Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728
First Floor, 160 Pitt Street Mall, Sydney NSW 2000

ASX Appendix 4D & Half year financial report 31 January 2019

Lodged with the ASX under Listing Rule 4.2A

Contents

Reporting Period

The reporting period is the half year ended 31 January 2019.

The previous corresponding period is the half year ended 31 January 2018.

Results for Announcement to the Market

		Current period 31 January 2019 $'000	Restated Previous period 31 January 2018 ^ $'000	Change $'000
Revenue from continuing operations	**Up 31.6% to**	**723,289**	**549,545**	**173,744**
Regular profit after tax attributable to members *(1)*	**Up 12.2% to**	**186,694**	**166,354**	**20,340**
Profit after tax attributable to members *(2)*	**Up 22.6% to**	**179,188**	**146,165**	**33,023**

Dividends

	Cents per share	Franking %
This period		
1. Interim dividend *(3)*	**24c**	**100%**
Previous corresponding period		
1. Interim dividend	23c	100%
Record date for determining entitlements to interim dividend:	**18 April 2019**	
Date the interim dividend is payable:	**9 May 2019**	

Comments on above results

(1) **The regular profit after tax* for the half year ended 31 January 2019 of $186.7 million, was the Group's highest ever for a first half and an increase of 12.2% compared to $166.4 million for the previous corresponding period. This is the Group's second consecutive first half record result. The increase in regular profit*, compared to the first half of last year, was mainly attributable to:**

- **New Hope Corporation Limited (up 27.3%) due to higher coal prices, increased production at its Bengalla joint venture and increasing its interest in Bengalla; and**
- **Brickworks Limited up 73.7%, driven by very strong property earnings, which were partially offset by:**
- **Round Oak Minerals Pty Limited, due to significant start-up costs and expenses associated with the development of various projects.**

(2) **The statutory profit after tax attributable to shareholders was $179.2 million, an increase of 22.6% compared to $146.2 million for the previous corresponding period.**

(3) **Interim dividend increased by 4.3% to 24 cents per share fully franked.**

* *Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the half year financial report- Note 3, Segment Information.*

^ Comparative figures have been restated to present the impacts of the current year discontinued operations (as outlined in note 7) as well as other classifications on the Statement of Comprehensive Income to better reflect the disclosures in the current year.

Earnings per share

	Half year 31 January 2019	Restated Half year 31 January 2018
From operations		
Basic Earnings per Share	**74.85 cents**	61.06 cents
Diluted Earnings per Share	**74.85 cents**	61.06 cents
From continuing operations		
Basic Earnings per Share	**74.76 cents**	63.02 cents
Diluted Earnings per Share	**74.76 cents**	63.02 cents
From regular profit after tax attributable to members (*)	**77.99 cents**	69.49 cents

* *Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the half year financial report- Note 3, Segment Information.*

Net tangible assets per security

	31 January 2019	31 July 2018
Net tangible asset backing per ordinary security** (based on the Consolidated statutory Statement of Financial Position)	**$13.76**	$13.46

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

Explanation of Profit after tax

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

Explanation of Net Profit

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

Review of Operations

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

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728
ASX Code: **SOL**

Half Year Ended 31 January 2019

Chairman's Review

Dear Shareholders,

I am pleased to present the Washington H. Soul Pattinson and Company Limited (WHSP, Company) report for the half year ended 31 January 2019 on behalf of the Board of Directors of the Company.

Key Highlights

Performance for the Half Year		compared to 1H18
Group Regular profit after tax*	$186.7 million	+ 12.2%
Group Statutory Profit after tax	$179.2 million	+ 22.6%
WHSP's net asset value (pre-tax)** (tax payable if disposed of on 31 January 2019 $1,243 million)	$6.0 billion	+ 10.2%

Shareholder Returns		
Net regular cash from operations	$92.0 million	+ 24.8%
2019 Interim Dividend (fully franked)	24 cents	+ 4.3%
Interim Dividend growth over 20 years (ordinary dividend compound annual growth rate)	9.4% p.a.	

Total Shareholder Returns to 31 January 2019

	WHSP	All Ords. Accum. Index	**Out Performance**
1 Year	**56.5%**	0.7%	**55.8%**
5 Years	**15.3% p.a.**	7.1% p.a.	**8.2% p.a.**
15 Years	**13.9% p.a.**	8.5% p.a.	**5.4% p.a.**

** Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the half year financial report – Note 3, Segment Information.*

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

Consolidated Financial Performance

The regular profit after tax* for the half year ended 31 January 2019 of $186.7 million was the Group's highest ever for a first half and an increase of 12.2% compared to $166.4 million for the previous corresponding period. This is the Group's second consecutive first half record result.

The increase in regular profit*, compared to the first half of last year, was mainly attributable to higher contributions by:

- New Hope Corporation Limited up 27.3%, due to higher coal prices, increased production at its Bengalla joint venture and increasing its interest in Bengalla; and
- Brickworks Limited up 73.7%, driven by very strong property earnings,

which were partly offset by:

- Round Oak Minerals Pty. Limited, due to significant start-up costs and expenses associated with the development of various projects.

The statutory profit after tax attributable to shareholders was $179.2 million, an increase of 22.6% compared to $146.2 million for the previous corresponding period.

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

	Half Year 31 Jan 2019 $'000	**Half Year 31 Jan 2018** $'000	**%** Change
Regular profit after tax* attributable to shareholders	**186,694**	166,354	+ 12.2%
Statutory Profit after tax attributable to shareholders	**179,188**	146,165	+ 22.6%
Interim Dividend	**24 cents**	23 cents	+ 4.3%

** Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the half year financial report – Note 3, Segment Information.*

Net Assets of the Parent Company - WHSP

As at 31 January 2019	WHSP's Holding %	Value of WHSP's Holding $m	6 month Movement $m	%
New Hope Corporation[1]	50.0%	1,667	341	25.7%
TPG Telecom[1]	25.3%	1,638	288	21.4%
Brickworks[1]	43.8%	1,081	58	5.7%
Financial Services Portfolio[1 & 2]	-	365	(48)	(11.7%)
Pharmaceutical Portfolio[1]	-	239	(26)	(9.9%)
Round Oak Minerals[2] formerly CopperChem and Exco Resources	100%	198	43	28.1%
Property Portfolio[2]		113	(70)	(38.2%)
Other Listed Investments Portfolio[1]		472	(43)	(8.4%)
Other Unlisted Investments Portfolio[2]		118	25	26.8%
Cash and other net assets (net of liabilities)		101	(14)	(12.5%)
Net asset value (pre-tax)[3 & 4]		**5,992**	**554**	**10.2%**

[1] At market value.

[2] At Directors' valuations.

[3] The tax payable if all of these assets had been disposed of on 31 January 2019 would have been approximately $1,243 million.

[4] Net asset value (pre-tax) is the value of all of WHSP's assets less all of its liabilities (other than the tax payable upon the sale of its assets). Assets are valued at market value or Directors' valuation as shown.

The assets of WHSP are summarised in this table. The pre-tax asset value as at 31 January 2019 was $6.0 billion, an increase of $554 million or 10.2% during the six month period.

The portfolio increase of 10.2% was a very good result in a period where equity markets corrected and the All Ordinaries Index was negative 6.7%. The increase in the value of the portfolio was mainly attributed to strong share price performances by New Hope, TPG and Brickworks.

The increases in value of the largest three investments was partly offset by a reduction in the value of the Financial Services, Pharmaceutical and Listed Equity portfolios which were all impacted by equity market conditions during the period.

Further investment was injected into Round Oak to facilitate the development of its various projects.

The sale of the head office building at 160 Pitt Street was completed in August 2018 and is reflected in the movement for Property along with other movements during the period.

Washington H. Soul Pattinson and Company Limited

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

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

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

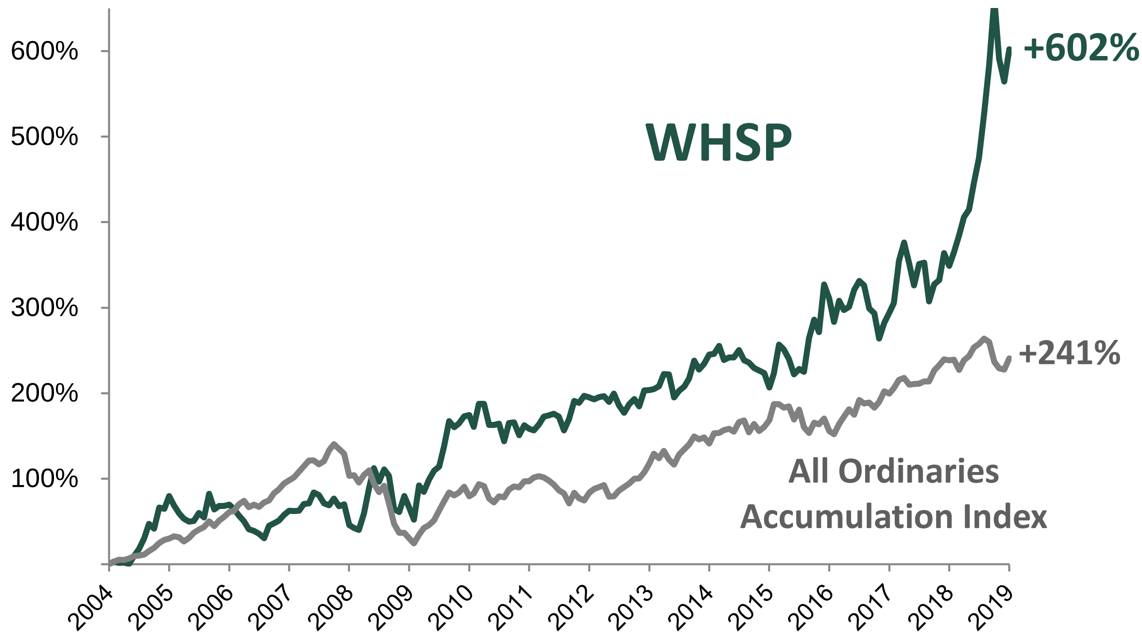
Total Shareholder Returns to 31 January 2019

Annual Return	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	15 Years p.a.
WHSP	**56.5%**	**19.6%**	**15.3%**	**15.5%**	**13.9%**
All Ordinaries Accumulation Index	0.7%	10.0%	7.1%	10.1%	8.5%
Out Performance	**55.8%**	**9.6%**	**8.2%**	**5.4%**	**5.4%**

While the one year return and out performance are exceptional, WHSP is focused on long-term growth. The out performance over all of the above periods is significant.

15 Year Total Shareholder Return

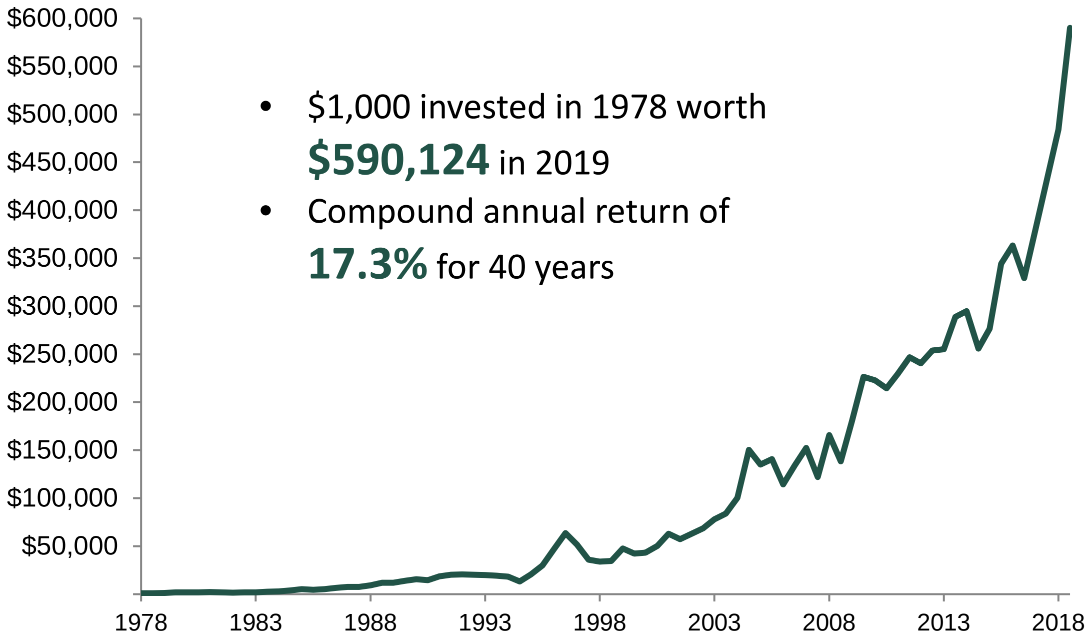
The following chart shows the total return over time of an initial investment made in WHSP shares in February 2004 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP has grown by over six times over the last 15 years while an investment in the index has increased by less than half of that over for the same period.



Includes the re-investment of dividends.

Wealth Creation over 40 years

The following chart shows the wealth created over a 40 year period. If a shareholder had invested $1,000 in 1978 and reinvested all dividends, the shareholding would have appreciated to over $590,000 as at 31 January 2019. This equates to a compound annual growth rate of 17.3% 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.



