on deemed disposal of equity accounted associates	(1,721)	7,373
Gain on partial sale of equity accounted associates	6,131	-
(Loss) on de-recognition of equity accounted associates	(4,060)	-
(Loss)/gain on financial assets held for trading at fair value through profit or loss	(17,289)	46,860
Gain on revaluation of investment property	5,165	3,600
Loss on sale of investment property	-	(873)
Insurance recovery	1,079	-
Other	882	1,655
	2,331	67,115

3(c) Impairment expenses

	31 January 2022 $'000	31 January 2021 $'000
Goodwill[1]	(954,030)	-
Equity accounted associates[2]	8,412	27,714
Property, plant and equipment (including mine development costs)	-	(31,576)
Land and buildings	-	(9,978)
Exploration and evaluation assets	-	(1,672)
Other assets	(287)	(894)
	(945,905)	(16,406)

1) Milton Corporation Limited ("Milton") acquisition goodwill impairment

Milton was a listed investment company, substantially invested in liquid Australian listed equities, whose fair value is determined by reference to quoted market prices in active, public stock markets.

The date of the acquisition was 5 October 2021.

The fair value of Milton's identifiable assets and liabilities was provisionally determined at $3,844 million based on the requirements of AASB 3 *Business Combinations* and AASB 13 *Fair Value Measurement* and following a comprehensive valuation process which included the assistance of external valuation consultants.

Consideration for the Milton acquisition was determined as follows:

- An all-share exchange that gave Milton shareholders 0.1863 Washington H. Soul Pattinson and Company Limited shares for every Milton share they owned. On 5 October 2021, WHSP issued 121,470,772 shares; and,
- WHSP closing share price of $38.20 on 5 October 2021. It is the requirement of AASB 3 for the value of the consideration to be based on the WHSP share price as at the date WHSP obtained control of Milton.

  From the date of announcing the proposed transaction (22 June 2021) to its completion on 5 October 2021, the WHSP share price traded between $30.50 to $39.80. Since the acquisition to 31 January 2022, the WHSP share price has decreased, with a volume weighted average share price over this period of $31.77.
- The total value of the purchase consideration was $4,798 million resulting in an excess of $954 million over the fair value of net identifiable assets acquired. The magnitude of the excess is due to the significant appreciation in the WHSP share price between the date of the announcement of the transaction and the date that WHSP obtained control over Milton.

In accordance with AASB 3, the Consolidated Entity is required to provisionally recognise goodwill on acquisition of $954 million that forms a part of the carrying value of the Large Caps Portfolio cash generating unit ("CGU").

03 Revenue and expense (continued)

3(c) Impairment expense (continued)

Accounting standard AASB 136 *Impairment of Assets*, requires that CGUs containing goodwill be tested for impairment whenever there are indications that goodwill may be impaired at balance date. Indicators of impairment as at the date of acquisition include:

- There were no material net synergy benefits arising from the acquisition to support the carrying value of any goodwill.
- Prior to the announcement of the proposed acquisition, Milton consistently traded at an implied discount to its pre-tax net assets. This discount arose as investors allowed for portfolio management costs and the implied deferred tax in the portfolio. If Milton had traded at a premium to net assets this would be an indicator that investors considered goodwill existed in the Milton Group prior to its acquisition by WHSP.
- There is no special value or know how in the Milton investment team over and above what WHSP has in house or could be hired in the market.

The recoverable amount of the Milton investment portfolio was measured based on fair value less costs to sell (as determined in accordance with AASB 13). The Directors believe the identifiable assets and liabilities acquired reflect their fair values as at the date WHSP took control.

Goodwill is calculated as the excess of the consideration, as calculated under AASB 3, and the fair value of the net assets acquired. Given the appreciation in the WHSP share price from the date of announcement of the transaction to the date which WHSP took control, together with the subsequent share price volatility, the Directors believe that an impairment to reduce the value of the goodwill on acquisition to $nil is an appropriate representation of the underlying value of the identifiable assets acquired. This is evidenced by the lower trading range of WHSP shares post acquisition.

It is noted that the agreed terms of the transaction included a 10% premium to the net assets (post tax) of Milton. This was considered appropriate to ensure the successful completion of the transaction rather than being recognition of future unidentifiable benefits attributable to the Milton acquisition.

Accordingly, the Consolidated Entity completed an impairment test of goodwill based on the results of the provisional purchase price allocation process (see Note 5) and determined that all of the allocated goodwill was impaired as of the date of acquisition and therefore recorded an impairment charge at acquisition of $954 million.

