

# Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

First Floor, 160 Pitt Street Mall, Sydney NSW 2000



## ASX Appendix 4E & Preliminary final report 31 July 2016

Lodged with the ASX under Listing Rule 4.3A

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### **Reporting Period**

The reporting period for this report is the financial year ended 31 July 2016.

The previous corresponding period is the financial year ended 31 July 2015.

## Results for Announcement to the Market

		<b>Current period 31 July 2016</b>	<b>Prior period 31 July 2015</b>	<b>Change</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from operations</b>	<b>Down 3.3% to</b>	<b>620,661</b>	641,604	<b>(20,943)</b>
<b>Profit after tax attributable to members (2)</b>	<b>Up 79.3% to</b>	<b>149,421</b>	83,330	<b>66,091</b>
<b>Regular profit after tax attributable to members (3)</b>	<b>Up 9.1% to</b>	<b>177,222</b>	162,405*	<b>14,817</b>

\* The regular profit after tax for 2015 has been restated by transferring expenses of \$5.956 million from regular profit to non-regular items following a reallocation by an Associated Entity.

## Dividends

	<b>Cents per share</b>	<b>Franking %</b>
<b>This period</b>		
1. Final dividend (4)	<b>31.0</b>	<b>100%</b>
2. Interim dividend	21.0	100%
<b>Previous corresponding period</b>		
1. Final dividend	30.0	100%
2. Interim dividend	20.0	100%
Record date for determining entitlement to final dividend:	<b>21 Nov 2016</b>	
Date the final dividend is payable:	<b>12 Dec 2016</b>	

## Comments on above results

- (1) Refer to Chairman's Review and Review of Group Entities for further details on the results.
- (2) The profit after tax attributable to members was \$149.4 million, an increase of \$66.09 million compared with the previous corresponding period.
- (3) The regular profit after tax attributable to members of \$177.2 million was 9.1% over the \$162.4 million\* for 2015. The result was driven by; another strong contribution from TPG Telecom Limited (up 38.7%); Brickworks Limited continued to capitalise on the strong building sector (up 33.5%); and Australian Pharmaceutical Industries Limited (API) continued its upward trend (up 26.4%).
- Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Preliminary Final Report – Note 3, Segment information.
- (4) Final dividend increased by 3.3% to 31 cents per share fully franked.

### **Earnings per share**

	<b>2016</b>	<b>2015</b>
<b>From operations</b>		
Basic Earnings per Share	<b>62.42 cents</b>	34.81 cents
Diluted Earnings per Share	<b>62.42 cents</b>	34.81 cents
From regular profit after tax attributable to members	<b>74.03 cents</b>	67.84 cents*

\* Earnings per share from regular profit after tax attributable to members for 2015 has been restated as a result of transferring expenses of \$5.956 million from regular profit to non-regular items following a reallocation by an Associated Entity.

### **Net tangible assets per security**

	<b>2016</b>	<b>2015</b>
Net tangible asset backing per ordinary security	<b>\$12.21</b>	\$12.31

### **Explanation of Profit after tax**

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

### **Explanation of Net Profit**

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

### **Review of Operations**

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



# Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

**Year Ended 31 July 2016**

## Chairman's Review

### Dear Shareholders,

I am pleased to present the 2016 Washington H. Soul Pattinson and Company Limited (WHSP, Company) Preliminary Final Report on behalf of the Board of Directors of the Company.

## Performance Highlights

PERFORMANCE FOR THE YEAR		
Group Profit after tax	\$149.4 million	+ 79.3%
Group Regular profit after tax*	\$177.2 million	+ 9.1%
WHSP's net asset value (pre-tax) (tax payable if disposed of on 31 July 2016 \$1.3 billion)	\$6.0 billion	+ 9.6%
Net regular cash from operations	\$137.4 million	57.4 cents per share

SHAREHOLDER RETURNS			
Total Dividends (fully franked)		52 cents	+ 4.0%
Dividend growth over 15 years (ordinary dividend compound annual growth rate)		10.6% PA	
Total Shareholder Returns			
	WHSP	All Ords Index	Out Performance
1 Year	31.4%	4.0%	27.4%
15 Years	12.6% PA	8.1% PA	4.5% PA

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

The results for 2015 have been restated by transferring expenses of \$6.0 million from the regular result to non-regular items following a reallocation by an Associated Entity. Refer to Note 3 of the Preliminary Final Report.

## Consolidated Financial Performance

The profit after tax attributable to shareholders for the year ended 31 July 2016 was \$149.4 million, an increase of 79.3% compared to the \$83.3 million for last year.

The regular profit after tax\* was \$177.2 million, an increase of 9.1% over the \$162.4 million\*\* for 2015. The result was driven by:

- another strong contribution by TPG Telecom Limited (up 38.7%);
- Brickworks Limited continued to capitalise on the strong building sector (up 33.5%); and
- Australian Pharmaceutical Industries Limited (API) continued its upward trend (up 26.4%).

The results of New Hope Corporation Limited (down 90.4%) continued to be impacted by lower coal and oil prices.

WHSP's diversified portfolio of investments continues to provide it with protection against the variability of results from different sectors of the economy. This year, improved results in telecommunications, building products and pharmacy have offset lower results from resources.

The net loss from non-regular items was \$27.8 million, compared with a loss of \$79.1 million last year.

Comparisons with the prior year are as follows:-

	2016 \$000	2015 \$000	% Change
Regular profit after tax* attributable to shareholders	<b>177,222</b>	<b>162,405 **</b>	+ 9.1%
Profit after tax attributable to shareholders	<b>149,421</b>	<b>83,330</b>	+ 79.3%
Interim Dividend (paid in May each year)	<b>21 cents</b>	<b>20 cents</b>	+ 5.0%
Final Dividend (payable 12 December 2016)	<b>31 cents</b>	<b>30 cents</b>	+ 3.3%
Total Dividends	<b>52 cents</b>	<b>50 cents</b>	+ 4.0%

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

\*\* The results for 2015 have been restated by transferring expenses of \$6.0 million from the regular result to non-regular items following a reallocation by an Associated Entity. Refer to Note 3 of the Preliminary Final Report.

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

The assets of WHSP are summarised below. The net asset value at 31 July 2016 was \$6.03 billion an increase of \$528 million or 9.6% compared to \$5.50 billion as at 31 July 2015.

As at 31 July 2016	WHSP's Holding %	Value of WHSP's Holding \$m	12 month Movement	
			\$m	%
Major Strategic Investments - listed (at market value)				
TPG Telecom Limited	25.2%	2,738	709	34.9%
Brickworks Limited	44.1%	987	9	0.9%
New Hope Corporation Limited	59.6%	793	(154)	(16.2%)
Aust. Pharmaceutical Industries Limited	24.6%	231	40	20.8%
BKI Investment Company Limited	10.3%	101	(8)	(7.1%)
Ruralco Holdings Limited	20.1%	53	(8)	(13.1%)
Apex Healthcare Berhad	30.3%	45	(10)	(18.3%)
		4,948	578	13.2%
Other Listed Investments (at market value)		669	39	6.3%
Unlisted Investments <sup>1</sup>		161	(93)	(36.5%)
Property <sup>1</sup> (net of borrowings)		176	107	156.1%
Cash and net funds on deposit		24	(130)	(84.5%)
Loans and other net assets		50	27	119.1%
Net asset value (pre-tax) <sup>2</sup>		6,028	528	9.6%
<sup>1</sup> At Directors' valuations				
<sup>2</sup> The tax payable if all of these assets had been disposed of on 31 July 2016 would have been approximately \$1.27 billion.				
ASX All Ordinaries Index				(0.7%)

The value of the Major Strategic Investments above grew by 13.2% during the year significantly outperforming the ASX All Ordinaries Index which decreased by 0.7%.