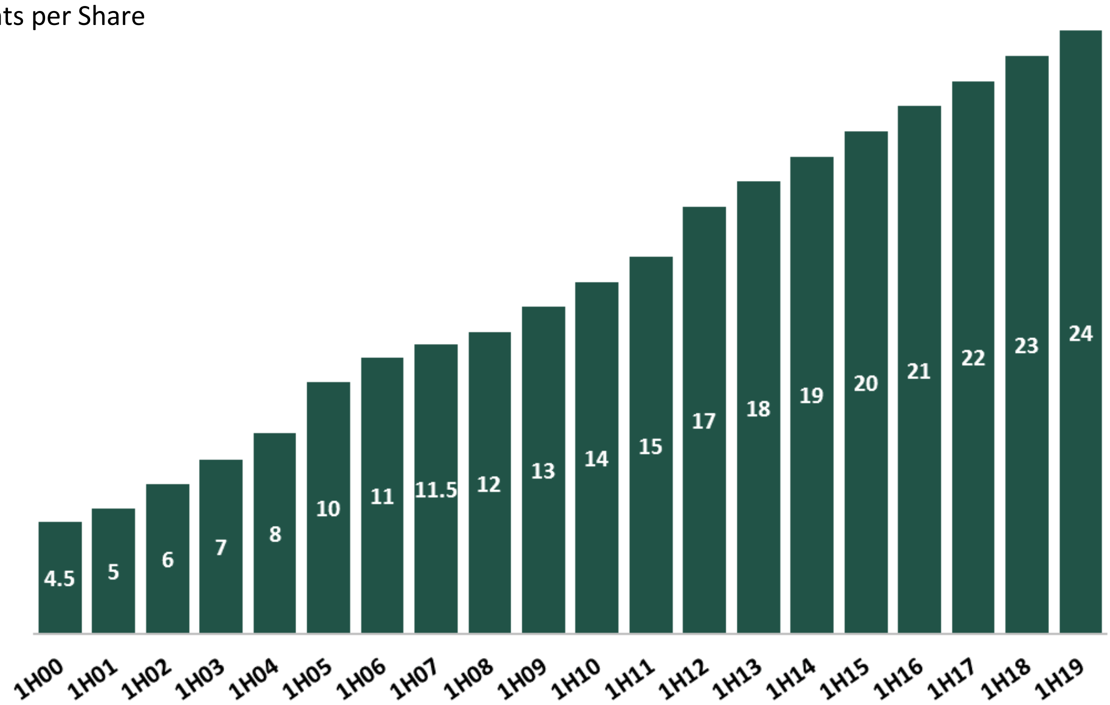
Includes the re-investment of dividends.

Dividends

The chart below demonstrates WHSP's exceptional history of paying dividends to shareholders. The Company has not missed paying a dividend since listing in 1903, including during the Great Depression of the 1930s and the Global Financial Crisis of 2007-08.

20 Year Interim Dividend History

Cents per Share



Interim Dividend

The Directors have declared a fully franked interim dividend of 24 cents per share in respect of the half year ended 31 January 2019, an increase of 4.3% over last year's interim dividend of 23 cents per share.

The record date for the dividend will be 18 April 2019 with payment due on 9 May 2019. The last day to purchase shares and be eligible for the interim dividend is 16 April 2019.

The Company receives dividends and distributions from its investments, interest income and gains on property assets. The Directors declare interim and final dividends based on the Company's regular cash inflows less regular operating costs. For the six months to 31 January 2019 this figure was $92.0 million, an increase of 24.8% compared to $73.7 million for the first half last year.

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

Review of Group Entities – as at 31 January 2019

New Hope Corporation Limited

Controlled entity: **50.0% held**
Total market capitalisation: **$3.33 billion**
Value of WHSP's holding: **$1.67 billion**

ASX code: **NHC**

New Hope recorded a net profit after tax and before non-regular items for the first half of the 2019 financial year of $159.8 million. This result represents an increase of 33% on the $120.3 million recorded in the six months to January 2018.

The profit before non-regular items was underpinned by:

- Strong thermal coal prices;
- Incremental production increase from Bengalla;
- Additional sales resulting from the acquisition of an increased interest in the Bengalla Joint Venture effective 1 December 2018; and
- Improved realised pricing on oil sales.

The contribution of the business operations to the profit before income tax and non-regular items of $228.9 million (2018: $171.9 million) was:

Before non-regular items, basic earnings per share for the period was 19.2 cents compared to 14.5 cents for the first half last year. After non-regular items, basic earnings per share was 14.4 cents against 13.9 cents for the previous corresponding period.

During the six months ended 31 January 2019, New Hope generated a strong cash operating surplus of $283.1 million (before acquisition costs, interest and tax), an increase of 37%.

The directors of New Hope have declared a fully franked interim dividend of 8 cents per share for the half year ended 31 January 2019, up from 6 cents last year.

New Acland Coal Mine

The New Acland mine produced 1.9 million tonnes of clean coal, which is down 0.3 million tonnes on the prior corresponding period due to a combination of reduced feed tonnes available to the wash plant and a decrease in yield.

West Moreton Operations

The Jeebropilly mine produced 0.4 million tonnes during the period, an increase of 15% on the prior period. New Hope continues to prepare for the end of mine life which will occur at the end of calendar year 2019.

Bengalla Joint Venture

New Hope completed its acquisition of an additional 30% interest in the Bengalla Joint Venture from Wesfarmers Limited with effect from 1 December 2018, bringing New Hope ownership to 70%. New Hope has also reached a binding commitment with Mitsui to purchase its 10% interest in the Joint Venture for $215 million. The Mitsui transaction is expected to be finalised in March 2019. The finalisation of the transaction, and stake of 80%, provides New Hope with a majority interest in a high quality asset which will continue to deliver significant benefits for the long term.

The Bengalla mine produced a record 9.03 million tonnes of saleable coal (100% basis) during calendar 2018.

Queensland Bulk Handling (QBH)

During the first six months of the financial year, 3.2 million tonnes of coal was exported through the QBH coal terminal at the Port of Brisbane, down marginally on the 3.6 million tonnes for the same period in 2018.

Bridgeport Energy Limited

Oil production totalled 189,952 barrels for the half year, in line with the corresponding period in 2018. Improving oil prices over the period resulted in realised Australian dollar prices of $99 per barrel, up 48% on the previous half year. As a consequence, revenue for the business was $17.0 million for the half year, an improvement of 33% on the corresponding 2018 period.

Pastoral Operations

Acland Pastoral has continued its pasture management and supplement feeding strategy on previously mined land. Its success demonstrates that carefully rehabilitated mining land can support productive pastoral operations.

The Queensland Government has certified 349 hectares of progressively rehabilitated mined land at New Acland. This is the largest single area of certified rehabilitation for an open cut coal mine in the State.

As at 31 January 2019, breeder cattle numbered 2,281 head. A total of 1,682 calves have been branded to date.

Contribution

New Hope contributed $62.4 million to the Group's statutory profit after tax for the half year, being WHSP's 50.0% share (2018: $64.5 million, 55.8% share). Its contribution to regular profit after tax was $82.1 million, 50.0% share (2018: $64.5 million, 55.8% share).

Outlook

Over the last three years New Hope has executed a number of strategic acquisitions which have culminated in a valuable portfolio of high quality assets. It has also secured a five year debt financing package which delivers certainty of funding to underpin the its growth initiatives over the medium term whilst maintaining a conservatively geared balance sheet. Over the next twelve months New Hope will turn its focus to maximising the long term value of these assets.

New Hope will continue to progress the regulatory approvals for the continuation of mining at New Acland. If successful, the various regulatory processes will culminate in the grant of an Environmental Authority, Mining Lease and Associated Water License for the development. Receipt of these approvals will provide the catalyst for development, which in turn, will provide continuity of employment for its workforce and supply of coal for its customers.

High calorific thermal coal will play a critical role in improving the environmental credentials of South East Asia's energy portfolio without jeopardising reliability of supply or significantly increasing electricity generation costs. Limited availability of these high quality coals and the increasing regulatory barriers to the development of new mines will constrain the supply side response from Australian coal producers. These fundamental market forces provide a strong foundation for prices of high quality thermal coal over the long term.

New Hope's Asian customers are continuing to invest heavily in new High Efficiency Low Emission (HELE) coal fired power stations. These large and long term investment decisions provide a foundation of demand for New Hope's products into the future.

New Hope has a portfolio of high quality assets, a conservative balance sheet and experienced workforce with enviable credentials of delivering socially responsible and profitable mining operations throughout the price cycle. These attributes present an exciting outlook for New Hope and its stakeholders.

TPG Telecom Limited

Associated entity: **25.3% held**
Total market capitalisation: **$6.49 billion**
Value of WHSP's holding: **$1.64 billion**

ASX code: **TPM**

TPG reported the following results for the half year ended 31 January 2019, highlights of which include:

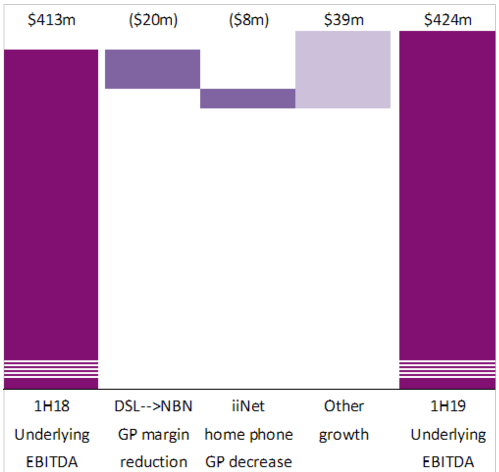
- Earnings before interest, tax, depreciation and amortisation (EBITDA) before impairment of $420.0 million;
- Net Profit After Tax attributable to shareholders (NPAT) of $46.9 million; and
- Earnings per share (EPS) of 5.1 cents per share.

Underlying Results

As a result of TPG's decision to cease the rollout of its Australian mobile network an impairment expense of $227.4 million has been taken up in the results for the period. The results also include $4.4 million of one-off transaction costs relating to the planned merger with Vodafone Hutchison Australia (VHA).

Excluding these irregular items: underlying EBITDA increased from $413.0 million for the first half of last year to $424.4 million this year; underlying NPAT increased by 3.5% to $225.2 million; and underlying EPS increased by 3.3% to 24.3 cents per share.

As shown in the chart below, underlying EBITDA continued to be adversely impacted by the loss of margin as DSL and home phone customers migrate to low margin NBN services, but TPG has again been successful in offsetting these headwinds during the half.



Dividend

TPG has declared an interim dividend of 2 cents per share fully franked, in line with last year. TPG's Dividend Reinvestment Plan remains suspended.

Segment Results

The Consumer Segment's EBITDA for the period was $243.0 million compared to $255.2 million for the first half last year.

The Corporate Segment achieved EBITDA of $182.5 million compared to $158.7 million for the first half last year.

Cash Flow, Capital Expenditure and Gearing

TPG generated net operating cash flow after tax of $333.0 million for the half year.

Total capital expenditure of $556.7 million included: a $352.4 million instalment for the 2x10MHz of 700MHz spectrum acquired at auction in 2017; $66.1 million invested in the (now ceased) Australian mobile network build; and $39.8 million in the Singapore mobile network build. The remaining 'business as usual' capital expenditure of $98.4 million was $64.7 million lower than for the first half last year following substantial completion of the fibre expansion for the VHA fibre contract.

At 31 January 2019 TPG had net debt (excluding outstanding spectrum liabilities of $1,543.0 million) which represents a leverage ratio of approximately 1.8 times underlying EBITDA.

Planned Merger Update

On 30 August 2018 TPG announced that it had agreed to a merger of equals with Vodafone Hutchison Australia (VHA). The merger is subject to regulatory approvals, including the Australian Competition and Consumer Commission (ACCC), and approval by TPG shareholders.

The ACCC released its Statement of Issues on 13 December 2018. Both TPG and VHA are continuing to work closely with the ACCC to gain approval for the merger. TPG expects the ACCC decision in relation to the application for informal clearance to be made in May 2019.

If successful 49.9% of the merged company will be owned by TPG shareholders and 50.1% by VHA shareholders. The Company will be called TPG Telecom Limited and be listed on the ASX. The merger would result in the combination of two highly complementary businesses with significant synergies.

Singapore Update

TPG's mobile network build in Singapore continues to progress well. The network has achieved a nationwide outdoor coverage performance result of over 99%, easily exceeding the 95% milestone it was required to meet by the end of 2018.

A service trial was launched at the end of December 2018 allowing customers to trial the network for free for twelve months while work continues to enhance network coverage, performance and features.

In response to positive feedback received from initial trial customers, the trial service has been expanded to 200,000 users so that more Singaporeans can experience the excellent service and network quality ahead of the full commercial launch.

Contribution

TPG contributed $9.7 million to the Group's statutory profit after tax for the half year (2018: $36.4 million). Its contribution to regular profit after tax was $56.9 million (2018: $54.8 million).