2) Impairment of equity accounted associates

The recoverable amounts of investments in equity accounted associates have been assessed at each reporting period. Where the carrying value of an investment exceeds the recoverable amount, the investment is impaired. At each reporting date an assessment is also made as to whether there are any circumstances that would indicate that any impairment recognised has decreased or no longer exists. Where evidence supports a reduction in an impairment, the impairment expense may be reversed through the Consolidated Statement of Comprehensive Income.

During the half year ended 31 January 2022, an impairment expense of $11.92 million was recognised on the investment in Palla Pharma Limited (2021: reversal of $0.11 million), and a reversal of impairment of $20.33 million was recognised for Pengana Capital Group Limited (2021: 27.60 million).

03 Revenue and expense (continued)

Impairment (expense)/reversals by investee and by asset class is shown in the table below:

Half year ending 31 January 2022	New Hope					
	Qld Coal Mining Assets $'000	Coal Exploration & Evaluation Assets $'000	Other activities $'000	Round Oak Minerals $'000	Other investees $'000	Total $'000
Impairment expense/reversals						
Goodwill on acquisition of Milton Corporation Limited	-	-	-	-	(954,030)	(954,030)
Equity accounted associates	-	-	-	-	8,412	8,412
Intangibles	-	-	-	-	541	541
Other assets	-	-	-	-	(828)	(828)
	-	-	-	-	(945,905)	(945,905)

Half year ending 31 January 2021	New Hope					
	Qld Coal Mining Assets $'000	Coal Exploration & Evaluation Assets $'000	Other activities $'000	Round Oak Minerals $'000	Other investees $'000	Total $'000
Impairment expense/reversals						
Equity accounted associates	-	-	-	-	27,714	27,714
Property, plant and equipment (including mine development costs)	(30,191)	(1,385)	-	-	-	(31,576)
Land and buildings	(9,053)	-	(925)	-	-	(9,978)
Exploration and evaluation assets	(1,015)	(233)	-	(424)	-	(1,672)
Other assets	-	-	-	-	(894)	(894)
	(40,259)	(1,618)	(925)	(424)	26,820	(16,406)

3(d) Income tax expense

	31 January 2022 $'000	31 January 2021 $'000
Reconciliation of prima facie tax expense to income tax expense		
(Loss)/ profit before income tax expense	(279,941)	50,458
Income tax (benefit)/ expense at 30% (2021: 30%)	(83,982)	15,137
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill (non-deductible)	286,209	-
Net impairment (reversal) (non-deductible)	(3,823)	(8,314)
Franking credits received (excluding controlled and associate entities)	(25,398)	(3,829)
Tax expense on the carrying value of equity accounted associates	3,340	5,117
Under/(over) provision for income tax	(12,163)	780
Other	333	1,710
Income tax expense	164,516	10,601
Effective tax rate:	58.8%	21.0%

04 Dividends

	$'000	Amount per security cps	Franking per security cps
Interim dividend			
Interim dividend not recognised in retained profits, to be paid on 13 May 2022	**104,651**	**29.0**	**29.0**
Previous corresponding year, paid on 14 May 2021	62,243	26.0	26.0
Final dividend			
A final dividend of 36 cents fully franked based on tax paid of 30%, paid on 14 December 2021	**129,912**	**36.0**	**36.0**
Previous corresponding year, paid on 14 December 2020	83,788	35.0	35.0

No dividend reinvestment plan was in operation during the reporting period.

On 5 October 2021, as part of the implementation of the Scheme of Arrangement between the Company and Milton Corporation Limited ("Milton"), the Company issued 121,470,772 ordinary shares to Milton's shareholders, increasing the total number of ordinary shares on issue at the end of the reporting period to 360,866,092 (2021: 239,395,320). This has resulted in a significant increase in the total dollar value of subsequent dividends paid or declared by the Company to its shareholders.

05 Business combinations

Acquisition of Milton Corporation Limited

On 5 October 2021, WHSP completed its acquisition of the remaining 97% (which it did not previously own) of the issued and outstanding equity of Milton Corporation Limited, a listed investment company, for consideration of $4,640 million. The acquisition was completed through an all-share exchange which gave Milton shareholders 0.1863 WHSP shares for every Milton share. The consideration was valued using the closing price of WHSP shares on 5 October 2021 of $38.20 per share.

The net assets recognised in the 31 January 2022 financial statements are based on a provisional assessment of their fair value. The finalisation of the fair value of the acquired assets and liabilities at acquisition date will be completed within the 12 month measurement period in accordance with the Consolidated Entity’s accounting policy. Further adjustments may be made to the value of goodwill, deferred taxes and the valuation of the Milton employee share scheme.