The net investment in other listed investments was \$31.3 million for the year and previously unlisted investments were listed on the ASX during the period. Acquisitions included Australia and New Zealand Banking Group limited (ANZ Bank), Bailador Technology Investments Limited and Woolworths Limited. The net gain on disposals for the year was \$24.1 million and included BHP Billiton Limited and Whitehaven Coal Limited.

Unlisted investments reduced in value by \$93.0 million, primarily as a result of the impairment of copper assets and the movement of investments with a brought forward value of \$46.0 million from unlisted to listed investments during the period.

During the year, property revaluations, the acquisition of two office buildings in Pennant Hills N.S.W. and the acquisition of land in Victoria added \$107.5 million to the portfolio.

## 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 short and long term.

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

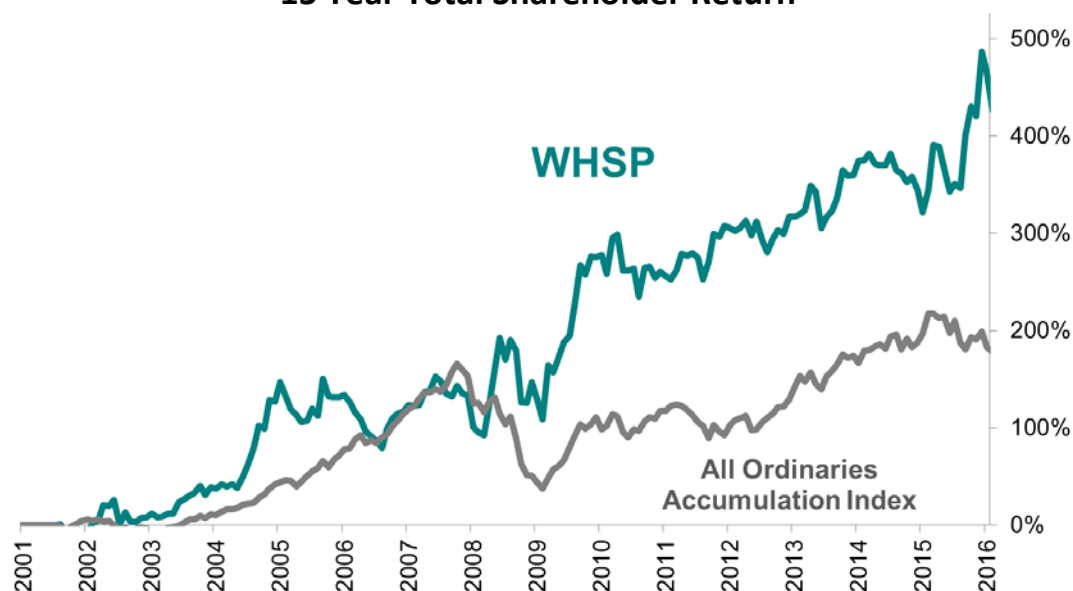
The table below shows the TSRs for WHSP shares for various periods and compares them to the ASX All Ordinaries Accumulation Index which also includes the reinvestment of dividends.

### Total Shareholder Returns to 31 July 2016

Annual Return	1 Year	3 Years	5 Years	10 Years	15 Years
<b>WHSP</b>	<b>31.4%</b>	<b>12.5%</b>	<b>9.6%</b>	<b>12.3%</b>	<b>12.6%</b>
All Ord. Accum. Index	4.0%	8.5%	9.4%	5.7%	8.1%
<b>Out Performance by WHSP</b>	<b>27.4%</b>	<b>4.0%</b>	<b>0.2%</b>	<b>6.6%</b>	<b>4.5%</b>

The following chart shows the total return over time of an initial investment made in WHSP shares in July 2001 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP over the last 15 years has more than doubled an investment in the index.

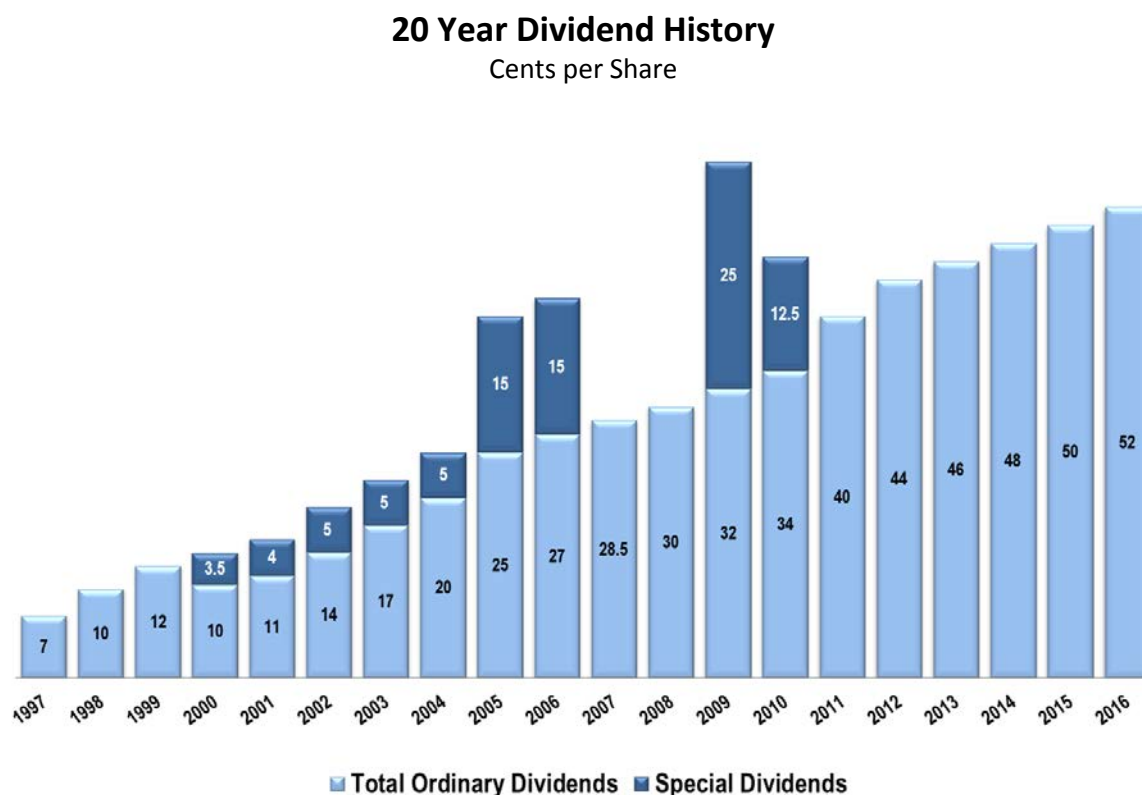
### 15 Year Total Shareholder Return



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

## Dividends

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



## Final Dividend

The Directors have declared a fully franked final dividend of 31 cents per share in respect of the year ended 31 July 2016 (2015: 30 cents fully franked). This brings total dividends for the year to 52 cents fully franked (2015: 50 cents fully franked).

The record date for the final dividend will be 21 November 2016 with payment due on 12 December 2016.

WHSP is one of only two companies in the ASX All Ordinaries Index to have increased its dividend every year for the last 16 years.

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

This year it will pay out, as dividends, 90.6% of its net regular cash inflows from operations (2015: 87.9%).