Brickworks Limited

Associated entity: **43.8% held** Total market capitalisation: **$2.47 billion** Value of WHSP's holding: **$1.08 billion** ASX code: **BKW**	BRICKWORKS LIMITED

The Brickworks Group posted a statutory Net Profit After Tax (NPAT) of $115 million for the half year ended 31 January 2019, up 18% on the previous corresponding period. Underlying NPAT from continuing operations was $160 million, up 37% on the prior period.

Statutory Earnings Per Share (EPS) was 77 cents, up 18% on the previous corresponding period. Underlying EPS from continuing operations was 107 cents, up 37%.

The directors of Brickworks have declared a fully franked interim dividend of 19 cents per share for the half year ended 31 January 2019, up 6% from 18 cents last year.

Building Products Australia

Earnings before interest and tax (EBIT) from continuing operations was $26 million, down 35% on the prior corresponding period, and earnings before interest, tax, depreciation and amortisation (EBITDA) was $41 million. Margins declined on the prior corresponding period, particularly within Austral Bricks, where price increases were insufficient to recover increasing energy costs. In addition, the opportunity was taken during the period to complete necessary maintenance work on several brick kilns that had been operating continuously for up to eight years.

Austral Bricks earnings decreased by 23% for the six months ended 31 January 2019, with sales revenue down marginally to $208 million.

Bristile Roofing, including the Fyshwick roof batten mill, delivered higher earnings for the half, despite a 7% decrease in sales revenue to $63 million.

Austral Masonry earnings were lower, despite a 6% increase in sales revenue to $55 million for the half. Excluding UrbanStone sales (acquired in November 2017), revenue was down 6%, on a like-for-like basis.

Austral Precast earnings were in line with the prior corresponding period, with revenue increasing by 14% to $40 million for the half.

Building Products North America

Brickworks completed the acquisition of Glen-Gery on 23 November 2018. Sales revenue for the initial period, to 31 January 2019, was $26 million, ahead of internal forecasts. EBIT, although negative, was also ahead of expectations, due primarily to profits on the sale of surplus clay material from the Capitol site.

Due to harsh winter conditions, the December-February period was characterised by reduced sales volume and plant shutdowns. During the period, all plants except one, were closed for extended periods.

Property

Property delivered EBIT of $132 million for the half year ended 31 January 2019, up 167% on the prior corresponding period, due primarily to land sales and increased revaluation profits within the Property Trust.

The settlement of the Punchbowl property sale in August 2018, resulted in an EBIT contribution from land sales of $35 million.

The Property Trust delivered an EBIT contribution of $99 million, up 94%.

The total value of assets held within the Property Trust at the end of the period was $1.715 billion, including $308 million worth of land yet to be developed. Borrowings of $466 million are held within the Property Trust, giving a total net asset value of $1.249 billion. Brickworks' 50% share of net asset value was $625 million at 31 January 2019, up $87 million (or 16%) over the six month period since 31 July 2018. This uplift was due to the revaluation of the New South Wales portfolio and the completion of three new facilities.

Investments

In November and December, Brickworks sold 7.9 million WHSP shares, at a weighted average price of $26.37 per share, delivering total cash proceeds of $208 million. This transaction enabled Brickworks to fund its expansion into North America. Brickworks now holds a 39.4% interest in WHSP.

Contribution

Brickworks contributed $58.5 million to the Group's statutory profit after tax for the half year (2018: $18.1 million). Its contribution to regular profit after tax was $41.9 million (2018: $24.1 million).

Outlook

Building Products Australia

Market fundamentals remain supportive for new housing construction, with employment levels healthy, low interest rates and high immigration levels. However, tighter lending controls have impacted credit availability, and this has led to financing constraints causing delays and cancellations of building contracts.

In January 2019, gas price increases of 29% to 45% took effect in east coast states. This follows increases of 20% to 65% in the previous year. The full impact of energy price increases over 2018 and 2019 will result in additional costs of $24 million per annum. Due to the timing of the price increases, this impact is being progressively felt over financial years 2018, 2019 and 2020. The estimated impact in financial year 2019 is a $12 million increase compared to the prior year.

Building Products North America

With a focus on premium architectural products, Glen-Gery has a broad end-market exposure, including non-residential building, multi-residential and detached housing. Geographically, sales are concentrated primarily in the north-east and mid-west states.

Glen-Gery currently has a healthy forward order book, with a particularly large number of school development projects.

Property Trust

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

Financial Services Portfolio

Value of WHSP's holdings: **$365 million***

Listed and unlisted entities

*Market values or Directors' valuations

The assets in the Financial Services Portfolio include investments in funds management, corporate advisory and Listed Investment Companies (LICs).

While the market valuations of a number of the assets in this portfolio reduced during the half year ended 31 January 2019, most of those reductions were in line with fall in the market for the period. Despite this, the total value of the portfolio at the end of the period was $365.3 million, significantly higher than its cost base of less than $260 million.

WHSP increased the portfolio's investment in Ironbark Asset Management during the period from 13.9% to 19.7%. Ironbark provides asset management solutions for investors and financial advisers by partnering with best in class investment managers across a range of asset classes.

Pengana Capital Group, in which the portfolio has a 38.6% shareholding, recently announced that it has partnered with Grosvenor Capital Management L.P. (GCM), to launch an ASX Listed Investment Trust providing investors exposure to global private equity investments. GCM, together with its affiliates, has assets under management in excess of US$521 billion and a 20 year track record in private equity investing.

The Pengana Private Equity Trust (ASX code: PE1) will be the only investment product in Australia that will provide an opportunity for Australian investors to gain access to a diversified portfolio of global private equity fund investments, with daily liquidity, through a single ASX trade.

As at 31 January 2019	**% held**
BKI Investment Company Limited (ASX: BKI)	8.6%
Contact Asset Management Pty. Limited	20.0%
Ironbark Asset Management	19.7%
Milton Corporation Limited (ASX: MLT)	3.8%
Pengana Capital Group Limited (ASX: PCG)	38.6%
Pengana International Equities Limited (ASX: PIA)	9.6%
Pitt Capital Partners Limited	100%
URB Investments Limited (ASX: URB)	12.5%

The Financial Services Portfolio contributed $8.7 million to the Group's statutory profit after tax for the half year (2018: $8.2 million). Its contribution to regular profit after tax was $9.5 million (2018: $9.0 million).

Pharmaceutical Portfolio

Value of WHSP's holdings: **$239 million**
Total market capitalisation: **$982 million**

Listed entities

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

As at 31 January 2019	% held
Australian Pharmaceutical Industries Limited (ASX: API)	19.3%
Apex Healthcare Berhad (Bursa Malaysia code: APEX MK)	30.3%
TPI Enterprises Limited (ASX: TPE)	19.9%

API

For the year ended 31 August 2018, API reported the following results, which are compared to the previous financial year:

- Underlying net profit after tax of $54.7 million, up 0.9%;
- Underlying earnings before interest and tax of $90.5 million, down 1.5%; and
- Ongoing cost reductions saw underlying cost of doing business improve by 0.1% to 10.3%.

API noted that these results were achieved in a year that saw statutory price changes to the Pharmaceutical Benefits Scheme (PBS) and exclusive direct distribution arrangements reduce its gross profit by more than $10 million, far above the long-term trend and the impact on earnings was well recovered in the circumstances.

API has completed the first stage of its acquisition of Clearskincare Clinics a leading provider of non-invasive aesthetic services such as laser hair removal, skin treatments and cosmetic injectables. Clearskincare currently has 43 clinics in Australia and two in New Zealand, including the first clinic opened since acquisition.

In the medium term, API sees significant opportunities to grow Clearskincare's network and increase its market penetration, in particular by applying its existing customer relationship capabilities. API is already beginning to reap the benefits of Priceline Pharmacy and Clearskincare's common customer base, via exclusive offers to its Sister Club members. Overall, Clearskincare's trading is in line with API's expectations, pre the acquisition, with EBITDA margins at a very healthy 28%.

API paid a fully franked final dividend of 4.0 cents per share, up 14.3% on 2017. The total fully franked dividend for the 2018 financial year was 7.5 cents per share, up 7.1%.

Apex Healthcare

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

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

For the year ended 31 December 2018, Apex generated revenue of $220.2 million, an increase of 5.2% in MYR over the 2017 financial year. Net profit after tax attributable to shareholders was $19.8 million, an increase of 31.8% in MYR.

Apex has completed the construction of its new SPP Novo manufacturing facility in Malacca Malaysia. The new plant added 19,400 square metres to its manufacturing campus at Cheng Industrial Estate more than doubling its production floor space. Production of oral solid dosage products commenced in December.

Apex has declared a final dividend of 2.4 cents per share, bringing total dividends for the year to 4.6 cents, an increase of 12.5% in MYR over 2017.

TPI Enterprises

TPI is an internationally licenced narcotic producer supplying pain relief products. It has fully integrated operations taking product from the farm gate to tablet production and has operations in Victoria and Norway.

TPI has developed an innovative, efficient and environmentally sustainable water-based method for extracting narcotic raw material from opium poppies. Its manufacturing cost advantage is central to its strategy to achieve significant market share growth.

For the year ended 31 December 2018, TPI generated revenue of $46.2 million, an increase of 113.1%, this included the first full year of TPI Norway. Gross profit was $16.0 million, an increase of 256.9%. While the statutory net loss after tax was $5.8 million (2017: $16.7 million loss) the underlying net profit after tax was $0.7 million (2017: $2.6 million loss).

The improved results were due to: the integration and restructuring of TPI Norway with substantial cost savings realised; and increased volume throughput driving operating efficiencies.

With the restructuring and integration of TPI Norway mostly complete TPI will now focus mainly on growth.

Contribution

WHSP has equity accounted Apex's and TPI's results for the 6 months to 31 December 2018 and API's result for the 6 months to 31 August 2018.

The Pharmaceutical Portfolio contributed $6.3 million to the Group's statutory profit after tax for the half year (2018: $4.4 million). Its contribution to regular profit after tax was $8.1 million (2018: $5.7 million)

Round Oak Minerals Pty. Limited

(formerly CopperChem and Exco Resources)

Controlled entities: **100% held** Value of WHSP's holding: **$198 million*** Unlisted entity *Directors' valuation	Round Oak MINERALS

Round Oak is a mining and exploration company focused primarily on copper, zinc and gold. Round Oak has several assets throughout Australia which are currently in production or underdevelopment.

Queensland assets

Commissioning of the new gold processing facilities at Cloncurry was completed in the second half of 2018 with first gold production in December. This facility processes ore from Round Oak's portfolio of satellite open pit gold mines which will feed the plant over an initial 2 year period. The first of these, Wallace South, commenced mining activities in June 2018.

The Mt Colin underground copper mine commenced mining activities in July 2018 with underground development on track to enable first ore production in the first half of 2019. Copper ore from Mt Colin will be toll treated at Glencore's Ernest Henry operation. Activities at the mine were slowed at the end of January due to the impacts of an extreme weather event which caused widescale flooding in north-west Queensland.

Development of the Barbara open pit copper mine commenced in February 2019, with first ore expected just prior to the end of the financial year.

Western Australian assets (Jaguar)

Ore production from the Bentley underground mine at Jaguar reduced in the latter part of 2018 as the focus shifted to completing capital development to open up additional mining fronts and enable higher production rates in FY20.

Work on evaluating the development of the Triumph resource at Jaguar also commenced with this project having the potential to extend the life of Jaguar beyond its current four year mine life.

Victorian assets (Stockman)

The Stockman copper-zinc project in north-east Victoria, acquired in 2017, continued through its approval and permitting phase. The granting of an Infrastructure Mining Licence covering the project's tailings dam in July 2018 was a critical step in the approvals process, allowing Round Oak to submit the Work Plan for the project. This is the final step in the primary approvals phase and the Work Plan was submitted in the second half of 2018.

Exploration

Exploration activities are continuing in north-west Queensland on a number of prospective targets for the purpose of identifying additional copper and gold resources for future mining activities within the operating radius of the Cloncurry processing facilities.

An exploration programme aimed at increasing the mineral resource base at Stockman continued through the testing of new targets. Some positive early results have been seen and further exploration related work will continue over the coming year.

Contribution

Round Oak contributed a net loss of $22.7 million the Group's statutory result after tax for the half year (2018: $2.5 million loss). The results were impacted by significant start-up costs and expenses associated with the development of various projects, including the Wallace and Barbara gold projects and the Mount Colin and Stockman copper assets. Jaguar experienced lower ore volumes as the focus shifted to opening up additional mining fronts.

Property

In August 2018 WHSP completed the sale of its head office building at 160 Pitt Street Sydney for $95.0 million. We are leasing the upper floors of the property until we move to our new premises in April.

Construction of the warehouse at Preston's was completed during the six months ended 31 January 2018 and the sale of the property was completed in February.

The redevelopment and subdivision of the Kingsgrove property was completed during the period and five of the subdivided lots were sold to the contracted buyers. The final three lots are scheduled to settle during the second half.

WHSP has maintained its ownership of the office building at Pennant Hills, the industrial property at Castle Hill and the retail and hotel building at Penrith. The funds invested in property increased by $22.8 million as a result of repaying bank debt.