Revenue and profit contributions

The acquired business contributed revenue of $22.4 million and loss before tax of $1.8 million for the period 5 October 2021 to 31 January 2022. If the acquisition had occurred on 1 August 2021, revenue and profit before tax would have been $66.4 million and $44.9 million respectively.

Acquisition of a Swim School

On 19 November 2021, a subsidiary of the Parent Entity, Aquatic Achievers Operations Pty Limited, acquired a 100% interest in a Swim School for a total purchase consideration of $4.63 million. The fair values of the acquired assets and liabilities have been finalised and recognised in the 2022 financial year.

Revenue and profit contributions

The acquired business contributed revenue of $0.3 million and a loss before tax and non-regular items of $0.1 million for the period 19 November 2021 to 31 January 2022. If the acquisition had occurred on 1 August 2021, revenue and regular profit before tax would have been $2.3 million and $0.4 million respectively.

05 Business combinations (continued)

Details of the acquisitions

Purchase consideration, cash flows and the net assets acquired are as follows:

The fair value of assets and liabilities recognised as a result of the acquisitions are as follows:	Milton (October 2021) $'000	Swim school (November 2021) $'000	Total $'000
Cash	20,481	-	**20,481**
Trade and other receivables	14,315	12	**14,327**
Inventories	-	6	**6**
Equity accounted associates	23,541	-	**23,541**
Long term equity investments	3,421,897	-	**3,421,897**
Property, plant and equipment	5,868	1,978	**7,846**
Right of use assets	-	1,241	**1,241**
Deferred tax assets	358,974	387	**359,361**
Trade and other payables	(166)	(15)	**(181)**
Current tax liabilities	(269)	-	**(269)**
Provisions	(403)	(35)	**(438)**
Interest bearing liabilities	-	(1,241)	**(1,241)**
Deferred tax liabilities	-	(372)	**(372)**
Fair value of net identifiable assets	**3,844,238**	**1,961**	**3,846,199**
Provisional Goodwill on acquisition [1,2]	954,030	2,672	**956,702**
Less: amounts previously recognised through investments[3]	(158,105)	-	**(158,105)**
Fair value of net assets acquired	**4,640,163**	**4,633**	**4,644,796**
Purchase consideration			
Cash paid at acquisition	-	4,633	**4,633**
Fair value of ordinary shares issued	4,640,163	-	**4,640,163**
Total purchase consideration	**4,640,163**	**4,633**	**4,644,796**
Cash flows from acquisition			
Cash paid at acquisition	-	(4,633)	**(4,633)**
Cash balance acquired	20,481	-	**20,481**
Net cash flow from investing activities	**20,481**	**(4,633)**	**15,848**
Acquisition related costs[4]	(2,834)	(201)	**(3,035)**
Net cash outflow expensed	**(2,834)**	**(201)**	**(3,035)**
Net cash flows from the acquisition of subsidiaries	**17,647**	**(4,834)**	**12,813**

[1] *Goodwill arising on acquisition is not deductible for tax.*
[2] *Goodwill arising from the acquisition of Milton was impaired to $nil. Refer to Note 3(c) for details.*
[3] *Represents the fair value of the investment in Milton owned by WHSP prior to acquisition of the balance of remaining shares.*
[4] *Costs relating to these acquisitions have been recognised as "Acquisition costs expensed" in the Statement of Comprehensive Income.*

06 Equity accounted associates

Half year ended 31 January	Reporting date	Place of incorporation	Group's percentage of holding at balance date[1] 31 January 2022	Group's percentage of holding at balance date[1] 31 January 2021	Contribution to Group result for the period[2] 31 January 2022 Total $'000	Contribution to Group result for the period[2] 31 January 2021 Total $'000	Equity accounted carrying value[3] 31 January 2022 Total $'000	Equity accounted carrying value[3] 31 July 2021 Total $'000
Ampcontrol Limited *Integrated electrical, electronic and control solutions provider*	30-Jun	Australia	42.9	42.9	2,867	3,593	50,949	49,629
Apex Healthcare Berhad[4] *Pharmaceutical manufacturer and distributor*	31-Dec	Malaysia	29.8	29.9	3,487	2,829	49,554	47,130
Brickworks Limited[5] *Manufacturer of building products and investor*	31-Jul	Australia	43.3	43.3	105,391	24,401	684,902	588,584
Ironbark Investment Partners Pty Limited[6] *Investment management services*	30-Jun	Australia	30.7	29.1	3,363	(506)	41,024	36,070
Lindsay Australia Limited[9] *Integrated transport, logistics and rural supply*	30-Jun	Australia	22.9	18.5	2,808	-	24,122	-
Pengana Capital Group Limited[7] *Funds management*	30-Jun	Australia	36.5	38.7	5,767	1,223	88,418	68,017
Palla Pharma Limited[8] *Manufacturer of narcotic concentrate from poppy straw*	31-Dec	Australia	19.9	19.9	-	(5,117)	-	11,915
Tuas Limited[11] *Telecommunications provider*	31-Jul	Australia	25.4	25.3	(3,705)	(2,527)	70,504	72,208
Other associates[10,12]	various	Australia	various	various	810	627	64,454	25,683
Total contributions from equity accounted associates					120,788	24,523	1,073,927	899,236
Gain on deemed disposal of equity accounted associates, net of tax					(1,721)	5,161		
Gain on sale of equity accounted associates' share[13] net of tax					4,491	-		
Deferred tax benefit recognised on equity accounted associates					(28,413)	(12,372)		
Net impairment (expense)/reversal of associates					8,412	27,714		
Fair value adjustment on initial recognition of an associate					(3,890)	-		
Net contribution from equity accounted associates					99,667	45,026		