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



## Review of Group Entities – as at 31 July 2016

### TPG Telecom Limited



Associated entity: 25.2% held

Dividends paid to WHSP: \$27.7 million

Total Market Capitalisation: \$10.89 billion

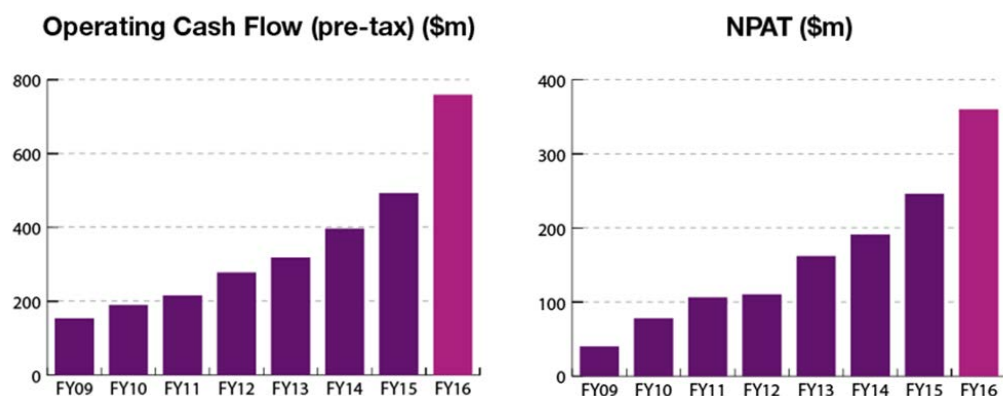
Value of WHSP's Holding: \$2.74 billion

ASX code: TPM

TPG reported the following results for the year ended 31 July 2016:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$849.4 million, an increase of 75%.
- Net profit after tax of \$379.6 million, an increase of 69%.
- Earnings per share 45.3 cents, an increase of 61%.

2016 marks TPG's eighth consecutive year of strong growth.



The above results include the following irregular items:

- \$73.1 million gain on TPG's previously held interest in iiNet (\$73.1 million post tax);
- \$17.6 million profit realised on a part-disposal of TPG's interest in Vocus (\$12.3 million post tax);
- \$10.3 million transaction fees relating to TPG's acquisition of iiNet (\$10.3 million post tax); and
- \$6.3 million restructuring costs arising from iiNet integration activities (\$4.4 million post tax).

Excluding these irregular items, TPG's underlying EBITDA for the year was \$775.3 million, an increase of \$290.0 million or 60% over last year. This growth includes the maiden contribution from iiNet of \$248.9 million for the eleven and a quarter months post acquisition.

### Consumer Business

The consumer division's EBITDA for the year was \$255.7 million, an increase of \$16.0 million compared to last year. This 7% increase reflects organic growth driven by ongoing broadband subscriber growth (up by 64,000 in the year) and nine months of lower access costs arising from the ACCC's fixed access determination.

As at 31 July 2016 the consumer division had 885,000 broadband subscribers and 304,000 mobile subscribers.

### Corporate Business

TPG's corporate division achieved an EBITDA of \$269.3 million, an increase of \$27.0 million compared to \$242.3 million last year. This 11% increase was achieved despite a negative \$10.1 million accounting

impact on the division's EBITDA for the year arising from the consolidation of iiNet. Excluding this the EBITDA growth would have been \$37.1 million or 15%.

This growth reflects the strong sales for the year and the continued margin expansion.

#### iiNet

iiNet contributed EBITDA of \$242.6 million (for the eleven and a quarter months post acquisition) inclusive of \$6.3 million of restructuring costs arising from integration activities. Without those costs the EBITDA result would have been \$248.9 million. By comparison, iiNet reported an underlying EBITDA of \$201.7 million for its 2015 financial year.

The principal drivers of this year's EBITDA growth were:

- realisation of post-acquisition integration benefits;
- nine months of lower access costs arising from the ACCC's fixed access determination; and
- an increased contribution from Tech2.

As at 31 July 2016 iiNet had 983,000 broadband subscribers.

#### Cash Flow and Gearing

TPG delivered another strong cash flow result in the 2016 financial year with \$759.2 million of cash generated from operations (pre-tax). After tax, capital expenditure and Indefeasible right of use lease payments, TPG had free cash flow of \$318.0 million.

At the end of the year TPG had bank debt of \$1,350 million and a net debt to underlying EBITDA leverage ratio of approximately 1.8 times.

#### Dividend

In light of TPG's strong cash flow and earnings growth, its board of directors declared an increased final dividend of 7.5 cents per share fully franked. This brings total dividends for the year to 14.5 cents per share fully franked an increase of 26% over last year.

#### Contribution

TPG contributed a net profit of \$97.5 million to the Group (2015: \$60.2 million 26.9% held).

## Brickworks Limited



**Associated entity: 44.1% held**

**Dividends paid to WHSP: \$30.2 million**

**Total Market Capitalisation: \$2.24 billion**

**Value of WHSP's Holding: \$987 million**

**ASX code: BKW**

Brickworks posted a record underlying net profit after tax (NPAT) for the year ended 31 July 2016 of \$147.1 million, up 22.3% on last year. A feature of the result was the diversified earnings contribution, with Building Products, Land and Development and Investments all delivering an uplift in underlying earnings compared to the prior year.

After including the impact of significant items, statutory NPAT was \$78.2 million. The significant items, totalling \$68.9 million after tax, primarily relate to the impairment of goodwill in Austral Bricks WA and significant restructuring activities in Austral Bricks and Auswest Timbers, resulting in the closure of plants and the non-cash write down of assets at those sites.

On record sales revenue of \$748.1 million, Building Products' underlying earnings before interest and tax (EBIT) was \$75.4 million, up 33.7% on the prior year. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was up 26.0% to \$102.8 million, on a combination of continued volume growth and increased margins.

Land and Development underlying EBIT was \$73.5 million for the 12 months to 31 July 2016, up 14.1% primarily due to a strong revaluation profit in the Joint Venture Industrial Property Trust.

Underlying earnings per share were 98.9 cents, up 21.9% from 81.1 cents for 2015.

The directors of Brickworks have declared a fully franked final dividend of 32 cents per share for the year ended 31 July 2016, up 6.7% from 30 cents last year. Together with the interim dividend of 16 cents per share, this brings the total dividends paid for the year to 48 cents per share, up 3 cents or 6.7% on 2015.

### Building Products

Total dwelling commencements for Australia were up 3.1% to 225,367 for the twelve months to 30 June 2016. This level of residential building activity is the highest on record in Australia and was driven by unprecedented growth in non-detached housing commencements over the past four years. In the 12 months to June 2016 non-detached housing developments represented around 50% of total commencements.

Austral Bricks delivered a 21.5% increase in earnings for the year. Sales revenue was up 6.9% to \$405.8 million on sales volume of over 670 million bricks. Performance on the east coast was particularly strong, driven primarily by the major markets of New South Wales and Victoria.

Austral Masonry delivered another increase in earnings on sales revenue of \$90.9 million, up 4.4% on the prior year. Total sales volume increased to 479,000 tonnes for the year, driven by strong growth in south-east Queensland and New South Wales.

Bristle Roofing's earnings increased on the prior year, with revenue up 11.5% to \$124.2 million, on sales volume of almost 3.7 million square metres of tiles.

Austral Precast delivered a strong turn-around in performance with earnings significantly higher than 2015 and sales volume in excess of 20,000 panels for the year. Sales revenue was \$74.0 million, up 11.4%.

Auswest Timber's revenue was down 5.7% at \$52.5 million on sales volume of 62,000 cubic metres for the year. Significant progress has been made to enhance operational efficiency, with productivity improvements being wide spread across all sites.

### Land and Development

Land and Development produced an EBIT of \$73.5 million for the year, up 14.1% from \$64.4 million for the prior year.

The improved result was due to the growth in the Joint Venture Industrial Property Trust (Property Trust) which is a 50/50 partnership between Brickworks and the Goodman Industrial Trust. The Property Trust generated an EBIT of \$74.9 million, up 22.6% from \$61.1 million in the prior year.

Net property income distributed from the Property Trust was \$15.3 million, in line with the prior year, despite the settlement of the Coles CDC facility in August 2015. The lost rent from this sale was offset by lower interest payments, rent increases on stabilised assets and the additional rental income of new developments at Oakdale Central and Rochedale.

The total value of the Property Trust at 31 July 2016 was \$1.01 billion with borrowings of \$347.4 million, giving a total net value of \$663.7 million. Brickworks' share of the Property Trust's net asset value was \$331.9 million.