The carrying value of the Property Portfolio reduced by $70 million during the period. This was due to the sale of the 160 Pitt Street and other movements. No property values were written down during the period.

Other Investments

	% held
Listed	
Bailador Technology Investments	19.1%
Clover Corporation	21.7%
Heritage Brands	25.1%
Lindsay Australia	18.8%
Quickstep Holdings	15.9%
Verdant Minerals	33.4%
Unlisted	
Ampcontrol	43.3%
Dimeo Cleaning Services	16.1%
Seven Miles Coffee Roasters	40.0%
Specialist Oncology Property	23.2%
WHSP Aquatic Achievers	100%

New Head Office

On 1 April 2019 WHSP will open the doors of its new head office at level 14, 151 Clarence Street Sydney.

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Directors' Report

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP) present their report and the financial report of the consolidated group for the half year ended 31 January 2019.

Directors

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

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

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

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

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

Thomas Charles Dobson Millner B.Des(Industrial), GDipAppFin(Finsia), FFin, GAICD
Non-executive Director since 2011

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

Robert Gordon Westphal B.Com(UNSW), FCA, FFin, MAICD
Non-executive Director since 2006

Review of Operations

Profit after tax attributable to shareholders for the half year ended 31 January 2019 was $179.2 million, an increase of 22.6% compared to $146.2 million for the previous corresponding period.

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

	Half Year 31 Jan 2019 $000	**Half Year 31 Jan 2018** $000	% Change
Revenue from continuing operations	**723,289**	549,545 *	+ 31.6%
Profit after tax attributable to shareholders	**179,188**	146,165	+ 22.6%
Interim Dividend	**24 cents**	23 cents	+ 4.3%

* Restated as outlined in note 7 to the half year financial report.

For further information regarding the operations of the Group, refer to the Chairman's Review and the Review of Group Entities on pages 4 to 21 of this report.

Interim Dividend

Directors have declared an interim dividend of 24 cents per share in respect of the half year ended 31 January 2019, an increase of 4.3% over last year's interim dividend of 23 cents per share. The dividend will be fully franked and payable on 9 May 2019.

Auditors' Independence Declaration

The lead auditor's independence declaration for the half year ended 31 January 2019 has been received and is included on page 24.

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 21st day of March 2019.

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

In relation to the independent auditor's review for the half-year ended 31 January 2019, to the best of my knowledge and belief there have been:

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

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

Melina Alexander

M ALEXANDER
Partner

PITCHER PARTNERS
Sydney

21 March 2019

Consolidated Income Statement
For the half year ended 31 January 2019

	Notes	**Half year ended 31 January 2019 $'000**	Restated* Half year ended 31 January 2018 $'000
Revenue from continuing operations	4(i)	**723,289**	549,545
Other income	4(i)	**96,801**	12,526
Cost of sales		**(358,465)**	(267,149)
Selling and distribution expenses		**(84,747)**	(81,423)
Administration expenses		**(48,020)**	(18,955)
Acquisition costs expensed		**(35,553)**	-
Other expenses		**(11,940)**	(1,525)
Impairment expense	4(i)	**(28,444)**	(1,894)
Finance costs		**(13,521)**	(623)
Share of results from equity accounted associates	8	**95,164**	83,193
Profit before income tax from continuing operations		**334,564**	273,695
Income tax expense	4(ii)	**(91,969)**	(71,566)
Profit after tax from continuing operations		**242,595**	202,129
Profit/ (loss) after tax from discontinued operations		**220**	(4,701)
Profit after tax for the half year		**242,815**	197,428
Profit after tax attributable to non-controlling interests		**(63,627)**	(51,263)
Profit after tax for the half year attributable to members of Washington H. Soul Pattinson and Company Limited		**179,188**	146,165

Earnings per share	**2019 Cents**	2018 Cents
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company	**74.85**	61.06
Earnings per share for continuing operations		
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company	**74.76**	63.02
	No. of shares	
Weighted average number of shares used in calculating basic and diluted earnings per share	**239,395,320**	239,395,320

* Comparative figures have been restated to present the impacts of the current year discontinued operations (as outlined in note 7) as well as other classifications on the Statement of Comprehensive Income to better reflect the disclosures in the current year.

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

Consolidated Statement of Comprehensive Income
For the half year ended 31 January 2019

	Half year ended 31 January 2019 $'000	Half year ended 31 January 2018 $'000
Profit after tax for the half year	**242,815**	197,428
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Net movement in the fair value of long term equity investments, net of tax	**-**	9,350
Transfer to profit and loss on disposal of long term equity investments, net of tax	**-**	(5,308)
Net movement in hedge reserve, net of tax	**8,445**	(8,871)
Net movement in foreign currency translation reserve, net of tax	**699**	272
Net movement in equity reserve, net of tax	**(1,715)**	(81)
Total other comprehensive income/ (expense) for the half year, net of tax	**7,429**	(4,638)
Total comprehensive income for the half year	**250,244**	192,790
Total comprehensive income attributable to non-controlling interests	**(69,119)**	(46,768)
Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited	**181,125**	146,022

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

Consolidated Statement of Financial Position
As at 31 January 2019

	Notes	**31 January 2019 $'000**	31 July 2018 $'000
Current assets			
Cash and cash equivalents		**123,123**	337,933
Term deposits		**1,044**	206,044
Trade and other receivables		**143,622**	131,723
Inventories		**124,560**	93,236
Assets classified as held for sale		**80,694**	1,407
Trading equities	11	**57,484**	69,930
Derivative financial instruments	11	**12,350**	-
Total current assets		**542,877**	840,273
Non-current assets			
Trade and other receivables		**72,496**	53,525
Equity accounted associates		**1,565,860**	1,517,125
Long term equity investments	11	**730,520**	749,869
Investment properties	11	**106,233**	158,254
Property, plant and equipment		**2,161,452**	1,520,573
Exploration and evaluation assets		**329,234**	310,798
Deferred tax assets		**47,839**	71,567
Intangible assets		**105,044**	73,553
Total non-current assets		**5,118,678**	4,455,264
Total assets		**5,661,555**	5,295,537
Current liabilities			
Trade and other payables		**161,753**	131,521
Interest bearing liabilities	9	**32,492**	25,267
Derivative financial instruments	11	**9**	3,353
Current tax liabilities		**34,603**	81,091
Provisions	10	**91,802**	71,219
Total current liabilities		**320,659**	312,451
Non-current liabilities			
Trade and other payables		**30,952**	30,033
Interest bearing liabilities	9	**220,447**	19,790
Deferred tax liabilities		**414,606**	405,270
Provisions	10	**221,208**	186,388
Total non-current liabilities		**887,213**	641,481
Total liabilities		**1,207,872**	953,932
Net assets		**4,453,683**	4,341,605
Equity			
Share capital		**43,232**	43,232
Reserves		**110,951**	605,865
Retained profits		**3,292,308**	2,718,057
Parent entity interest		**3,446,491**	3,367,154
Non-controlling interests		**1,007,192**	974,451
Total equity		**4,453,683**	4,341,605

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

Consolidated Statement of Changes in Equity
For the half year ended 31 January 2019

Consolidated Entity	Share capital $'000	Retained profits $'000	Reserves $'000	Total Parent entity interest $'000	Non-controlling interests $'000	Total $'000
Total equity at the beginning of the half year – 1 August 2018	**43,232**	**2,718,057**	**605,865**	**3,367,154**	**974,451**	**4,341,605**
Effect of initial adoption of AASB 9	-	53,892	(53,892)	-	-	-
Effect of AASB 15 implementation	-	2,955	-	2,955	-	2,955
Restated balance at the beginning of the half year – 1 August 2018	**43,232**	**2,774,904**	**551,973**	**3,370,109**	**974,451**	**4,344,560**
Net profit for the half year after tax	**-**	**179,188**	**-**	**179,188**	**63,627**	**242,815**
Other comprehensive income for the half year						
Net movement in hedge reserve, net of tax	-	-	2,953	2,953	5,492	8,445
Net movement in foreign currency translation reserve, net of tax	-	-	699	699	-	699
Net movement in general reserve, net of tax *	-	402,206	(402,206)	-	-	-
Net movement in equity reserve, net of tax	-	-	(1,715)	(1,715)	-	(1,715)
Total comprehensive income/ (loss) for the half year	**-**	**581,394**	**(400,269)**	**181,125**	**69,119**	**250,244**
Transactions with owners						
Dividends declared and paid	-	(64,195)	-	(64,195)	(35,045)	(99,240)
Net movement in asset revaluation reserve, net of tax	-	-	(44,453)	(44,453)	(257)	(44,710)
Net movement in share-based payments reserve	-	205	1,502	1,707	196	1,903
Net movement in capital profit reserve , net of tax	-	-	2,198	2,198	99	2,297
Transactions with non-controlling interests	-	-	-	-	(1,371)	(1,371)
Total equity at the end of the half year – 31 January 2019	**43,232**	**3,292,308**	**110,951**	**3,446,491**	**1,007,192**	**4,453,683**

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

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

Consolidated Statement of Changes in Equity
For the half year ended 31 January 2019

Consolidated Entity	Share capital	Retained profits	Reserves	Total Parent entity interest	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total equity at the beginning of the half year – 1 August 2017	43,232	2,603,186	611,226	3,257,644	780,666	4,038,310
Net profit for the half year after tax	-	146,165	-	146,165	51,263	197,428
Other comprehensive income for the half year						
Net movement in asset revaluation reserve, net of tax	-	-	4,163	4,163	(121)	4,042
Net movement in hedge reserve, net of tax	-	-	(4,497)	(4,497)	(4,374)	(8,871)
Net movement in foreign currency translation reserve, net of tax	-	-	272	272	-	272
Net movement in equity reserve, net of tax	-	-	(81)	(81)	-	(81)
Total comprehensive income for the half year	-	146,165	(143)	146,022	46,768	192,790
Transactions with owners						
Dividends declared and paid	-	(62,220)	-	(62,220)	(20,464)	(82,684)
Net movement in share-based payments reserve	-	74	1,865	1,939	(111)	1,828
Transactions with non-controlling interests	-	(1,238)	(3,507)	(4,745)	180,457	175,712
Tax on partial disposal of controlled entity to non-controlling interests	-	(43,868)	-	(43,868)	-	(43,868)
Equity transfer from members on issue of share capital in controlled entity	-	-	-	-	2,425	2,425
Total equity at the end of the half year – 31 January 2018	43,232	2,642,099	609,441	3,294,772	989,741	4,284,513

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 ended 31 January 2019

	Half year ended 31 January 2019 $'000	Half year ended 31 January 2018 $'000
Cash flows from operating activities		
Receipts from customers inclusive of GST	**750,399**	561,074
Payments to suppliers and employees inclusive of GST	**(487,767)**	(351,070)
	262,632	210,004
Dividends received	**51,987**	42,928
Interest received	**6,827**	3,089
Acquisition costs paid	**(701)**	-
Finance costs paid	**(285)**	(470)
Income taxes paid	**(101,966)**	(985)
Net cash inflow from operating activities	**218,494**	254,566
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	**(72,987)**	(59,445)
Proceeds from sale of property, plant and equipment	**95,882**	1,912
Payments for capitalised exploration and evaluation activities	**(18,399)**	(10,219)
Net proceeds from term deposits	**205,000**	-
Payments for development of investment properties	**(21,057)**	(4,209)
Payments for equity investments	**(46,134)**	(27,084)
Proceeds from sale of equity investments	**17,755**	29,015
Proceeds from sale of investment properties	**1,428**	-
Payments for acquisition of Bengalla, net of cash acquired	**(645,000)**	-
Proceeds from the sale of controlled entity	**-**	175,736
Loan repayments	**7,041**	329
Loans advanced	**(46,000)**	(9,174)
Net cash (outflow)/ inflow from investing activities	**(522,471)**	96,861
Cash flows from financing activities		
Dividends paid to WHSP shareholders	**(79,000)**	(76,607)
Dividends paid by subsidiaries to non-controlling interests	**(34,944)**	(20,506)
Net proceeds from interest bearing liabilities	**495,000**	-
Repayment of external borrowings	**(289,646)**	(41,167)
Proceeds from issue of equity	**-**	2,293
Return of capital to non-controlling interests	**(1,371)**	-
Payment of shares acquired for the employee long term incentive plan	**(569)**	-
Net cash inflow/ (outflow) from financing activities	**89,470**	(135,987)
Net (decrease)/ increase in cash and cash equivalents	**(214,507)**	215,440
Cash and cash equivalents at the beginning of the half year	**337,933**	301,275
Effects of exchange rate changes on cash and cash equivalents	**(303)**	2,314
Cash and cash equivalents at the end of the half year	**123,123**	519,029

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

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies

(a) Basis of preparation

The interim financial report for the half year ended 31 January 2019 is a general purpose financial report and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 31 July 2018 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated Entity" or "Group") during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half year reporting period, except as disclosed in Note 12.

The interim financial statements have been authorised for issue by the Directors on 21 March 2019.