06 Equity accounted associates (continued)

Details of investments and results in associates (continued)

1 The percentage holding represents the Consolidated Entity's total holding in each associate.

2 Contribution to the Consolidated Entity's result represents the amount included in profit and loss after income tax before non-controlling interests as shown on the Consolidated Statement of Comprehensive Income.

3 Equity accounted carrying value is the carrying value of the associates in the Consolidated Statement of Financial Position.

4 During the current reporting period, Apex Healthcare issued shares under Apex Healthcare's employee share option scheme. Due to the Parent Entity's non-participation in the issue of shares, the Group's shareholding decreased by 0.03% to 29.8%.

5 During the current reporting period, Brickworks issued shares under its employee incentive plan. As a result, the Group's shareholding in this investment has reduced by 0.05% to 43.25%.

6 During the current reporting period, the Parent Entity purchased additional shares in Ironbark for $2.82 million. The Group's shareholding increased by 0.2% to 30.7%.

7 During the current reporting period, Pengana Capital issued shares under Pengana Capital's Employee Share Plan and conversion of preference shares to Pengana Private Equity Trust (ASX: PE1) unit holders. This was partly offset by Pengana Capital's share buy-back program being reintroduced during the period. This resulted in a net decrease of 2.07% in the shareholding to 36.5%.

8 On 17 December 2021 Palla Pharma Limited entered voluntary administration. As a result of this event, the Group has impaired its investment to $nil.

9 On 5 October 2021, the Parent Entity acquired Milton Corporation Limited, which had an existing investment in Lindsay Australia Limited. The combined shareholding of the Parent Entity and its subsidiary, Milton after the acquisition was 23.0%. The Group has equity accounted its share of Lindsay's result for the current reporting period.

10 On 1 August 2021, the Parent Entity reassessed the classification of Clover Corporation Limited (CLV) and accordingly, WHSP has classified CLV as an equity accounted associate. The carrying value restated was $14.54 million from financial asset to equity accounted associate with the difference recognised in opening retained earnings.

11 On 5 October 2021, the Parent Entity acquired Milton Corporation Limited, which had an existing investment in Tuas Limited. The combined shareholding of the Parent Entity and its subsidiary, Milton after the acquisition was 25.6%. Subsequently post-acquisition, the Parent Entity has sold down its shareholding in Tuas Limited by 0.2% to 25.4%. The Group has equity accounted its share of Tuas Limited's result during the current reporting period.

12 On 5 October 2021, the Parent Entity acquired Milton Corporation Limited, which had existing investments in three property joint ventures, each of which is classified as an equity accounted associate. The combined shareholding of the Parent Entity and its subsidiary, Milton after the acquisition was 25.6%.

13 During the current reporting period, the sale of Seven Miles Roasters Pty Limited was completed. Final settlement proceeds were received on 29 October 2021. The current reporting period includes a gain on sale of $4.9 million ($3.4 million net of tax). As at 31 July 2021, Seven Miles Roasters Pty Limited was recognised as an asset classified as held for sale.

07 Long term equity investments

	31 January 2022 $'000	31 July 2021 $'000
Non-current assets		
Long term equity investments - listed	4,853,439	2,244,687
Long term equity investments - unlisted	126,180	118,151
Total long term equity investments	4,979,619	2,362,838

	6 months to 31 January 2022 $'000	12 months to 31 July 2021 $'000
Dividends		
Dividends from long term equity investments held at FVOCI recognised in profit or loss in other income:		
Related to investments sold during the period	3,147	219
Related to investments held at the end of the period	64,650	45,095

Long term equity investments pledged as security for short term finance and long term loan

Long term equity investments with a fair value of $614.36 million (31 July 2021: $653.37 million) have been transferred to various Parent Entity's financiers as security for the $193.78 million (31 July 2021: $289.81 million) equity finance loans. As the Parent Entity retains the risks and benefits of ownership of the transferred long term equity investments, including the right to receive dividends, these long term equity investments continue to be included as an asset on the Consolidated Statement of Financial Position.