### Outlook – Building Products

Current residential building activity in Australia is at the highest level on record, driven by strong population growth over the past five years, low interest rates and rising house prices. With approvals remaining elevated, commencements are likely to stay high for some time to come, particularly considering the significant weather related delays experienced in June, July and August 2016.

Although the overall housing market remains very strong, conditions vary significantly across the country. On the east coast, strong demand in Victoria is being fuelled by the highest rate of net interstate migration in the country. Meanwhile in New South Wales, housing activity is expected to stay robust for an extended period of time, due to a large undersupply of housing that developed during the 2000's and remains significant even today.

The short-term outlook for Building Products remains positive, with a full order book and a long pipeline of work at higher margins in Brickworks' major east coast markets set to support earnings in 2017. Brickworks' business growth initiatives will provide diversification and underpin earnings in the event of a cyclical decline in market activity over the medium term.

### Contribution

Brickworks contributed a net profit of \$9.6 million (2015: \$19.5 million 44.2% held) to the Group. Its contribution to regular profit was \$38.8 million (2015: \$29.1 million 44.2% held). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

## **New Hope Corporation Limited**

**Controlled entity: 59.6% held**

**Dividends paid to WHSP: \$39.7 million**

**Total Market Capitalisation: \$1.33 billion**

**Value of WHSP's Holding: \$793 million**

**ASX code: NHC**



New Hope reported a net profit after tax and before non-regular items of \$5.0 million for the year ended 31 July 2016. This result comprised: a loss of \$3.6 million from coal mining, marketing and logistics operations; a loss of \$4.1 million from oil operations; and a profit of \$12.7 million from treasury. The result was down 90.3% on the 2015 result of \$51.7 million.

After non-regular items, the result for the year was a net loss after tax of \$53.7 million. This comprised: a loss of \$34.9 million from coal mining, marketing and logistics operations; a loss of \$26.5 million from oil operations; and a profit of \$7.7 million from treasury. This result was down 146% on the 2015 loss of \$21.8 million.

During the year New Hope generated an operating cash surplus of \$61.2 million (including receipts from customers and payments to suppliers) and received interest of \$25.4 million from held to maturity investments (term deposits). Cash outflows from investing activities rose due to the acquisition of a 40% interest in the Bengalla project (\$898 million including acquisition costs).

Before non-regular items, basic earnings for 2016 were 0.6 cents per share, compared to 6.2 cents per share in 2015. After non-regular items basic earnings were (6.5) cents per share for 2016 against (2.6) cents in 2015.

New Hope has declared a fully franked final dividend of 2.0 cents per share (2015: 2.5 cents and 3.5 cents special dividend).

### Mining Operations

Coal production for the year was 6.6 million tonnes compared to 5.7 million tonnes produced in 2015. Bengalla contributed 1.4 million tonnes during the five months of New Hope's ownership and the Queensland mining operations produced 5.2 million tonnes compared to 5.7 million tonnes produced in 2015.

Coal sales for 2016 totalled 6.9 million tonnes (including 1.5 million tonnes from Bengalla) which was well above the 5.7 million tonnes sold in 2015.

### New Acland Stage 3 Development (NAC03)

The approvals process for the NAC03 mining leases progressed with the Queensland Land Court expected to deliver a recommendation by December 2016, approximately six months later than previously anticipated. Construction of NAC03 is planned to commence in the first quarter of 2017 pending grant of the mining leases and environmental authority. Federal Government approval is expected in 2016.

### Queensland Bulk Handling (QBH)

QBH, New Hope's 100% owned coal terminal at the Port of Brisbane, exported 7.0 million tonnes of coal on 90 vessels, a similar result to last year. QBH remains essentially a demurrage free port.

### Bengalla Joint Venture

New Hope's acquisition of a 40% interest in the Bengalla open cut coal mine in New South Wales' Hunter Valley region from Coal and Allied settled on 1 March 2016. Since settlement New Hope has played an active role in the transition from Coal and Allied and the ongoing management of the Bengalla operation in conjunction with the other joint venture participants (Wesfarmers 40%, Mitsui 10% and

Taipower 10%).

The operational performance of the Bengalla mine has been consistent with New Hope's pre-acquisition expectations. Total coal production for the period 1 March 2016 to 31 July 2016 was 3.5 million tonnes.

#### New Hope Exploration Projects

New Hope continued its active exploration program utilising its own drill rigs during the year. Exploration activities focused on resource definition in and around the New Acland project area for the revised New Acland stage 3 project. The drilling operations were supported by gravity and geochemical surveys.

#### Oil and Gas

Oil production for the year totalled 191,993 barrels (an average of 563 barrels per day) against the prior year result of 158,884 barrels, an increase in production of 20.8%. Sales revenue for the year was \$10.5 million against \$11.9 million last year, a decrease of 11.8%. The reduction in sales revenue was entirely a consequence of the continued drop in the oil price through the first half of the year which reached a low in January 2016 of US\$27 per barrel. The price subsequently increased and stabilised at circa US\$45 per barrel at year end. The decline in oil prices in US Dollar terms was partially offset by a declining AUD:USD exchange rate. The average price realised for the 2016 year was A\$56.6 per barrel compared to A\$74.3 per barrel in 2015.

Despite difficult trading conditions Bridgeport was able to limit its EBITDA loss to \$1.9 million before non-regular items. Non-regular items included: impairments of oil producing assets of \$10.5 million (after tax); impairments of oil exploration assets of \$8.4 million (after tax); and a loss of \$3.4 million resulting from de-recognition of petroleum resource rent tax balances.

#### Outlook

During the past year the material capital investment decision was made to invest a significant proportion of available cash funds into a 40% interest in the Bengalla coal mine located in the Hunter Valley of New South Wales. During the next financial year Bengalla should increase New Hope's equity production of thermal coal by approximately 3.5 million tonnes to a total of approximately 8.9 million tonnes. New Hope is working with its joint venture partners and the Bengalla management team to improve operational efficiency and effectiveness at the Bengalla operation.

The New Hope management team is focused on achieving the grant of the New Acland stage 3 mining leases as expeditiously as possible in order to avoid the negative impacts of any delays in transition from mining stage 2 reserves to stage 3.

Bridgeport continues to seek opportunities to grow its production base and is now the second largest conventional oil producer in Queensland. Following significant investment in seismic studies of its extensive exploration portfolio Bridgeport is identifying drilling targets for oil exploration to take advantage of any increase in oil prices in the future.

Since 31 July 2016 prices for Australian thermal coal on the seaborne market have reached levels around US\$70 per tonne. This represents an increase of approximately 40% from the lows of just under US\$50 per tonne which prevailed during the 2016 financial year.

#### Contribution

New Hope contributed a net loss of \$29.2 million (2015: \$13.0 million loss 59.7% held) to the Group. Its contribution to regular profit was \$3.1 million (2015: \$31.8 million 59.7% held).

## **Australian Pharmaceutical Industries Limited**

**Associated entity: 24.6% held**

**Dividends paid to WHSP: \$6.0 million**

**Total Market Capitalisation: \$939 million**

**Value of WHSP's Holding: \$231 million**

**ASX code: API**



API's financial year ended on 31 August 2016. The results for the full year are not expected to be released to the market until late October 2016.

For the six months ended 29 February 2016, API reported the following results which are compared to those of the first half last year:

- Total revenue of \$1.8 billion, up 4.4%;
- Earnings before interest and tax of \$44.6 million, up 15.6%;
- Underlying net profit after tax of \$25.3 million, up 18.1%; and
- Net profit after tax of \$22.9 million, up 7.7%.

API attributed this strong growth to its strategy which is centred on building the Priceline Pharmacy network while generating sustainable returns through its pharmaceutical distribution.

In June API paid a fully franked interim dividend of 2.5 cents per share an increase of 25% over last year.

WHSP has equity accounted API's result for the 12 months to 28 February 2016. API contributed a net profit of \$11.0 million (2015: \$11.3 million) to the Group. Its contribution to regular profit was \$11.6 million (2015: \$9.2 million).