(b) Estimates

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

In preparing this half year financial report, the significant judgements made by management and the key sources of estimation were the same as those that applied to the consolidated financial report as at and for the year ended 31 July 2018.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial results for the half year ended 31 January 2019 include the assessment of the recoverable amounts for non-current assets, including coal assets (refer discussion below), investments in associates and long term equity investments (refer to note 4(i)), copper assets and oil producing assets.

Key estimate – New Hope Corporation Limited - Queensland Mining Operations

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

As a result of this assessment, New Hope Corporation Limited has determined that no impairment is required in relation to these assets for the half year ended 31 January 2019.

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

Impairment assessment

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

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

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

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

New Acland Stage 3 approvals
A number of uncertainties associated with the approvals timeline and conditionality of the New Acland Coal Stage 3 project (NAC03) remain at 31 January 2019. Consistent with the position outlined in the financial report for the previous year ended 31 July 2018, the significant delays in the approval process, which have the potential to delay the commencement of NAC03, have been assessed to be an indicator of potential impairment of the Queensland coal mining operations CGU assets.

In the financial report for the previous year ended 31 July 2018 it was disclosed that on 14 February 2018, the Chief Executive of Department of Environment and Heritage Protection (DEHP) made a decision to refuse the application for amendment of the Environmental Authority (EA), following the original decision of the Land Court to not recommend the granting of a Mining lease (ML) for NAC03 on 31 May 2017. New Hope Corporation Limited, through its wholly-owned subsidiary New Acland Coal Pty Ltd (New Acland), was successful in a Judicial Review of the Land Court decision with a decision handed down by the Supreme Court of Queensland on 28 May 2018 in favour of New Acland with the key orders being:

- The decisions made by the Land Court on 31 May 2017 recommending rejection of the ML applications for NAC03, and for the refusal of the application for amendment of the EA, were set aside with effect from 31 May 2017;
- The decision of the Chief Executive of DEHP to refuse the application for an amendment of the EA was set aside with effect from 14 February 2018; and
- The recommendations of the Land Court in respect of groundwater and intergenerational equity (as it relates to groundwater) were held to be not relevant for consideration by the Land Court and that the matter of noise required further consideration by the Land Court.

In the half year since 31 July 2018, the following matters are relevant:

- A hearing of the Land Court, in accordance with the instructions of the Supreme Court from the Judicial Review, was held in early October 2018 with a decision handed down on 7 November 2018. The Land Court conditionally recommended that the ML and EA amendment be granted subject to certain conditions including the Coordinator-General first amending the noise limit conditions to 35 dBA in the evening and night with the Department of Environment and Science incorporating the changes in the amendment of the EA by 31 May 2019;
- On 15 February 2019, New Hope Corporation Limited was advised by the Department of Environment and Science that, after provision of the Coordinator General's change report on 12 February 2019 approving amendments to noise limit conditions recommended by the Land Court, the preconditions to the Land Court's recommendation to approve the application to amend the EA for NAC03 have now been satisfied. As a further result of the Coordinator General's change report, the preconditions to the Land Court's recommendation to approve the ML for NAC03 have also been satisfied;
- On 12 March 2019, New Hope Corporation Limited was advised by Department of Environment and Service (DES) that they have granted the application to amend the EA for NAC03;

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

- New Acland is continuing to defend the Judicial Review decision of the Supreme Court of Queensland in the Court of Appeal with a hearing finalised on 28 February 2019 with a decision expected in the next several months. A negative outcome from this court process, may displace the decision in the new Land Court hearing referred to above and require an appeal to the High Court by New Acland, depending on the implications of the Court of Appeal's decision (noting that there are various grounds for review under appeal). Equally, a positive outcome from the Court of Appeal process may still be appealed to the High Court by the appellant (the Oakley Coal Action Alliance);
- The Associated Water License (AWL) application process re-started during July 2018 following engagement with the Department of Natural Resources, Mines and Energy (DNRM). On 19 January 2019, New Acland lodged an Amended AWL application. DNRM is currently preparing the Amended AWL application for the public notification phase of the application process. This approval is subject to potential Land Court challenge subsequent to granting as well as potential appeal processes.

New Hope Corporation Limited has undertaken an impairment assessment as required under AASB 136 for the half year ended 31 January 2019. New Hope Corporation Limited carefully considered the potential impact on future cash flows of recent developments in the legal and regulatory environment.

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

(i) *Extensions of approvals timeline*

The assessments assume that project approvals will be received in 2019 in the earliest instance, or in 2025 at the latest instance.

(ii) *Coal price assumptions*

Short term coal prices have improved slightly since 31 July 2018 and long term indications of pricing improved. New Hope Corporation Limited has acknowledged the wider pricing differential in high ash product pricing in its assessment to 31 January 2019. As a result the coal price range for assessments at 31 January 2019 is US$65 – US$125 per tonne (nominal basis).

Having due regard to all relevant information, New Hope Corporation Limited has concluded that none of these matters, either individually or in aggregate, result in the recoverable amount for the CGU being below its carrying value. As a result of the impairment assessment undertaken there are no impairments required in relation to the assets of the Queensland mining operations CGU as at 31 January 2019.

The carrying value of the coal mining CGU's assets of New Hope Corporation Limited is set out below:

	31 January 2019 $'000	31 July 2018 $'000
Property, plant and equipment		
Land and buildings	54,986	55,509
Plant and equipment	104,596	107,981
Mine reserves, leases and development assets	3,205	3,977
Plant under construction	48,939	50,978
Intangibles		
Software	1,045	1,207
Exploration and evaluation		
Exploration and evaluation at cost	40,346	37,873
Total carrying value	**253,117**	257,525

Notes to the Consolidated Financial Statements

1. Statement of significant accounting policies (continued)

The Queensland coal mining CGU has take or pay agreements for rail, port and water supply. The rail agreement is generally aligned to the recovery of Stage 2 coal while the port and water agreements are longer term. The longer term rail and port arrangements are not of a sufficient amount to constitute a material impact on value unless approval delays extend beyond those currently foreseeable.

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

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

	31 January 2019 $'000	31 July 2018 $'000
Property, plant and equipment		
Land and buildings	1,655	1,694
Plant and equipment	81,807	87,477
Mine reserves, leases and development assets	11,660	11,872
Plant under construction	856	284
Intangibles		
Software	127	142
Goodwill	5,596	5,596
Total carrying value	**101,701**	107,065

The financial statements have been prepared on the basis that approvals are granted within a reasonable time period, and as a result, there is no significant impact on the value recoverable from the project and therefore the Queensland coal mining CGU at 31 January 2019. In the event that future events have a negative impact on the recoverable value of the Queensland coal mining operations CGU, the assets of that CGU may be subject to impairment.

2. Parent Entity Financial Information

Source of shareholder's dividends

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

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

The classification of income and expenses as regular or non-regular is consistent with the Consolidated entity's measurement of segment results. This is a non-statutory measure and a reconciliation to the Parent Entity's profit after tax is provided. The Director's have presented this information, which is used by the Chief Operating Decision Maker as they consider the disclosure enhances the understanding of the results to members and users of the financial statements.

ACCOUNTING POLICIES

Parent Entity

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

In the Parent Entity, investments in subsidiaries and associates are carried at the lower of cost or impaired cost. Dividends from these entities are recognised as income within profit. This approach reflects Parent entity's activities as an investor.

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

Statement of Financial Position

	As at 31 Jan 2019 $'000
Current assets	
Cash and term deposits	12,221
Assets held for sale	22,342
Other current assets (includes FVTPL assets)	111,085
Total current assets	**145,648**
Non-current assets	
Long term equity investments – measured at market value (includes FVOCI assets)	654,399
Other financial assets	
– Listed controlled and associated entities – measured at the lower of cost or impaired value	551,404
– Unlisted entities – measured at the lower of cost or impaired value	427,301
Other non-current assets	129,148
Total non-current assets	**1,762,252**
Total assets	**1,907,900**
Total current liabilities	**32,415**
Total non-current liabilities	**75,920**
Total liabilities	**108,335**
Net assets	**1,799,565**
Equity	
Share capital	43,232
Reserves	108,343
Retained profits	1,647,990
Total equity	**1,799,565**

Income Statement

	Half year to 31 Jan 2019 $'000
Profit after tax	**138,054**
Less: Non-regular items after tax	
Net gain on sale of property	(68,968)
Non cash unfranked dividend on demerger of listed investment	(3,592)
Net impairment expense on investments	18,449
Net impairment expense on associates	1,083
Other	(867)
Regular profit after tax	**84,159**
Other comprehensive income	
Net movement in the fair value of the listed investment portfolio	(39,539)

Market value of listed entities as at 31 January 2019
(based on ASX closing prices 31 January 2019)

	Holding	$'000
Long term equity investments		
Milton Corporation Limited		112,716
BKI Investment Company Limited		99,848
Commonwealth Bank of Australia		62,297
Clover Corporation Limited		49,387
Pengana International Equities Limited		26,564
Woolworths Limited		26,136
Macquarie Group Limited		24,928
National Australia Bank Limited		20,800
Lindsay Australia Limited		20,267
Bailador Technology Investments Limited		17,940
Brambles Limited		17,232
Other listed entities		176,284
Market value of long term equity investments		**654,399**
Listed controlled and associated entities	**Holding**	
TPG Telecom Limited	25.3%	1,638,429
New Hope Corporation Limited	50.0%	1,666,943
Brickworks Limited	43.8%	1,081,175
Australian Pharmaceutical Industries Ltd	19.3%	119,786
Pengana Capital Group Limited	38.6%	85,630
Apex Healthcare Berhad	30.3%	98,900
TPI Enterprises Limited	19.9%	19,897
Verdant Minerals Limited	33.4%	5,534
Market value of listed controlled and associated entities		**4,716,294**
Total value of WHSP's listed investments		**5,370,693**

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 Jan 2019, a capital gains tax liability of approximately $1,269.6 million would have arisen based on market values as at 31 Jan 2019. Of this amount, only $76.96 million has been recognised in the Parent company accounts at 31 Jan 2019.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 Jan 2019 and are therefore subject to price fluctuations.

Regular Profit after Tax and Regular Operating Cash Flows

For the half year ended 31 January 2019	Half year to 31 Jan 2019 $'000
Interest income (from cash and loans)	**7,412**
Dividend and distribution income	
Milton Corporation Limited	2,572
BKI Investment Company Limited	2,309
Commonwealth Bank of Australia	2,059
Clover Corporation Limited	447
Pengana International Equites Limited	853
Woolworths Limited	534
Macquarie Group Limited	460
National Australia Bank Limited	863
Lindsay Australia Limited	555
Brambles Limited	235
Other listed entities	5,366
TPG Telecom Limited	4,688
New Hope Corporation Limited	33,256
Brickworks Limited	23,632
Australian Pharmaceutical Industries Ltd	3,803
Pengana Capital Group Limited	2,589
Apex Healthcare Berhad	758
Other controlled and associates	6,703
Total dividend and distribution income	**91,682**
Other revenue	**87**
Realised and fair value (losses) / gains on equities	**(8,221)**
Other expenses	**(8,117)**
Finance costs	**(142)**
Regular profit before tax	**82,701**
Income tax benefit / (expense)	**1,458**
Regular profit after tax	**84,159**
Non-cash fair value loss / (gains) on equities	**7,958**
Net movements in working capital	**(127)**
Regular operating cash flows	**91,990**
The Board declares dividends having regard to the Parent company's regular operating cash flows.	
Dividends paid/payable	
Interim of 24 cents per share paid 9 May 2019	57,455
Total dividends paid/payable	**57,455**
Payout ratio	
Dividends as a percentage of regular operating cash flows	62.46%

Notes to the Consolidated Financial Statements

3. Segment Information

Corporate structure

The Parent Entity invests in a diversified range of entities.

Larger holdings in a single entity are classified as follows:

Controlled entities: (subsidiaries):	The Parent Entity is able to control the activities of the organisation.
Associates:	The Parent Entity has significant influence but does not control the activities of the organisation. Results from listed associates are sourced from publicly available information. Unlisted associates results are sourced directly from investee.

During the period ending 31 January 2019, New Hope Corporation Limited, a controlled entity of the Group acquired an additional 30% interest in the Bengalla Joint Venture. Refer to note 6.

For changes in ownership of associates, refer to note 8.

Change in reporting segments
The Group has amended its segment disclosures to more accurately reflect the current information provided to the Chief Operating Decision Maker (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 2018 financial year 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 year segment disclosures.