08 Interest bearing liabilities

	31 January 2022 $'000	31 July 2021 $'000
Current liabilities		
Secured		
Bank overdraft (WHSP Agriculture Trust)[1]	-	3,085
Equity finance loans (Parent Entity)[2]	**193,784**	289,810
Secured loans (New Hope)[3]	**471**	953
Equipment finance loan (WHSP Agriculture Trust)[1]	**1,115**	879
	195,370	294,727
Non-current liabilities		
Unsecured		
Convertible notes (Parent Entity)[2]	**217,307**	216,282
Convertible notes (New Hope)[3]	**190,178**	189,193
Secured		
Market rate loan (WHSP Agriculture Trust)[1]	**66,500**	33,000
Equipment finance loan (WHSP Agriculture Trust)[1]	**2,453**	2,329
Secured loans (New Hope)[3]	**(1,861)**	307,101
	474,577	747,905
Total interest bearing liabilities	**669,947**	1,042,632
Less: cash and cash equivalents	**(757,905)**	(610,324)
Net (cash)/debt	**(87,958)**	432,308
Financing facilities[4]	**1,105,319**	1,186,460
Less: facilities utilised at reporting date		
Convertible bonds	**(407,485)**	(405,475)
Equity finance and other loan facilities	**(262,462)**	(637,157)
Facilities unutilised at reporting date	**435,372**	143,828

The fair values of interest bearing liabilities materially approximate their respective carrying values as at 31 January 2022.

Financing facilities

As at 31 January 2022, the Consolidated Entity had the following financing facilities in place:

1. WHSP Agriculture Holding Trust

   The WHSP Agriculture Holding Trust maintains a five year secured loan facility with CBA which expires on 30 July 2025. On 25 October 2021, this facility was increased to $83.2 million from $40 million. The facility comprises a $4 million bank overdraft, a $72 million market rate facility (an increase from $33 million) and a $7.2 million asset finance facility (an increase from $3.3 million).

   Security given includes first ranking mortgages over property and specific pieces of agricultural machinery, first ranking water mortgages over water entitlements, water leases and General Security Interests.

   To finance the purchase of various pieces of agricultural equipment, the WHSP Agricultural Holding Trust entered into various financing agreements with a financier. These credit contracts are specific to the agricultural equipment and are secured with a mortgage over the equipment for a term ranging between 36 to 48 months.

   As at 31 January 2022, WHSP Agriculture Holding Trust utilised:

   - $nil of the bank overdraft facility (31 July 2021: $3.1 million) at an interest rate of 2.85% pa (31 July 2021: 2.85% pa). The unutilised facility as at 31 January 2022 was $4 million (31 July 2021: $0.9 million).
   - $66.50 million of the market rate loan facility (31 July 2021: $33 million) at an interest rate of 1.93% pa (31 July 2021: 1.87% pa). The unutilised facility as at 31 January 2022 was $5.5 million (31 July 2021: $nil).

08 Interest bearing liabilities (continued)

- $2.67 million of the asset finance facility (31 July 2021: $2.33 million) at a weighted average interest rate of 3.14% pa (31 July 2021: 3.10% pa). The unutilised facility as at 31 January 2022 was $4.48 million (31 July 2021: $0.97 million).
- $0.90 million of the agricultural equipment finance facility (31 July 2021: $0.88 million) at a weighted average interest rate of 0.84% pa (31 July 2021: 0.93% pa). The unutilised facility as at 31 January 2022 was $nil (31 July 2021: $nil).

2. Parent Entity

(i) Equity finance facilities

As at 31 January 2022, the Parent Entity had access to secured financial asset finance with a number of financiers.

As security for each of these loans, the Parent Entity transfers ownership of title over certain securities to the finance provider. As the Parent Entity retains the risks and benefits of ownership of the transferred investments, including the right to receive dividends, these securities continue to be included as assets on the Consolidated Entity and Parent Entity statement of financial position. Upon repayment of the debt, legal title of the investments is transferred back to the Parent Entity.

The tenor for each borrowing under these facilities ranges from 2 days to six months, and the average cost was 0.84% pa (31 July 2021: 0.88% pa).