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## **BKI Investment Company Limited**

**Associated entity: 10.3% held**

**Dividends paid to WHSP: \$4.5 million**

**Total Market Capitalisation: \$975 million**

**Value of WHSP's Holding: \$101 million**

**ASX code: BKI**



For the year ended 30 June 2016 BKI reported a net operating result before special investment revenue of \$41.2 million, an increase of 0.7% over 2015.

BKI's net operating result was mainly driven by higher dividend distributions from Transurban, APA Group, Sydney Airports, Macquarie Group, TPG Telecom and Ramsay Healthcare. Lower dividends were received from BHP Billiton, Woolworths, Woodside Petroleum, ANZ Banking Group and Suncorp Group, while revenues from bank deposits and investments held for trading were also lower. BKI also received special dividend income for the year from New Hope Corporation, Milton Corporation, Suncorp Group and IAG Group.

BKI's net investment for the year was approximately \$76 million, with major long term investments made in companies including; Commonwealth Bank, ANZ Banking Group, Westpac Banking Corporation, National Australia Bank, Macquarie Group, Qube Logistics, Telstra Corporation, Ramsay Healthcare, Caltex Australia, APA Group and Sydney Airports. The main disposals from BKI's investment portfolio included Bendigo and Adelaide Bank, Clydesdale Bank, RioTinto Limited and the partial sell-down of the position in BHP Billiton.

BKI's total shareholder returns for 5 years, 10 years and 12 years were above the ASX 300 Index by 3.5% per annum, 2.0% per annum and 1.2% per annum respectively.

BKI has paid total fully franked dividends for the year of 7.25 cents per share, an increase of 0.7%. As at

31 July 2016, BKI's fully franked dividend yield was 4.4% (based on the immediate past 12 month rolling dividend and share price of \$1.63), while the grossed up yield was 6.4% (based on a tax rate of 30%).

WHSP has equity accounted BKI's result for the 12 months to 30 June 2016. BKI contributed a net profit of \$4.5 million to the Group (2015: \$4.8 million 11.1% held).

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### **Ruralco Holdings Limited**

**Associated entity: 20.1% held**

**Dividends paid to WHSP: \$2.4 million**

**Total Market Capitalisation: \$263 million**

**Value of WHSP's Holding: \$53 million**

**ASX code: RHL**



Ruralco's financial year ends on 30 September 2016. Ruralco's results for the full year are not scheduled to be released to the market until 15 November 2016.

Ruralco released its result for the six months to 31 March 2016 on 17 May 2016. Revenue increased by 8.2% to \$803.7 million compared to the previous corresponding period. The net profit after tax was \$10.8 million an increase of 3.2% compared to the first half last year.

Ruralco's record result reflects the maturing of new businesses in the network and highlighted the strength of its earnings platform and its geographical diversity in balancing the effect of the tough seasonal conditions experienced during the half year.

An interim dividend of 8 cents per share fully franked was paid in June 2016. This represented a 55% dividend payout ratio which was in line with Ruralco's new dividend policy which supports its strategic growth agenda via network expansion and vertical integration.

WHSP has equity accounted Ruralco's result for the 12 months to 31 March 2016. Ruralco contributed a net profit of \$2.2 million to the Group (2015: \$3.3 million).

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### **Apex Healthcare Berhad**

**Associated entity: 30.3% held**

**Dividends paid to WHSP: \$1.3 million**

**Total Market Capitalisation: \$149 million**

**Value of WHSP's Holding: \$45 million**

**Listed on Bursa Malaysia, code: APEX MK**



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

For the six months ended 30 June 2016 Apex generated revenue of \$98.1 million, an increase of 6.4% over the \$92.2 million for the previous corresponding six month period. Net profit after tax was \$6.5 million, an increase of 23.7% compared to first half of 2015.

An interim dividend of 1.8 cents per share has been declared for the six months ended 30 June 2016 an increase of 6.8% compared to the prior year's interim dividend.

WHSP has equity accounted Apex's result for the 12 months to 30 June 2016. Apex contributed a net profit of \$3.4 million to the Group (2015: \$3.4 million).



## CopperChem Limited and

## Exco Resources Limited

**Controlled entities: 100% held**

**Unlisted entities**



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

Exploration activities are continuing on a number of prospective targets for the purpose of identifying additional copper resources for future mining activities within the operating radius of the Cloncurry processing facilities. Exploration activity ramped up with the drilling of a number of prospective targets in the Cloncurry region, with encouraging gold exploration results received for the Wallace Gold Project south-east of Cloncurry.

Production activities recommenced at the White Dam mine in South Australia during the year with gold production expected to continue until late in the 2017 calendar year. Further gold deposits are being identified within the broader CopperChem/Exco portfolio for continued gold production.

Revenue from copper sales for the year was \$148,000 and revenue from gold sales for the year was \$468,000. This will increase significantly as gold production ramps up in 2017 financial year.

The continued reduction of the Australian dollar copper price resulted in further impairments being required against the carrying values of copper assets.

The copper concentrator and operations at Cloncurry will remain on care and maintenance until there is an improvement in the copper price.

CopperChem and Exco contributed a net loss of \$42.2 million to the Group (2015: \$67.2 million loss) of which non-regular expenses (including impairments) totalled \$33.3 million (2015: \$59.6 million loss).

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## Other Investments

	% held
Ampcontrol Pty. Limited	43.3
Belaroma Coffee Pty. Limited	40.0
Clover Corporation Limited	28.6
Cromford Group Pty. Limited	100
Heritage Brands Limited	25.1
Lindsay Australia Limited	19.2
Pitt Capital Partners Limited	100
Quickstep Holdings Limited	15.9
Rum Jungle Resources Limited	38.3
Specialist Oncology Property Pty. Limited	24.1
TPI Enterprises Limited	19.4

## **Investment Properties**

### **100% held**

WHSP continues to investigate opportunities in real estate, particularly property benefitting from urban renewal. Following the acquisition of two office buildings in Pennant Hills N.S.W. during the first half, Pitt Street Real Estate Partners (PSRE) has leased up the vacancy at rents higher than anticipated. In addition, PSRE has investigated the potential rezoning of the properties to mixed use and they now form part of the Pennant Hills Town Centre Master Plan which is due to be released in the first half of 2017.

The Pennant Hills properties add to WHSP's existing asset in Castle Hill N.S.W. This property consists of a four hectare land parcel with 15,000 square metres of warehouse and 5,000 square metres of office space. In December, the NSW Department of Planning and Infrastructure released its Showground Station Precinct Proposal for exhibition. WHSP's property is within this precinct. The plan aims to activate the precinct for a higher and better use following the introduction of the North West Rail Link. It is expected that the outcome of the plan will be known by the end of December 2016.

In August 2015, PSRE was awarded a contract to develop and deliver two bus depots for Transdev Australasia, on behalf of Public Transport Victoria. Development of the bus depots continued through the year. Construction of the Sunshine West depot was completed in July 2016, with settlement due in late September 2016. The Thomastown depot is under construction and due for completion in December 2016.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

**Consolidated Income Statement**  
**For the year ended 31 July 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Revenue from continuing operations</b>	4(i)	<b>620,661</b>	641,604
Other income	4(i)	<b>145,902</b>	4,504
Cost of sales		<b>(392,308)</b>	(365,121)
Selling and distribution expenses		<b>(153,806)</b>	(142,627)
Administration expenses		<b>(34,600)</b>	(39,381)
Acquisition costs expensed		<b>(45,604)</b>	-
Other expenses		<b>(13,313)</b>	(8,591)
Impairment (expense)	4(i) & 7	<b>(116,539)</b>	(123,801)
Finance costs		<b>(2,535)</b>	(3,063)
Share of results from equity accounted associates	7	<b>122,503</b>	95,079
<b>Profit before income tax</b>		<b>130,361</b>	58,603
Income tax (expense)/benefit	4(ii)	<b>(902)</b>	16,951
<b>Profit after tax for the year</b>		<b>129,459</b>	75,554
Loss/(profit) after tax attributable to non-controlling interest		<b>19,962</b>	7,776
<b>Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited</b>		<b>149,421</b>	83,330