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

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

The Group's operating segments are described as:

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

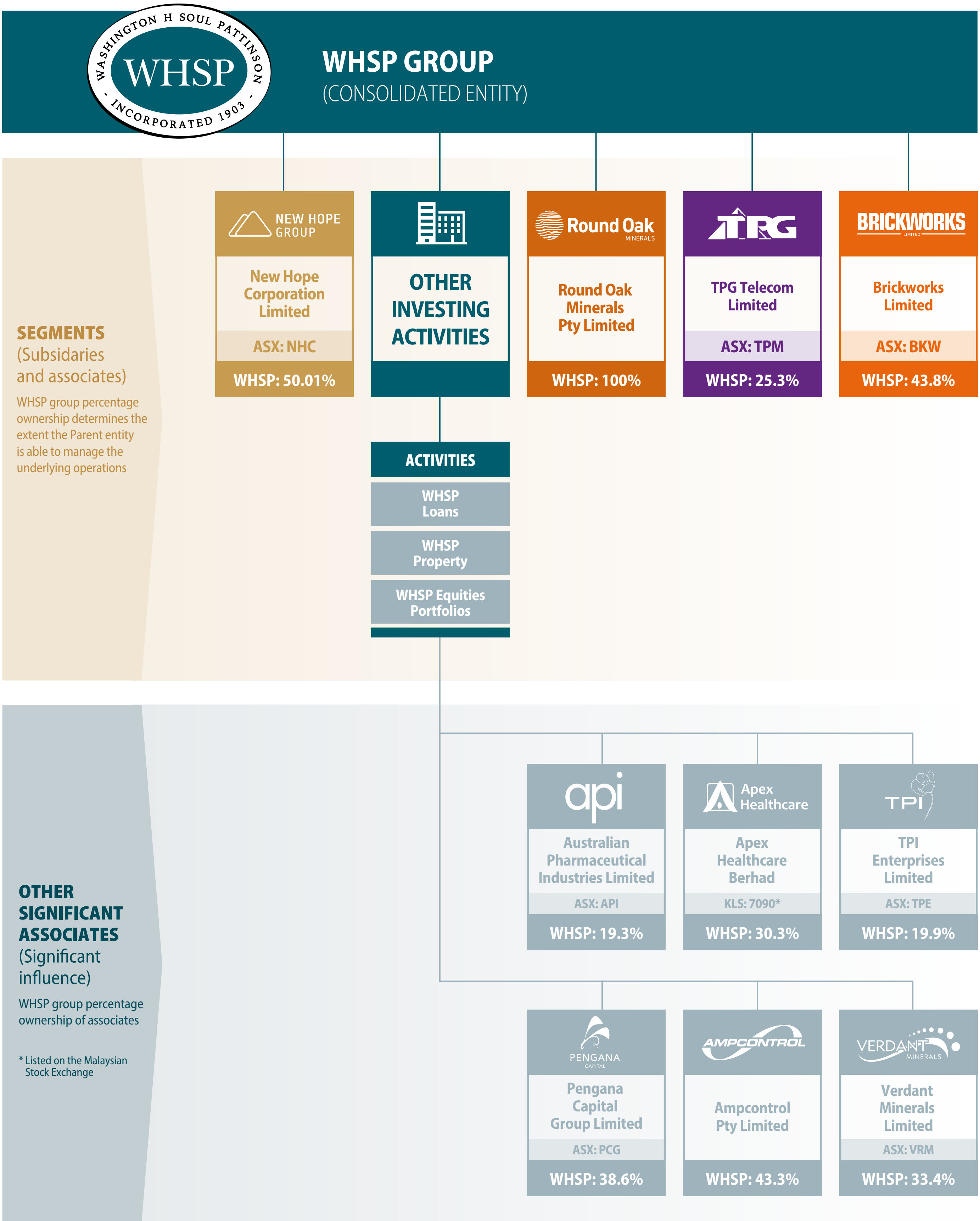
Other investing activities
The Group invests in diverse portfolio of equities, properties, loans, cash and term deposits

Round Oak Minerals Pty Limited
The Group engages in zinc, copper and gold mining activities which includes exploration, mining and processing of ore into copper concentrate, copper sulphide and gold.

TPG Telecom Limited (TPG)
WHSP has a 25.3% strategic investment in TPG. TPG is a telecommunications and internet provider.

Brickworks Limited (Brickworks)
WHSP has a 43.8% strategic investment in Brickworks. Brickworks is a diversified business that has 3 divisions, manufacture and sales of building products, property development and an investment in Washington H. Soul Pattinson and Company Limited.

3. Segment Information continued



Notes to the Consolidated Financial Statements

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

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

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

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

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

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

Reconciliation between regular profit after tax attributable to members and profit after tax:	**Half year ended 31 January 2019 $'000**	Half year ended 31 January 2018 $'000
Regular profit after tax attributable to members	**186,694**	166,354
Non-regular items – net of tax		
Gain on disposal of equity investments	**-**	9,287
Gain on deemed disposal of equity accounted associates	**1,345**	190
Share of significant items from associate entities	**(89,392)**	(7,685)
Equity accounted gain on sale of WHSP shares by Brickworks	**74,651**	-
Impairment of equity accounted associates	**(28,444)**	(1,894)
Deferred tax expense recognised on equity accounted associate entities	**(19,155)**	(19,888)
Gain on sale of 160 Pitt Street Mall	**68,968**	
Non-cash in-specie dividend	**3,592**	-
Acquisition costs expensed	**(13,234)**	-
Onerous contract expense	**(5,971)**	-
Transaction costs on guarantee facility	**(1,529)**	-
Insurance proceeds on ship loader	**830**	-
Gain on discontinued operation	**110**	
Other items	**723**	(199)
Total non-regular (losses) after tax attributable to members	**(7,506)**	(20,189)
Profit after tax attributable to members	**179,188**	146,165

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

a) Reporting segments Half year ended 31 January 2019	New Hope Corporation Limited $'000	Other Investing activities $'000	Round Oak Minerals Limited $'000	TPG Telecom Limited ^ $'000	Brickworks Limited ^ $'000	Intersegment /unallocated $'000	Consolidated $'000
Revenue from external customers **	**616,690**	**42,219**	**64,380**	**-**	**-**	**-**	**723,289**
Intersegment revenue ***	-	63,169	-	-	-	(63,169)	-
Total revenue	**616,690**	**105,388**	**64,380**	**-**	**-**	**(63,169)**	**723,289**
Regular profit/ (loss) before income tax	**230,905**	**41,408**	**(31,789)**	**56,902**	**41,906**	**(7,297)***	**332,035**
Add non-regular items before tax	(51,497)	66,867	(619)	(45,054)	32,935	(103)	**2,529**
Profit/ (loss) before income tax	**179,408**	**108,275**	**(32,408)**	**11,848**	**74,841**	**(7,400)**	**334,564**
Less income tax (expense)/ benefit	(57,169)	(28,237)	9,724	(2,148)#	(16,359)#	2,220	(91,969)
Profit after tax from discontinued operations	220	-	-	-	-	-	220
Profit/ (loss) after tax	**122,459**	**80,038**	**(22,684)**	**9,700**	**58,482**	**(5,180)**	**242,815**
Less (profit)/ loss attributable to non-controlling interests	(60,095)	(3,532)	-	-	-	-	(63,627)
Profit/ (loss) after tax attributable to members	**62,364**	**76,506**	**(22,684)**	**9,700**	**58,482**	**(5,180)**	**179,188**
Profit/ (loss) after tax attributable to members (as above)	**62,364**	**76,506**	**(22,684)**	**9,700**	**58,482**	**(5,180)**	**179,188**
Non-regular loss/ (profit) after tax attributable to members	19,785	(43,266)	433	47,202	(16,576)	(72)	7,506
Regular profit/ (loss) after tax attributable to members	**82,149**	**33,240**	**(22,251)**	**56,902**	**41,906**	**(5,252)**	**186,694**

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

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

*** Represents Parent Entity dividends received from subsidiaries and associates that are eliminated on consolidation.

^ These investments are equity accounted associates, consequently there is no revenue.

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

Notes to the Consolidated Financial Statements

3. Segment Information (continued)

b) Reporting segments Half year ended 31 January 2018 (restated)	New Hope Corporation Limited	Other Investing activities	Round Oak Minerals Limited	TPG Telecom Limited ^	Brickworks Limited ^	Intersegment /unallocated	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers **	**509,294**	**28,976**	**11,275**	**-**	**-**	**-**	**549,545**
Intersegment revenue ***	-	56,713	-	-	-	(56,713)	-
Total revenue	**509,294**	**85,689**	**11,275**	**-**	**-**	**(56,713)**	**549,545**
Regular profit/ (loss) before income tax	**171,864**	**34,836**	**(3,298)**	**54,802**	**24,129**	**(5,886)***	**276,447**
Add non-regular items before tax	-	3,886	(201)	(4,777)	(1,370)	(290)	**(2,752)**
Profit/ (loss) before income tax	**171,864**	**38,722**	**(3,499)**	**50,025**	**22,759**	**(6,176)**	**273,695**
Less income tax (expense)/ benefit	(51,575)	(4,644)	1,047	(13,612)#	(4,635)#	1,853	(71,566)
Loss after tax from discontinued operations	(4,701)	-	-	-	-	-	(4,701)
Profit/ (loss) after tax	**115,588**	**34,078**	**(2,452)**	**36,413**	**18,124**	**(4,323)**	**197,428**
Less (profit)/ loss attributable to non-controlling interests	(51,083)	(180)	-	-	-	-	(51,263)
Profit/ (loss) after tax attributable to members	**64,505**	**33,898**	**(2,452)**	**36,413**	**18,124**	**(4,323)**	**146,165**
Profit/ (loss) after tax attributable to members (as above)	**64,505**	**33,898**	**(2,452)**	**36,413**	**18,124**	**(4,323)**	**146,165**
Non-regular loss/ (profit) after tax attributable to members	-	(4,560)	152	18,389	6,005	203	20,189
Regular profit/ (loss) after tax attributable to members	**64,505**	**29,338**	**(2,300)**	**54,802**	**24,129**	**(4,120)**	**166,354**

* Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.
** The revenue of New Hope Corporation Limited and Round Oak Minerals Limited is in respect of contracts with customers recognised at a point in time.
*** Represents Parent Entity dividends received from subsidiaries and associates that are eliminated on consolidation.
^ These investments are equity accounted associates, consequently there is no revenue.
# The income tax expense relates to the equity accounted associates deferred tax on consolidation.

Notes to the Consolidated Financial Statements

4. Profit for the half year

(i) Profit before income tax expense

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

	2019 $'000	Restated 2018 $'000
(a) Revenue		
Sales revenue	**692,896**	526,186
Dividend and distribution revenue	**20,171**	14,464
Interest revenue	**5,019**	3,497
Rental revenue	**4,815**	4,374
Other	**388**	1,024
	723,289	549,545

	2019 $'000	2018 $'000
(b) Other income		
(Losses)/ gains on trading equities fair valued through profit or loss	**(8,221)**	1,874
Gains on deemed disposal of equity accounted associates	**1,921**	272
Gains on sale of property, plant and equipment	**92,206**	-
Gains on disposal of equity investments	**-**	9,902
Insurance recovery from ship loader	**2,883**	-
Gain on revaluation of a investment property	**7,655**	-
Other	**357**	478
	96,801	12,526

	2019 $'000	2018 $'000
(c) Impairment expenses		
Impairment of equity accounted associates *(1)*	**(28,444)**	(1,894)
	(28,444)	(1,894)

(1) Impairment of equity accounted associates

The recoverable amount of investments in equity accounted associates has been assessed as at 31 January 2019. Where the carrying value of an investment exceeds the recoverable amount, the investment has been impaired. During the half year ended 31 January 2019, impairment expense of $28.444 million has been recognised predominately on the investment in Pengana Capital Group Limited ($28.04 million).

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

Notes to the Consolidated Financial Statements

4. Profit for the half year (continued)

(ii) Tax expense

	2019 $'000	Restated 2018 $'000
Reconciliation of prima facie tax expense to income tax expense:		
Profit from continuing operations before income tax	**334,564**	273,695
Profit / (loss) from discontinuing operations before income tax	**220**	(6,716)
	334,784	266,979
Income tax at 30% (2018: 30%)	**100,435**	80,094
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Tax (benefit) on sale of 160 Pitt Street Mall	**(4,896)**	-
Sale of long term equity investments	**-**	(2,356)
Net impairment expenses	**8,533**	568
Franking credits received (excluding controlled and associate entities)	**(4,155)**	(4,003)
Tax (benefit) on the carrying value of equity accounted associates	**(9,765)**	(5,070)
Onerous contract (non-deductible)	**3,574**	-
Other	**(1,757)**	318
Income tax expense	**91,969**	69,551
Income tax expense is attributable to:		
Profit from continuing operations	**91,969**	71,566
Loss from discontinued operations	**-**	(2,015)
	91,969	69,551

Notes to the Consolidated Financial Statements

5. Dividends

		$'000	Amount per security CPS	Franking per security CPS
Interim dividend	**Current half year dividend declared but not yet recognised in retained profits, payable on 9 May 2019**	**57,455**	**24c**	**24c**
	Previous corresponding half year, paid on 10 May 2018	55,061	23c	23c
Final dividend 2018	A final dividend, not previously recognised in retained profits, was paid on 10 December 2018	79,000	33c	33c

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

Total number of ordinary shares on issue at the end of the reporting period was 239,395,320 (2018: 239,395,320).

6. Business Combination

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

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

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

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

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

Notes to the Consolidated Financial Statements

6. Business Combination (continued)

Other unincorporated arrangements
As a result of the acquisition of an additional 30% interest in the Bengalla Joint Venture, New Hope Corporation Limited has identified another category of interest in other entities and provides below the updated accounting policy of that arrangement.