Capacity to draw further funds under these facilities is a function of the prevailing value of the pool of securities that is eligible to be loaned.

(ii) Convertible notes

In the prior period, the Parent Entity issued convertible notes with an aggregate principal amount of $225 million. There has been no movement in the number of these convertible notes since the issue date.

The notes are convertible at the option of the noteholders into ordinary shares based on an initial conversion price of $34.99 per share at any time on or after 11 March 2021 up to the date falling five business days prior to the final maturity date (29 January 2026). The holder of the option has the right to redeem all or some of the holder’s notes on 1 February 2024 for an amount equal to 100% of the principal amount of the notes plus any accrued but unpaid interest. Any notes not converted will be redeemed on 29 January 2026 at the principal amount of the notes plus any accrued but unpaid interest.

The notes carry interest at a rate of 0.625% pa which is payable semi-annually in arrears on 29 January and 29 July.

3. New Hope

(i) Secured loan facility

New Hope's Secured Loan Facility is with a syndicate of Australian and international banks. The facility comprised a $600 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. The secured loan facility holds a fixed and floating charge over all assets held by New Hope, except for certain excluded subsidiaries.

As at the reporting date, the secured loan facility had amortised to $420 million (31 July 2021: $450 million).

Facilities utilised as at the reporting date was $nil (31 July 2021: $310 million). During the reporting period no debt was drawn down under the facility (31 July 2021: $20 million), with $310 million (31 July 2021: $70 million) being repaid.

Transaction costs capitalised were $1.8 million as at 31 January 2022 (31 July 2021: $2.9 million).

(ii) Convertible notes

In the prior period, New Hope issued convertible notes with an aggregate principal amount of $200 million. There has been no movement in the number of these convertible notes since the issue date.

The notes are convertible at the option of the noteholders into ordinary shares based on an initial conversion price of $2.10 per share at any time on or after 12 August 2021 up to the date falling five business days prior to the final maturity date (2 July 2026). The holder of the option has the right to redeem all or some of the holder's notes on 2 July 2024 for an amount equal to 100% of the principal amount of the notes plus any accrued but unpaid interest. Any notes not converted will be redeemed on 2 July 2026 at the principal amount of the notes plus any accrued but unpaid interest.

The coupon rate of 2.75% per annum is payable semi-annually in arrears on 2 January and 2 July.

4. **Financing facilities include convertible notes, secured loans, and a bank overdraft.**

09 Contributed equity

	Group and Parent Entity			
	31 January 2022		31 July 2021	
	No. of shares	$'000	No. of shares	$'000
Fully paid ordinary shares	360,866,092	4,683,395	239,395,320	43,232
Convertible notes		3,945		3,945
		4,687,340		47,177

Ordinary shares

On 5 October 2021, the Scheme of Arrangement (Scheme) between the Company and Milton was implemented. In accordance with the terms of the Scheme, the Company issued 121,470,772 ordinary shares to Milton shareholders as consideration for all remaining shares in Milton not otherwise owned by the Company prior to the acquisition.

Total number of ordinary shares on issue at the end of the reporting period was 360,866,092 (31 July 2021: 239,395,320).

Convertible notes

On 29 January 2021, the Parent Entity issued convertible notes with an aggregate principal amount of $225 million. The convertible notes are convertible into fully paid ordinary shares in the Company. The notes will mature on 29 January 2026 unless otherwise redeemed, repurchased, or converted. The fair value of the liability component of the convertible notes was estimated at the issuance date and is carried as a long term liability.

There has been no movement in the number of these convertible notes since the issue date.