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

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 July 2016**

	2016 \$'000	2015 \$'000
<b>Profit after tax for the year</b>	<b>129,459</b>	<b>75,554</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to income statement</b>		
Net movement in the fair value of long term equity investments, net of tax	(40,304)	8,411
Transfer to profit and loss on disposal of long term equity investments, net of tax	(10,692)	(3,950)
Net movement in hedge reserve, net of tax	17,141	(14,139)
Net movement in foreign currency translation reserve, net of tax	(320)	627
Net movement in equity reserve, net of tax	2,813	(3,593)
<b>Total other comprehensive (expense) for the year, net of tax</b>	<b>(31,362)</b>	<b>(12,644)</b>
<b>Total comprehensive income for the year</b>	<b>98,097</b>	<b>62,910</b>
Total comprehensive expense attributable to non-controlling interest	12,761	16,091
<b>Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited</b>	<b>110,858</b>	<b>79,001</b>

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

<b>Earnings per share</b>	<b>2016 Cents</b>	<b>2015 Cents</b>
Basic and diluted earnings per share to ordinary equity holders of the company		
<b>Earnings per share from operations</b>	<b>62.42</b>	<b>34.81</b>
	<b>No. of shares</b>	
Weighted average number of shares used in calculating basic and diluted earnings per share	<b>239,395,320</b>	<b>239,395,320</b>

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

**Consolidated Statement of Financial Position**  
**As at 31 July 2016**

	31 July 2016 \$'000	31 July 2015 \$'000
<b>Current assets</b>		
Cash and cash equivalents	126,709	59,424
Term deposits	47,660	1,217,011
Trade and other receivables	116,775	75,348
Inventories	79,039	72,870
Trading equities	31,605	21,300
Derivative financial instruments	2,313	-
Current tax asset	1,486	-
<b>Total current assets</b>	<b>405,587</b>	<b>1,445,953</b>
<b>Non-current assets</b>		
Trade and other receivables	30,187	4,299
Equity accounted associates	1,265,214	1,088,592
Long term equity investments	585,703	615,645
Other financial assets	11,837	5,425
Investment properties	92,932	20,720
Property, plant and equipment	1,385,221	584,703
Exploration and evaluation assets	405,812	407,831
Deferred tax assets	56,076	59,309
Intangible assets	60,478	20,538
<b>Total non-current assets</b>	<b>3,893,460</b>	<b>2,807,062</b>
<b>Total assets</b>	<b>4,299,047</b>	<b>4,253,015</b>
<b>Current liabilities</b>		
Trade and other payables	75,831	49,329
Interest bearing liabilities	52,167	47,347
Derivative financial instruments	167	23,144
Current tax liabilities	1,677	4,903
Provisions	50,066	36,675
<b>Total current liabilities</b>	<b>179,908</b>	<b>161,398</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	35,558	104
Deferred tax liabilities	240,038	253,042
Provisions	96,892	64,036
<b>Total non-current liabilities</b>	<b>372,488</b>	<b>317,182</b>
<b>Total liabilities</b>	<b>552,396</b>	<b>478,580</b>
<b>Net assets</b>	<b>3,746,651</b>	<b>3,774,435</b>
<b>Equity</b>		
Share capital	43,232	43,232
Reserves	623,684	661,279
Retained profits	2,372,467	2,322,067
Parent entity interest	3,039,383	3,026,578
Non-controlling interest	707,268	747,857
<b>Total equity</b>	<b>3,746,651</b>	<b>3,774,435</b>

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

**Consolidated Statement of Changes in Equity  
For the year ended 31 July 2016**

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

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

**Consolidated Statement of Changes in Equity  
For the year ended 31 July 2016**

Year ended 31 July 2015	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total parent entity interest \$'000	Non-controlling interest \$'000	Total \$'000
<b>Total equity at the beginning of the year 1 August 2014</b>	43,232	2,334,728	665,424	3,043,384	796,741	3,840,125
<b>Net profit for the year after tax</b>	-	83,330	-	83,330	(7,776)	75,554
<b>Other comprehensive income for the year</b>						
Net movement in asset revaluation reserve, net of tax	-	-	6,495	6,495	(2,034)	4,461
Net movement in hedge reserve, net of tax	-	-	(7,858)	(7,858)	(6,281)	(14,139)
Net movement in foreign currency translation reserve, net of tax	-	-	627	627	-	627
Net movement in equity reserve, net of tax	-	-	(3,593)	(3,593)	-	(3,593)
<b>Total comprehensive income for the year</b>	-	83,330	(4,329)	79,001	(16,091)	62,910
<b>Transactions with owners</b>						
Dividends declared and paid	-	(95,126)	-	(95,126)	(33,892)	(129,018)
Net movement in share based payments reserve	-	(865)	184	(681)	800	119
Non-controlling interests share of subsidiaries	-	-	-	-	(26)	(26)
Equity transfer from members on issue of share capital in controlled entity	-	-	-	-	325	325
<b>Total equity at the end of the year 31 July 2015</b>	43,232	2,322,067	661,279	3,026,578	747,857	3,774,435

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

**Consolidated Statement of Cash Flows**  
**For the year ended 31 July 2016**

	2016	2015
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers inclusive of GST	598,389	592,947
Payments to suppliers and employees inclusive of GST	(559,921)	(502,923)
	38,468	90,024
Dividends received	98,603	94,648
Interest received	32,202	46,393
Acquisition costs expensed	(45,604)	-
Finance costs	(973)	(1,438)
Income taxes paid	(2,869)	(6,937)
<b>Net cash inflow from operating activities</b>	119,827	222,690
<b>Cash flows from investing activities</b>		
Payments for property, plant, equipment and intangibles	(68,533)	(77,430)
Proceeds from sale of property, plant and equipment	829	336
Payments for exploration and evaluation activities	(22,387)	(60,350)
Net proceeds from term deposits	1,161,399	52,933
Payments for acquisition and development of investment properties	(71,316)	(31,204)
Proceeds from sale of investment properties	-	153,069
Payments for equity investments	(86,149)	(80,905)
Proceeds from sale of equity investments	49,130	29,222
Proceeds from the sale of an equity accounted associate	4,108	-
Payments to acquire equity accounted associates	(6,287)	(5,014)
Loans advanced	(41,285)	(17,843)
Loan repayments	1,701	3,554
Payments for acquisition of businesses, net of cash	(849,530)	-
<b>Net cash inflow/(outflow) from investing activities</b>	71,680	(33,632)
<b>Cash flows from financing activities</b>		
Dividends paid to WHSP shareholders	(122,092)	(117,304)
Dividends paid by subsidiaries to non-controlling interest	(27,963)	(33,892)
Proceeds for interest bearing liabilities	1,356	1,238
Payment on close out of interest rate swap	-	(2,112)
Proceeds from external borrowings	23,358	11,572
Repayments of external borrowings	(988)	(56,950)
<b>Net cash (outflow) from financing activities</b>	(126,329)	(197,448)
<b>Net increase/(decrease) in cash and cash equivalents</b>	65,178	(8,390)
Cash and cash equivalents at the beginning of the year	59,424	64,933
Effects of exchange rate changes on cash and cash equivalents	2,107	2,881
<b>Cash and cash equivalents at the end of the year</b>	126,709	59,424

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



## **Notes to the Consolidated Financial Statements**

### **1. Basis of Preparation**

This preliminary financial report for the year ended 31 July 2016 has been prepared in accordance with Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this report be read in conjunction with the annual financial report for the year ended 31 July 2015 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated entity" or "Group") during the reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 July 2016 reporting period. The Group has elected not to early adopt these standards and interpretations. The Group is currently determining what impact these standards and interpretations will have on the amounts recognised in the financial statements.