New Hope Corporation Limited participates in unincorporated arrangements and has rights to its share of the assets and obligations rather than a right to a net return, but does not share joint control. In such cases, New Hope Corporation Limited recognises its share of assets and liabilities, revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the unincorporated arrangement and its share of expenses. These interests are measured in accordance with the terms of the arrangement, which is usually in proportion to the New Hope Corporation Limited's ownership interest. These amounts are recorded in the financial statements on the appropriate lines.

(i) Summary of an acquisition

On 3 December 2018, New Hope Corporation Limited acquired an additional 30% of the assets and liabilities of the Bengalla Joint Venture. This acquisition was effective on 1 December 2018. The Bengalla Joint Venture is a coal mining and extraction operation producing thermal coal in the Hunter Valley, New South Wales in which New Hope Corporation Limited has held 40% since 1 March 2016.

Revenue and profit contribution
The acquired business contributed revenues of $68,040,000 and profit before tax and non-regular items since acquisition of $30,162,000 to the New Hope Corporation Limited for the period 1 December 2018 to 31 January 2019. The anticipated increase in production and sales tonnes annually are 2,700,000 tonnes.

Details of the acquisition
Purchase consideration and the net assets acquired are as follows:

	2019 $'000
Cash paid – current year (refer to note 6(ii))	648,786
Purchase price adjustment receivable	(3,639)
Total purchase consideration	645,147

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

Cash	3,786
Receivables	13,721
Inventories	18,236
Property, plant and equipment	622,188
Intangibles	31,133
Accounts payable and accruals	(12,239)
Provisions	(31,678)
Net assets acquired	645,147

New Hope Corporation Limited has also reached a binding commitment with Mitsui to purchase its 10% interest in the Bengalla Joint Venture for $215 million. The Mitsui transaction is expected to be finalised in March 2019.

Notes to the Consolidated Financial Statements

6. Business Combination (continued)

(ii) **Purchase consideration**

	2019
Outflow of cash to acquire subsidiary, net of cash required:	**$'000**
Total cash consideration	**648,786**
Less: cash balances acquired	**(3,786)**
Outflow of cash – investing activities	**645,000**

Other costs of $701,000 incidental to the acquisition have been recognised in the Consolidated Statement of Cash Flows as an outflow from operating activities. Stamp duty of $32,574,000 has been accrued in the current trade and other payables.

7. Discontinued Operations

Accounting policy
A discontinued operation is a component or subsidiary of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of Comprehensive Income.

(i) Description

On 17 October 2018, two New Hope Corporation Limited wholly owned subsidiaries, Northern Energy Corporation Limited and Colton Coal Pty Ltd were placed into voluntary administration. Effective on this date, New Hope Corporation Limited lost control over these subsidiaries. The financial information relating to the discontinued operations for the period to 17 October 2018 is set out below.

Notes to the Consolidated Financial Statements

7. Discontinued Operations (continued)

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the period ended 17 October 2018 and the comparative balance for the half year ended 31 January 2018.

	31 January 2019 $'000	31 January 2018 $'000
Revenue	**26**	91
Expenses	**(2,828)**	(6,807)
Loss before income tax	**(2,802)**	(6,716)
Income tax benefit	**-**	2,015
Loss after income tax of discontinued operations	**(2,802)**	(4,701)
Profit on loss of control of subsidiary after income tax (see (c) below)	**3,022**	-
Profit/ (loss) from discontinued operations	**220**	(4,701)
Other comprehensive income from discontinued operations	**-**	**-**
Net cash outflow from operating activities	**(329)**	(5,993)
Net cash inflow/ (outflow) from investing activities	**26**	(2)
Net cash inflow/ (outflow) from financing activities	**303**	(8,627)
Net cash (outflow) from discontinued operations	**-**	(14,622)
	Cents	Cents
Basic earnings per share from discontinued operations	**0.09**	(1.96)
Diluted earnings per share from discontinued operations	**0.09**	(1.96)

(iii) Details of the disposal of the subsidiaries

	31 January 2019 $'000	31 January 2018 $'000
Total consideration	**-**	-
Carrying amount of net liabilities	**(3,022)**	-
Profit before income tax	**3,022**	-
Income tax expense	**-**	-
Profit on loss of control of subsidiary after income tax	**3,022**	**-**

Notes to the Consolidated Financial Statements

8. Equity accounted associates

Name of associated entity	Group's percentage of holding at balance date*		Contribution to Group net profit for the half year **						Fair value of listed investments***	
	January 2019	January 2018	**2019**			2018			**January 2019**	July 2018
			Regular	**Non-regular**	**Total**	Regular	Non-regular	Total		
Associates- held by WHSP	**%**	%	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	**$'000**	$'000
Apex Healthcare Berhad	**30.3**	30.3	**5,385**	**(922)**	**4,463**	2,255	-	2,255	**98,900**	83,469
Australian Pharmaceutical Industries Limited *(i)*	**19.3**	19.3	**3,335**	**(85)**	**3,250**	4,500	-	4,500	**119,786**	160,666
Brickworks Limited *(i) (ii)*	**43.8**	43.9	**41,906**	**32,935**	**74,841**	24,129	(1,370)	22,759	**1,081,175**	1,022,751
Clover Corporation Limited *(vi)*	**-**	22.6	**-**	**-**	**-**	723	-	723	**-**	-
Pengana Capital Group Limited *(i)*	**38.6**	39.2	**1,822**	**(1,461)**	**361**	2,964	(999)	1,965	**85,630**	133,025
TPG Telecom Limited *(iii)*	**25.3**	25.2	**56,902**	**(45,054)**	**11,848**	54,802	(4,777)	50,025	**1,638,429**	1,350,122
TPI Enterprises Limited *(iv)*	**19.9**	19.3	**(666)**	**241**	**(425)**	(1,060)	(455)	(1,515)	**19,897**	20,705
Verdant Minerals Limited *(v)*	**33.4**	36.8	**(313)**	**(97)**	**(410)**	(379)	(173)	(552)	**5,534**	6,272
Associates- held by controlled entities	**n/a**	n/a	**1,536**	**(300)**	**1,236**	2,944	89	3,033	**n/a**	n/a
Share of results from equity accounted associates			**109,907**	**(14,743)**	**95,164**	90,878	(7,685)	83,193		
Gain on deemed disposal of equity accounted associates, net of tax			-	**1,345**	**1,345**	-	190	190		
Deferred tax expense recognised on equity accounted associates			-	**(19,155)**	**(19,155)**	-	(19,888)	(19,888)		
Impairment of equity accounted associates			-	**(28,444)**	**(28,444)**	-	(1,894)	(1,894)		
Total non-regular items from equity accounted associates			-	**(46,254)**	**(46,254)**	-	(21,592)	(21,592)		
Net contribution from equity accounted associates			**109,907**	**(60,997)**	**48,910**	90,878	(29,277)	61,601		

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

** Contribution to Group net profit represents the amount included in profit after tax before non-controlling interest. As the Group does not control associates, an associate's balance date may not be the same as the Group's balance date. An associate's contribution to the Group profit is based on the half year result reported for each associate, adjusted for any change in the Group's holding of that associate.

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

Notes to the Consolidated Financial Statements

8. Equity accounted associates (continued)

Details of investments and results in associates

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

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

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

(ii) On 30 November 2018 and 3 December 2018 Brickworks announced the sale of 7.9 million shares in WHSP, raising gross proceeds of $209.0 million (net proceeds of $154 million). Proceeds on sale were used to reduce Brickworks' debt following its acquisition of US based brick manufacturer Glen-Gery.

In the normal course of equity accounting Brickworks, WHSP recognises its share (43.8%) of the Brickworks after tax profit, excluding the current year share of profit relating to WHSP that Brickworks ordinarily includes in its accounts. Included in the current half year after tax profit of Brickworks is the gain on sale of the shares in WHSP. In this transaction an asset that WHSP does not normally account for (i.e. the investment in associate relating to WHSP included on Brickwork's statement of financial position) has been exchanged for assets that WHSP would normally account for. The net assets of Brickworks has increased from the perspective of WHSP by the net cash (after tax) received by Brickworks for the WHSP shares sold.

As WHSP's share of "external" net assets of Brickworks, after excluding the investment in associate relating to WHSP has increased. WHSP has adjusted its equity accounted share of profit for the interim period to include the increase in "external" net assets of Brickworks relating to these transactions. This has resulted in WHSP recognising a gain on sale of $74.65 million.

(iii) During the 6 months ended 31 July 2018, the Parent Entity participated in TPG Telecom Limited Dividend Reinvestment Plan. This resulted in the Group's shareholding increasing to 25.3% (an increase in shareholding of 0.1% since 31 January 2018).

(iv) During the 6 months ended 31 July 2018, the Parent Entity purchased additional shares in TPI Enterprises Limited for $0.68 million. This resulted in the Group's shareholding increasing to 19.9% (an increase in shareholding of 0.6% since 31 January 2018).

(v) During the 6 months ended 31 July 2018, the Parent Entity's interest in Verdant Minerals Limited decreased by 3.4% to 33.4% as a consequence of the Parent Entity's non participation in the issuance of ordinary shares to fund their Ammaroo Phosphate project.

(vi) As at 31 July 2018, Clover Corporation Limited was derecognised from being an equity accounted associate to a long term equity investment.

Notes to the Consolidated Financial Statements

9. Interest bearing liabilities

Accounting policy

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

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

Lease liabilities
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or (if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term), over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Notes to the Consolidated Financial Statements

9. Interest bearing liabilities (continued)

	31 January 2019 $'000	31 July 2018 $'000
Current liabilities		
Equity finance loan *(i)*	**30,000**	-
Secured loans	**-**	22,825
Finance lease liabilities *(iii)*	**2,487**	2,442
Others	**5**	-
	32,492	25,267
Non-current liabilities		
Finance lease liabilities *(iii)*	**6,536**	7,790
Secured loans *(ii)*	**213,901**	12,000
Others	**10**	-
	220,447	19,790
Financing facilities	**618,298**	215,510
Facilities utilised at reporting date	**226,098**	(194,972)
Facilities not utilised at reporting date	**392,200**	20,538

(i) During the current period, the Parent Entity utilised $30,000,000 short term bank finance. The debt incurs interest at a variable rate and is repayable upon either the bank or the Parent Entity providing notice of 30 days. As security, the Parent Entity transfers ownership of title over certain long term equity investments to the bank. As the Parent Entity retains the risks and benefits of ownership of the transferred equity investments, including the right to receive dividends, these securities continue to be included as an asset on the Group's balance sheet. Upon repayment of the debt, ownership of title of the equity investments, is transferred back to the Parent Entity.

(ii) At 31 January 2019, the long term secured loan was comprised of New Hope Corporation Limited of $201,901,000 (2018: $nil) and a bank loan facility for a commercial property in Penrith of $12,000,000 (2018: $12,000,000).

During the current period, New Hope Corporation Limited entered into a secured loan facility with a syndicate of Australian and international banks. The facility is comprised of a $600,000,000 drawable amortising facility and a $300,000,000 credit support facility. The facility's drawable line for credit is for general corporate purposes and has a maturity of November 2023.

During the current period, $255,000,000 of debt drawn under the facility was repaid by New Hope Corporation Limited.

The transaction costs incurred by New Hope Corporation Limited in obtaining the secured facilities above are $8,436,000. Amortisation of the transaction costs during the period of $337,000 was recorded as financing expenses in the Statement of Comprehensive Income. As at 31 January 2019, the transaction costs balance was $8,099,000 and offset against the secured loans balance.

The fair values of New Hope Corporation Limited interest bearing liabilities materially approximate their respective carrying values as at 31 January 2019.

The secured facility holds a fixed and floating charge over all assets held by New Hope Corporation Limited (with the exception of excluded subsidiaries). The excluded subsidiaries include the following controlled subsidiaries of New Hope Corporation Limited: Bridgeport Energy Limited, Bridgeport Eromanga Pty Ltd, Bridgeport (Cooper Basin) Pty Ltd, Bridgeport (Queensland) Pty Ltd, Bridgeport Surat Basin Pty Ltd, Oilwells Inc of Kentucky and Oilwells Sole Risk Pty Ltd as well as previously controlled subsidiaries Northern Energy Corporation Limited and Colton Coal Pty Ltd. Lessors hold first rights in respect of leased assets.

Notes to the Consolidated Financial Statements

9. Interest bearing liabilities (continued)

(iii) Finance lease liabilities

New Hope Corporation Limited leases various plant and equipment with a carrying amount of $7,751,000 (2018: $9,108,000) under finance leases expiring within two to three years:

	31 January 2019 $'000	31 July 2018 $'000
Commitments in relation to finance leases are payable as follows		
Within one year	**2,767**	2,767
Later than one year but not later than five years	**6,737**	8,120
Minimum lease payments	**9,504**	10,887
Future finance charges	**(481)**	(655)
Total lease liability	**9,023**	10,232
The present value of finance lease liabilities is as follows:		
Within one year	**2,487**	2,442
Later than one year but not later than five years	**6,536**	7,790
Minimum lease payments	**9,023**	10,232

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

10. Provisions

	31 January 2019 $'000	31 July 2018 $'000
Current liabilities		
Mining restoration and site rehabilitation	**8,759**	12,912
Employee benefits	**49,373**	43,331
Onerous contracts *(i)*	**33,670**	14,976
	91,802	71,219
Non-current liabilities		
Mining restoration and site rehabilitation	**213,390**	178,822
Employee benefits	**7,635**	6,909
Others	**183**	657
	221,208	186,388

(i) Onerous contracts and other provisions - New Hope Corporation Limited

New Hope Corporation Limited has recognised provisions for onerous contracts in relation to take or pay agreements of the Colton exploration project and the administration process for Northern Energy Corporation Limited and Colton Coal Pty Ltd for $33,670,000 (2018: $14,976,000).