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

	31 January 2022 $'000	31 January 2021 $'000
Profit after tax for the year	(444,457)	39,857
Adjustments for non-cash items:		
Write off of goodwill arising from WHSP and Milton acquisition	954,030	-
Depreciation and amortisation	101,347	121,949
Amortisation of transaction costs	1,347	1,159
Loss/(gain) on deemed disposal of equity accounted associates	1,721	(7,373)
Loss on derecognition of equity accounted associates	4,060	-
Gain on associate reserves recycled back through profit and loss	-	(3,643)
Gain on fair value of biological assets	(11,433)	(4,611)
Gain on revaluation of investment property	(5,165)	(3,600)
Loss on sale of investment property	-	873
Net (gain)/loss on disposals of property, plant and equipment	(711)	172
Net (gain)/loss on sale of other investments	(5,899)	39
Net loss/(gain) on trading equities fair value through profit or loss	57,595	(46,860)
(Reversal)/provision for expected credit loss allowance	(1,048)	1,370
(Reversal of impairment)/ impairment expense	(8,125)	16,406
Write off loan and interest to external party	-	16,501
Net foreign exchange (gain)/loss	(1,519)	2,172
Non-cash share based payments	1,262	1,227
Unwinding of interest on deferred purchase consideration	-	501
Provision for onerous contracts	16,477	-
Share of (profits)/losses of associates not received as dividends or distributions	(84,202)	8,740
Other non-cash items	1,816	570
Changes in operating assets and liabilities, net of effects from purchase and sales of business:		
(Increase)/decrease in trade debtors, other debtors and prepayments	(62,954)	387
Decrease/(increase) in inventory	32,474	(23,239)
Increase in financial assets held for trading	(63,862)	(49,347)
Increase in trade creditors and accruals	15,123	16,537
Increase in employee entitlements and provisions	31,797	21,800
Decrease in interest bearing liabilities	(4,444)	-
Decrease in lease liabilities	(1,601)	-
Increase in current tax asset	(5,108)	(24,661)
(Increase)/decrease in deferred tax asset	(4,142)	42,459
Increase/(decrease) in current tax liability	800	(1,079)
Increase/(decrease) in deferred tax liability	35,060	(20,955)
Net cash inflow from operating activities	550,239	107,351

11 Fair value estimation

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.

Valuation techniques

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 Consolidated 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. Unobservable inputs are those for which market data is not available and therefore are developed using the best information available about such assumptions.

Listed equities

The fair value of listed equities and hybrid instruments 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 Consolidated Entity'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 Consolidated 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 Consolidated 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.

Amortised cost : Trade and other receivables and loans to external parties

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.
- Expected credit loss (ECL) approach: valuation technique that measures the loss allowance for trade and other receivables at an amount equal to the lifetime ECL, except in instances where the financial asset's credit risk is considered low or has not increased significantly since initial recognition, in which case the loss allowance is based on a 12-month ECL. A simplified approach is taken to accounting for trade and other receivables and records the loss allowance at the amount equal to the lifetime ECL. In applying this simplified method, the Consolidated Entity uses its historical experience, external indicators and forward looking information to calculate the ECL.

Investment Properties

The Consolidated Entity has a policy of obtaining an independent valuation for each investment property at least every three years, or more frequently if there is significant uncertainty as to whether the carrying value represents the fair value of the property. Estimated fair values may change significantly and unexpectedly over a relatively short period. In each independent valuation obtained as at 31 July 2021, a 'significant valuation uncertainty' modification due to Covid-19 was incorporated by the independent valuer. An updated independent valuation was obtained for one property as at 31 January 2022, resulting in the 'significant valuation uncertainty' clause being removed by the independent valuer, and a fair value gain being recognised by the Consolidated Entity.

Biological assets

Risk adjusted value approach: valuation technique that calculate the projected cash inflows from the sale of the matured commodity (including a risk adjustment factor) less the cash outflows needed to grow the commodity to its matured state.

11 Fair value estimation (continued)

Fair value measurement

The following table represents the Group's assets and liabilities measured and recognised at fair value as at 31 January 2022 and 31 July 2021.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 January 2022				
Financial assets				
Biological assets	-	-	10,627	10,627
Financial assets held for trading	267,710	-	54,426	322,136
Other financial assets	279,906	11,267	23,425	314,598
Long term equity investments	4,853,454	90,938	35,227	4,979,619
Loan at amortised cost	-	-	207,066	207,066
Non-financial assets				
Investment properties	-	-	76,191	76,191
Total assets	5,401,070	102,205	406,962	5,910,237

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 July 2021				
Financial assets				
Biological assets	-	-	4,658	4,658
Financial assets held for trading	383,319	-	14,263	397,582
Other financial assets	8,564	40,102	19,669	68,335
Long term equity investments	2,244,687	81,982	36,169	2,362,838
Loan at amortised cost	-	-	236,205	236,205
Non-financial assets				
Investment properties	-	-	87,158	87,158
Total assets	2,636,570	122,084	398,122	3,156,776

11 Fair Value estimation (continued)

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 2022:

	Biological assets $'000	Financial assets held for trading $'000	Other financial assets $'000	Long-term equity investments $'000	Loan and amortised costs $'000	Investment properties $'000	Total $'000
Opening balance at 1 August 2021	4,658	14,263	19,669	36,169	236,205	87,158	398,122
Acquisitions	-	41,116	3,756	824	32,380	30,434	108,510
Acquisitions of a business	-	-	-	415	5,128	-	5,543
Disposal/repaid	-	-	-	-	(67,298)	-	(67,298)
Transfer to Finanical assets held for trading (listed)	-	(953)	-	-	-	-	(953)
Change in fair value due to biological transformation	11,433	-	-	-	-	-	11,433
Transfer to inventory	(5,464)	-	-	-	-	-	(5,464)
Transfer to Equity accounted associate	-	-	-	-	-	-	-
Gain recognised in other income	-	-	-	-	651	5,316	5,967
Gain recognised in other comprehensive income - unrealised	-	-	-	(2,181)	-	-	(2,181)
Transfer to held-for-sale asset	-	-	-	-	-	(46,717)	(46,717)
Closing balance at 31 January 2022	10,627	54,426	23,425	35,227	207,066	76,191	406,962