This preliminary report was authorised by the directors on 22nd September 2016.

## Note 2

### Parent Company Financial Information

#### Source of shareholders dividends

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

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

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

#### ACCOUNTING POLICIES

#### Parent company

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

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

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

#### Statement of Financial Position

	2016 \$'000	2015 \$'000
As at 31 July 2016		
<b>Current assets</b>		
1 Cash and term deposits	72,453	165,855
Other current assets	36,585	46,300
<b>Total current assets</b>	109,038	212,155
<b>Non-current assets</b>		
2 Long term equity investments – measured at market value	581,432	608,030
<b>Other financial assets</b>		
3 – Listed controlled and associated entities – measured at the lower of cost or impaired value	562,309	526,002
– Unlisted entities – measured at the lower of cost or impaired value	265,259	297,410
Other non-current assets	147,318	97,062
<b>Total non-current assets</b>	1,556,318	1,528,504
<b>Total assets</b>	1,665,356	1,740,659
<b>Total current liabilities</b>	52,134	48,676
<b>Total non-current liabilities</b>	72,866	89,112
<b>Total liabilities</b>	125,000	137,788
<b>Net assets</b>	1,540,356	1,602,871
<b>Equity</b>		
Share capital	43,232	43,232
Reserves	571,178	610,339
Retained profits	925,946	949,300
<b>Total equity</b>	1,540,356	1,602,871
<b>Income Statement</b>		
<b>Profit after tax</b>	98,737	165,200
<b>Less: Non-regular items after tax</b>		
Special dividends received from New Hope Corporation Limited	(17,349)	(17,349)
Net gain on disposal of investments	(11,713)	(1,595)
Net impairment expense/(reversal) on investments	67,320	(14,837)
Other expenses	441	229
4 <b>Regular profit after tax</b>	137,436	131,648
<b>Other comprehensive income</b>		
Net movement in the fair value of the listed investment portfolio	(39,363)	(776)

## Note 2

### Parent Company Financial Information

### Regular Profit after Tax and Regular Operating Cash Flows

#### Market value of listed entities as at 31 July 2016 (based on ASX closing prices 31 July 2016)

As at 31 July 2016		2016 \$'000
<b>Long term equity investments</b>		
Milton Corporation Limited		147,151
Commonwealth Bank of Australia		60,883
Perpetual Limited		27,898
Lindsay Australia Limited		27,208
ANZ Banking Group Limited		24,362
National Australia Bank Limited		23,136
Bailador Technology Investments Limited		22,600
Brambles Limited		21,783
Telstra Corporation Limited		21,730
Wesfarmers Limited		21,521
Other listed entities		183,160
<b>Market value of long term equity investments</b>		<b>581,432</b>
<b>Listed controlled and associated entities</b>		
	Holding	
TPG Telecom Limited	25.2%	2,737,949
Brickworks Limited	44.1%	986,646
New Hope Corporation Limited	59.6%	793,114
Australian Pharmaceutical Industries Ltd	24.6%	230,813
BKI Investment Company Limited	10.3%	100,668
Ruralco Holdings Limited	20.1%	52,947
Apex Healthcare Berhad	30.3%	45,247
TPI Enterprises Limited	19.4%	28,898
Clover Limited	28.6%	19,336
Rum Jungle Resources Limited	38.3%	8,486
<b>Market value of listed controlled and associated entities</b>		<b>5,004,104</b>
<b>Total market value of WHSP's listed investments</b>		<b>5,585,536</b>

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

WHSP is a long term equity investor.

If WHSP had disposed of its listed investments on 31 July 2016, a capital gains tax liability of approximately \$1.341 billion would have arisen based on market values as at 31 July 2016. Of this amount, only \$60.9 million has been recognised in the Parent company accounts at 31 July 2016.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 July 2016 and are therefore subject to price fluctuations.

For the year ended 31 July 2016

	2016 \$'000
<b>Interest income</b>	<b>5,159</b>
<b>Dividend and distribution income</b>	
Milton Corporation Limited	6,385
Commonwealth Bank of Australia	3,305
Perpetual Limited	1,532
Lindsay Australia Limited	1,165
ANZ Banking Group Limited	1,650
National Australia Bank Limited	1,726
Bailador Technology Investments Limited	—
Brambles Limited	460
Telstra Corporation Limited	1,167
Wesfarmers Limited	1,012
Other listed entities	9,984
TPG Telecom Limited	27,744
Brickworks Limited	30,194
New Hope Corporation Limited	22,305
Australian Pharmaceutical Industries Ltd	6,010
BKI Investment Company Limited	4,477
Ruralco Holdings Limited	2,391
Apex Healthcare Berhad	1,256
Clover Limited	354
Unlisted controlled and associates	12,224
<b>Total dividend and distribution income</b>	<b>135,341</b>
<b>Net pharmacy profit</b>	<b>1,575</b>
<b>Other revenue</b>	<b>1,649</b>
<b>Realised and fair value gains on equities</b>	<b>5,140</b>
<b>Other expenses</b>	<b>(6,930)</b>
<b>Finance costs</b>	<b>(1,334)</b>
<b>Regular profit before tax</b>	<b>140,600</b>
<b>Income tax (expense)</b>	<b>(3,164)</b>
<b>Regular profit after tax</b>	<b>137,436</b>
<b>Non-cash fair value losses on equities</b>	<b>2,507</b>
<b>Net movements in working capital</b>	<b>(2,508)</b>
<b>Regular operating cash flows</b>	<b>137,435</b>
The Board declares dividends having regard to the Parent company's regular operating cash flows.	
<b>Dividends paid/payable</b>	
– Interim of 20 cents per share paid 12 May 2016	50,273
– Final of 31 cents per share payable 12 December 2016	74,213
<b>Total dividends paid/payable</b>	<b>124,486</b>
<b>Payout ratio</b>	
Dividends as a percentage of regular operating cash flows	90.6%

## Notes to the Consolidated Financial Statements

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

#### How the group is organised - Corporate structure

The Parent company invests in a diversified range of companies.

Larger holdings in a single entity are classified as follows:

**Controlled entities:**      The Parent entity is able to control the activities of the organisation.  
**(subsidiaries)**

**Associates:**                The Parent entity has significant influence but does not control the activities of the organisation.

No controlled entities were acquired or disposed of during the year ended 31 July 2016.  
For changes in ownership of associates, refer to note 7.

#### How the Group is managed - Segment reporting

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

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

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

As the Chief Operating Decision Maker is not regularly provided with the operating results from the listed associates (material contributors to reported profit) these associates are included within the Investing activities segment except for Syndicated Metals Limited, which is included within the Copper and gold operations segment. Results for listed associates are sourced from publicly available information. Unlisted associates are considered not to be material contributors to the group. These have been included within the segment as disclosed in the diagram on the following page:

The Group's operating segments are described as:

#### *Investing activities*

The Group invests in cash, term deposits, and equity investments.