In line with 31 July 2018 financial report, New Hope Corporation Limited has determined that the long term take or pay agreements associated with the Colton exploration project are onerous contracts. There have been a number of developments arising since 1 August 2018 that relate to the Colton exploration project as outlined below:

- The Directors of Northern Energy Corporation Limited and Colton Coal Pty Ltd placed the companies into voluntary administration on 17 October 2018;

Notes to the Consolidated Financial Statements

10. Provisions (continued)

- In proceedings relating to those administrations, Wiggins Island Coal Export Terminal Pty Ltd (WICET) submitted that the debts of Northern Energy Corporation Limited and Colton Coal Pty Ltd are guaranteed by New Hope Corporation Limited and certain of its subsidiaries pursuant to a Deed of Cross Guarantee (DOCG). If WICET's claim is upheld, New Hope Corporation Limited will be exposed to a liability of approximately $130,000,000. New Hope Corporation Limited denies this claim;

- On 1 February 2019, New Hope Corporation Limited and relevant subsidiaries commenced proceedings in the Supreme Court of New South Wales (Proceedings) seeking orders confirming that New Hope Corporation Limited is not bound by the DOCG, in respect of the debts of certain subsidiaries, including Northern Energy Corporation Limited and Colton Coal Pty Ltd. A hearing date for these Proceedings has been set for 17 to 19 June 2019;

- New Hope Corporation Limited has put forward a conditional binding Term Sheet in respect of a proposed Deed of Company Arrangement (DOCA) for Northern Energy Corporation Limited and Colton Coal Pty Ltd. The proposed DOCA will, subject to all conditions being met, require New Hope Corporation Limited to contribute $19,000,000 into trust for the purpose of distribution to the creditors of Northern Energy Corporation Limited and Colton Coal Pty Ltd in accordance with the priorities and principles of the administration (Contribution). The conditions for the DOCA to proceed, in the event that the creditors of Northern Energy Corporation Limited and Colton Coal Pty Ltd vote in favour of entering into it, include that the Proceedings are determined in favour of New Hope Corporation Limited in all aspects and WICET and others provide written confirmation that no appeal to that decision will be filed and ultimately no appeal is filed in respect of the Proceedings;

- New Hope Corporation Limited has a secured loan receivable of $7,060,000 from Northern Energy Corporation Limited, representing the amount owing at the date of administration, which has been recognised on the Balance Sheet at 31 January 2019;

- On 15 March 2019, the Federal Court granted an extension to the convening period for the second meeting of creditors of Northern Energy Corporation Limited and Colton Coal Pty Ltd, with such meetings now required to be held on or before 19 July 2019 (or up to five business days after this date), unless the time for holding the meetings is further extended by the Court. The DOCA will be put to, and voted on by, the creditors at the second meetings of the creditors of Northern Energy Corporation Limited and Colton Coal Pty Ltd;

- In proceedings relating to the administrations of Northern Energy Corporation Limited and Colton Coal Pty Ltd, WICET made an application to the Court that special purpose administrators be appointed to investigate a transaction that Northern Energy Corporation Limited entered into prior to the administrations of Northern Energy Corporation Limited and Colton Coal Pty Ltd (being a corporate restructure undertaken in January 2016). Consequently, the Federal Court has appointed special purpose administrators to Northern Energy Corporation Limited and Colton Coal Pty Ltd who must provide a report on their investigations into the transaction (and any related matters) to the administrators by 28 June 2019. The appointment of the special purpose administrators has not changed New Hope Corporation Limited's conclusion in respect of the provision for onerous contract.

AASB 137 requires that a provision is recognised for the lowest unavoidable costs of an onerous contract. The lowest unavoidable cost is the lesser of:

- All costs to fulfil the obligations under the contract; or
- Any compensation or penalties from a failure to fulfil the contract.

New Hope Corporation Limited has determined that the lowest unavoidable cost is represented by a failure to fulfil the contracts and the settlement of administration through the proposed DOCA. The cost to New Hope Corporation Limited of failing to fulfil its obligations under the contracts is the value of the bank guarantees associated directly with the WICET take or pay contracts as well as settlement of the DOCA requirements, including the Contribution.

Notes to the Consolidated Financial Statements

11. Fair value measurement

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

Investments in associates are equity accounted in accordance with AASB 128 *Investments in Associates and Joint Ventures* and accordingly are not recognised at fair value in the consolidated statement of financial position. Details of the fair values of listed equity accounted associates are set out in note 8.

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

Level 1: Fair value is determined by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities as at the end of the reporting period.
Level 2: Fair value is determined by using valuation techniques incorporating observable market data inputs.
Level 3: Fair value is determined by using valuation techniques that rely on inputs that are not based on observable market data.

Fair value measurements
The following table presents the Group's assets and liabilities measured and recognised at fair value as at 31 January 2019 and 31 July 2018.

As at 31 January 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Trading equities	**46,199**	**-**	**11,285**	**57,484**
Long term equity investments	**690,835**	**-**	**39,685**	**730,520**
Derivatives - Foreign exchange hedge	**-**	**12,350**	**-**	**12,350**
Non-financial assets				
Investment properties	**-**	**-**	**106,233**	**106,233**
Total assets	**737,034**	**12,350**	**157,203**	**906,587**
Financial liabilities				
Derivatives – Interest rate swap	**-**	**9**	**-**	**9**
Total liabilities	**-**	**9**	**-**	**9**
As at 31 July 2018				
Financial assets				
Trading equities	60,902	-	9,028	69,930
Long term equity investments	720,327	-	29,542	749,869
Non-financial assets				
Investment properties	-	-	158,254	158,254
Total assets	781,229	-	196,824	978,053
Financial liabilities				
Derivatives - Interest rate swap	-	3,353	-	3,353
Total liabilities	-	3,353	-	3,353

Notes to the Consolidated Financial Statements

12. Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Group's financial statements.

AASB 9 Financial Instruments
This standard includes new requirements for classification and measurements of financial assets and liabilities, impairment of financial assets and hedge accounting of financial instruments. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. The Group has adopted AASB 9 and related amendments from 1 August 2018. Comparative results are not restated as permitted by the standard.

Classification and measurement
The Group has performed a comprehensive assessment of its investment portfolio. For the Group's financial assets classified as long term equity investments, an irrevocable election in classifying these long term equity investments to be measured at FVOCI. This is in accordance with the Group's business model and the contractual terms of the cash flows.

The Group's financial assets classified as trading equities are measured at fair value through profit and loss (FVTPL). These financial assets which were previously held at FVTPL under AASB 139 continue to be measured under AASB 9 at FVTPL. There is no change to the classification and measurement of FVTPL on adoption of AASB 9.

Impact of adoption

Equity Instruments
At 31 July 2018, the Consolidated Entity held $750 million of long term equity investments which are now classified as Fair Value through Other Comprehensive Income (FVOCI) under AASB 9. Changes in the fair value of these investments were recognised in the Asset revaluation reserve within equity. Any impairments of these investments were recognised in the income statement. When the investment is disposed, the cumulative fair value changes would have been recycled from Asset revaluation reserve to the income statement.

From 1 August 2018, these long term equity investments are classified as FVOCI. However, any impairment loss recognised will be transferred to Asset revaluation reserve and no longer be recognise in the income statement. Any realised gain/loss on disposal will be transferred from Asset revaluation reserve to the Capital profit reserve within equity.

The cumulative effect on initial application of AASB 9 on long term equity investments is a change to opening retained profits and a decrease in Asset revaluation reserve of $53.9 million at 1 August 2018. This is predominately due to the reclassification of previous impairment losses of long term equity investments from retained earnings to be presented in reserves.

Financial assets measured at amortised cost
AASB 9 introduces a new Expected Credit Loss (ECL) model. This model is a forward looking method for impairment of debt or derivative financial assets, measured at amortised cost or FVOCI. Debt based financial assets include loans, intercompany loans and receivables.

Under the old standard, the impairment existed when a default event occurred. An impairment loss was recognised as a separate provision against the gross value of the receivable.

Under AASB 9, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses (ECL). Where the financial assets credit risk has not increased significantly since initial recognition, the Group will measure the loss allowance based on 12 month ECL.

A simplified approach is taken to accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the lifetime ECL. In applying this simplified method, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL.

Notes to the Consolidated Financial Statements

12. Changes in Accounting Policies (continued)

The Group has revised its impairment methodology under AASB 9 for financial assets under the new expected credit loss model for all its assets held at amortised cost. There has been no change to the impairment assessment of assets held at amortised cost as a result of this change in methodology.

Hedging (commodity and forward foreign exchange contracts)
The new hedge accounting rules under AASB 9 more closely align the accounting for hedge instruments with the Group's risk management practices. The Group has confirmed that its current hedge relationships qualify as continuing hedges upon the adoption of AASB 9 on 1 August 2018. There is no rebalancing of any of the hedging relationships necessary on initial application as the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under AASB 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under AASB 9 that would not have met the qualifying hedge accounting criteria under AASB 139.

The impact of the new accounting policy for hedging arrangements is aligned with that applied as at 31 July 2018.

AASB 15 Revenue from Contracts with Customers

AASB 15 is the new standard for recognition of revenue and replaces AASB 118 which covered revenue arising from the sale of goods and the rendering of services and AASB 111 which covered construction contracts. The Group adopted AASB 15 from 1 August 2018 which resulted in minor changes in accounting policies and adjustments to amounts previously recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group adopted the modified retrospective method of implementation and comparative figures were not restated.

Revenue recognition
The Group recognises sales revenue related to the transfer of promised goods or services when the performance obligations under the contract have been satisfied. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled for satisfying the performance obligation.

Revenue is recognised for the major business activities as follows:

- Coal sales revenue is recognised at a point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership has transferred. The title, risks and rewards, and therefore the fulfilment of performance obligations occurs normally at the time of loading the shipment for export sales, and generally at the time the coal is delivered to the customer for domestic sales.

  Oil sales revenue is recognised at the point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership. This is normally when the oil is delivered to the customer.

- Copper, zinc, silver and gold sales revenue is initially recognised at estimated sales value when the control and the risks of the product are passed to the customer. Adjustments are made for changes in commodity prices, assays, weight and currency between the time of the sale and at the time of the final settlement of sales proceeds.

- Service fee income and management fee income is recognised as revenue over time as the services are performed.

Notes to the Consolidated Financial Statements

12. Changes in Accounting Policies (continued)

Impact of adoption
The standard established new principles and models for revenue to be allocated in accordance with the satisfaction of the performance obligation of a contract. It addresses revenue derived from provision of goods, services and customer contracts. Revenue is recognised when the control of goods or services are transferred to customers and for the amount to which the company expects to be entitled, either over time or at a point in time.

The Group has reviewed its current policies in the amounts and the timing of recognising revenue derived from the contractual arrangements. The transfer of risks and control effects at the time when the performance obligation is fulfilled as required by AASB 15. Accordingly, the impact on adoption of AASB 15 was an increase of $3.0 million in retained earnings.

There is no impact on the statement of cash flows arising from the adoption of AASB 15.

13. Contingent liabilities

There are no material changes to the contingent liabilities of the Group since 31 July 2018.

14. Events occurring after the balance date

On 15 February 2019, New Hope Corporation Limited was advised by the Department of Environment and Service (DES) that, after provision of the Coordinator General's change report on 12 February 2019 approving amendments to noise limit conditions recommended by the Land Court, the preconditions to the Land Court's recommendation to approve the applicant to amend the Environmental Authority (EA) for New Acland Coal Stage 3 project (NAC03) have now been satisfied. As a further result of the Coordinator General's change report, the preconditions to the Land Court's recommendation to approve the Mining Leases for NAC03 have also been satisfied.

On 12 March 2019, New Hope Corporation Limited was advised by DES that they have granted the application to amend the EA for NAC03. The Project now needs to secure Mining Leases and Associated Water Licence from the Queensland government before it can proceed.

Other than the above and announcements made to market since 31 January 2019, the Directors are not aware of any other events subsequent to balance date that would materially affect the half year financial report.

15. Other significant information

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

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Directors' Declaration

In the opinion of the Directors of the Company:

1. the financial statements and notes, as set out on pages 25 to 56, 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 2019 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 21st day of March 2019

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Washington H. Soul Pattinson and Company Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 January 2019, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Washington H. Soul Pattinson and Company Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Washington H. Soul Pattinson and Company Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

Melissa Alexander

M ALEXANDER
Partner

Pitcher Partners

PITCHER PARTNERS
Sydney

21 March 2019