12 Commitments

	31 January 2022 $'000	31 July 2021 $'000
Capital commitments		
Capital expenditure contracted for at period end but not recognised as a liability is as follows:		
Within one year	62,352	81,497
One to five years	12,506	8,225
More than five years	3,347	5,255
	78,205	94,977

Capital commitments include contracts for provision of mining services and exploration activities, and acquisition of property, plant, and equipment.

Other than the above, there are no material changes to the commitments of the Consolidated Entity since 31 July 2021.

13 Contingent liabilities and contingent assets

Details and estimates of maximum amounts of contingent liabilities for which no provision is included in the accounts, are as follows:

	31 January 2022 $'000	31 July 2021 $'000
Undertakings and guarantees issued by a subsidary's bankers to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities	18,704	21,982
	18,704	21,982

Contingent liabilities

The contingent liabilities as described above are not secured by any charges on the Consolidated Entity's assets.

Certain companies in the Consolidated Entity are recipients of complaints made or are defendants in certain claims and/or proceedings, either commenced or threatened.

The Directors of New Hope subsidiaries, Northern Energy Corporation Limited (NEC) and Colton Coal Pty Ltd (Colton Coal), 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.

The Liquidators commenced proceedings in the Supreme Court of New South Wales on 26 March 2021 against New Hope, associated subsidiary companies of New Hope and former directors and officers of NEC and Colton. The claims made by the Liquidators include that NEC and Colton were trading whilst insolvent. The Liquidators estimate the total value of the alleged claims to be approximately $175,000,000 plus interest and costs. A summary of the key events pertaining to the Liquidation process are detailed in the Consolidated Entity's 2021 Annual Report (Note 23(c)).

A summary of developments associated with this matter are outlined below:

- On 7 March 2022, the Defendants filed and served their evidence. The Liquidators are due to file and serve evidence in reply by 29 April 2022;
- The parties have agreed to participate in a mediation to be conducted on 11 April 2022;
- The Court has provisionally reserved an 8-week block during 28 June 2022 to 26 August 2022 for the hearing;
- The Court will convene for further directions on 3 May 2022, at which time the Court will formally set down the hearing dates; and
- New Hope denies the claims made by the Liquidators and intends to vigorously defend the proceedings.

In the opinion of the Directors, all such matters are not anticipated to have a material effect on the financial position of the Consolidated Entity or are at a stage which does not support a reasonable evaluation of the likely outcome of the matters.

Contingent assets

On 9 July 2021, the Parent Entity entered into a call option agreement with Wesfarmers Limited (Wesfarmers) over its 19.3% shareholding (95.1 million shares) in Australian Pharmaceutical Industries Limited (API). The agreement provides for the Parent Entity to participate in a Scheme of Arrangement (Scheme) for the takeover of API for cash consideration of $1.55 per share.

On 8 October 2021, the Parent Entity sold its 19.3% holding in API to Wesfarmers for $131.2 million ($1.38 per share), with the balance becoming payable once the Scheme becomes effective.

The Scheme meeting was held on 17 March 2022, with API shareholders voting in favour of the Scheme of Arrangement. On 21 March 2022 the Federal Court of Australia made orders approving the Scheme, and the Scheme became effective 22 March 2022. Wesfarmers is required to pay the Parent Entity an additional $16.2 million ($0.17 per share) within seven days of the Scheme Effective date.

As at 31 January 2022, the Parent Entity had a contingent asset of $16.2 million. This contingent asset has not been recognised as a receivable at reporting date.

14 Events after the reporting period

Other than the matter referred to in Note 13, since the end of the financial period no matters or circumstances have arisen that have or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

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 26 to 59, 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 2022 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	T.J. Barlow
Director	Managing Director

Dated this 24th day of March 2022

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Independent auditor's review report to the members of Washington H. Soul Pattinson and Company Limited

Conclusion

We have reviewed the accompanying half-year financial report of Washington H. Soul Pattinson and Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 January 2022, the 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.

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 the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 January 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities 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 responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 January 2022 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*.

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

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
24 March 2022

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