#### *Energy*

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

#### *Copper and Gold operations*

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

#### *Corporate advisory*

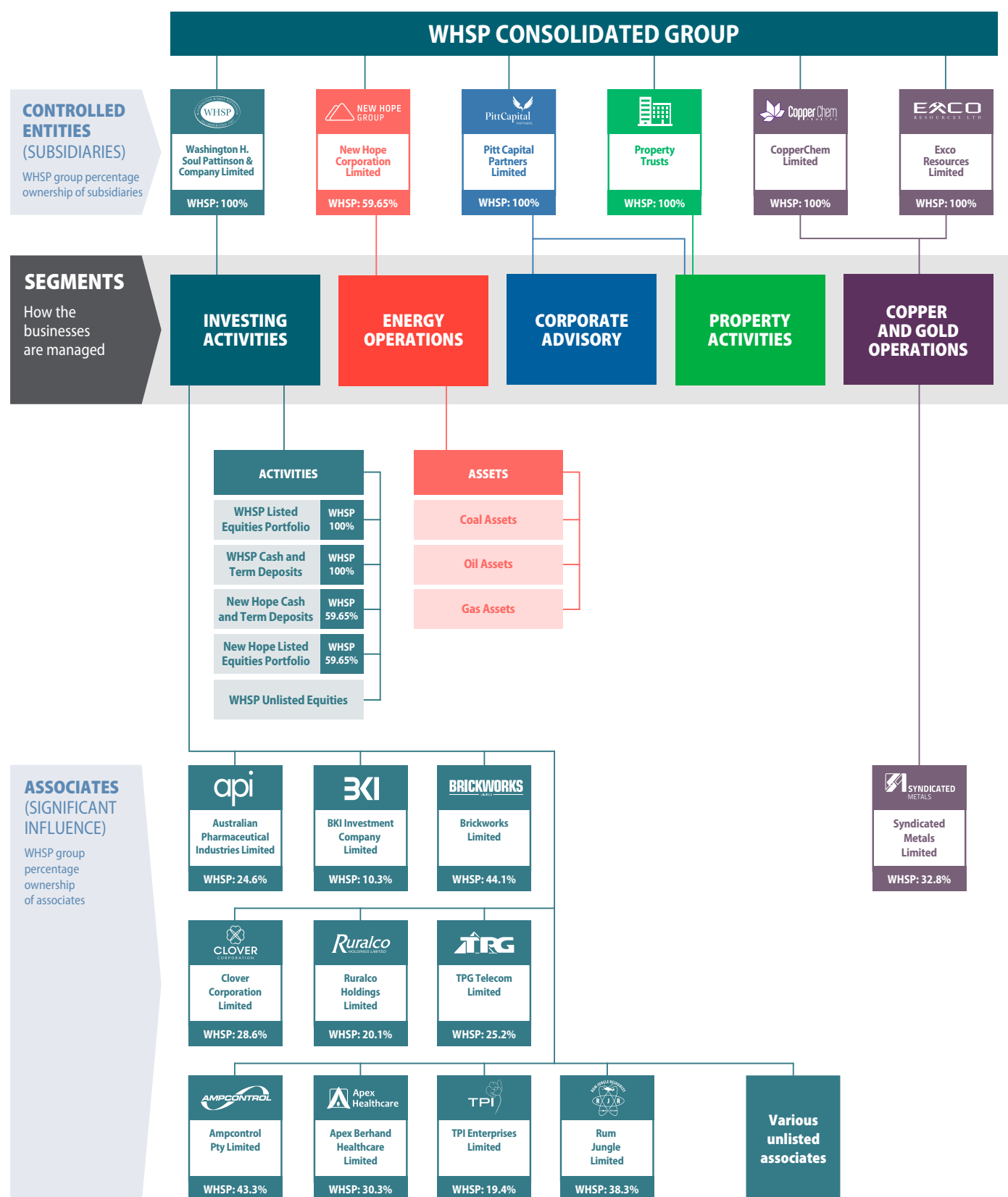
The Group provides corporate advisory services.

#### *Property*

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

## Note 3

### Segment Information



## Notes to the Consolidated Financial Statements

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

#### **Business performance - measurement of Segment results**

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

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

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

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

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

#### **Reconciliation between regular profit after tax attributable to members and profit after tax:**

	2016 \$'000	2015 \$'000
<b>Regular profit after tax attributable to members</b>	<b>177,222</b>	<b>162,405*</b>
<b>Non-regular items – net of tax</b>		
Gain on disposal of equity investments	11,713	2,410
Gain on disposal of equity accounted associate	1,489	-
Loss on initial recognition of equity accounted associate	(1,682)	-
Gain on deemed disposal of equity accounted associates	83,318	1,450
Impairment (expense)/reversal on equity accounted associates	(7,554)	72,947
Impairment (expense) on equity investments	(12,023)	(16,170)
Impairment (expense) on oil producing and exploration assets	(13,277)	(21,949)
Impairment (expense) on goodwill	-	(2,480)
Impairment (expense) on non-current assets – copper assets	(22,374)	(58,114)
Impairment (expense) on non-current assets – coals to liquids facility	-	(10,638)
Impairment (expense) on other assets	(6,675)	(6,632)
Share of significant (expenses) from associate entities	(29,834)	(23,391)
Deferred tax (expense) recognised on equity accounted associate entities	(20,900)	(13,902)
Acquisition fees	(19,042)	-
Land access compensation	2,982	-
Other items	6,058	(2,606)
<b>Total non-regular losses after tax attributable to members</b>	<b>(27,801)</b>	<b>(79,075)</b>
<b>Profit after tax attributable to members</b>	<b>149,421</b>	<b>83,330*</b>

\* The regular profit after tax for 2015 has been restated by transferring expenses of \$5.956 million from regular profit to non-regular items following a reallocation by an Associated Entity.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

**Notes to the Consolidated Financial Statements**

**3. Segment Information (continued)**

**a) Reporting segments**

**Year ended 31 July 2016**

	Investing activities \$'000	Energy \$'000	Copper and gold operations \$'000	Corporate advisory \$'000	Property \$'000	Intersegment / unallocated \$'000	Consolidated \$'000
Revenue from external customers	86,281	514,164	616	1,397	5,867	12,336	620,661
Intersegment revenue	29,708	-	-	9,236	914	(39,858)	-
<b>Total revenue</b>	<b>115,989</b>	<b>514,164</b>	<b>616</b>	<b>10,633</b>	<b>6,781</b>	<b>(27,522)</b>	<b>620,661</b>
<b>Regular profit/(loss) before income tax</b>	<b>230,288</b>	<b>(18,361)</b>	<b>(9,746)</b>	<b>7,452</b>	<b>3,239</b>	<b>(30,861)</b>	<b>182,011</b>
Non-regular items before tax (note 3b)	72,615	(68,750)	(55,515)	-	-	-	(51,650)
<b>Profit/(loss) before income tax</b>	<b>302,903</b>	<b>(87,111)</b>	<b>(65,261)</b>	<b>7,452</b>	<b>3,239</b>	<b>(30,861)</b>	<b>130,361</b>
Less income tax benefit/(expense)	(62,586)	25,795	39,092	(2,273)	(930)	-	(902)
<b>Profit/(loss) after tax</b>	<b>240,317</b>	<b>(61,316)</b>	<b>(26,169)</b>	<b>5,179</b>	<b>2,309</b>	<b>(30,861)</b>	<b>129,459</b>
Less loss/(profit) attributable to non-controlling interests	(3,119)	24,742	-	(1,610)	(51)	-	19,962
<b>Profit/(loss) after tax attributable to members</b>	<b>237,198</b>	<b>(36,574)</b>	<b>(26,169)</b>	<b>3,569</b>	<b>2,258</b>	<b>(30,861)</b>	<b>149,421</b>
<b>Profit/(loss) after tax attributable to members (as above)</b>	<b>237,198</b>	<b>(36,574)</b>	<b>(26,169)</b>	<b>3,569</b>	<b>2,258</b>	<b>(30,861)</b>	<b>149,421</b>
Non-regular loss/(profit) after tax attributable to members (note 3b)	(18,654)	29,337	17,118	-	-	-	27,801
<b>Regular profit/(loss) after tax attributable to members</b>	<b>218,544</b>	<b>(7,237)</b>	<b>(9,051)</b>	<b>3,569</b>	<b>2,258</b>	<b>(30,861)</b>	<b>177,222</b>

**Profit/(loss) before income tax includes the following items:**

Interest revenue	22,484	567	273	109	15	-	23,448
Interest (expense)	(1,338)	(249)	(304)	-	(644)	-	(2,535)
Depreciation and amortisation (expense)	(2,209)	(74,905)	(2,339)	(17)	(143)	-	(79,613)
Impairment (expense)/reversal	(35,001)	(28,146)	(53,392)	-	-	-	(116,539)
Share of results from equity accounted associates	124,693	-	(2,183)	-	(7)	-	122,503

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

**Notes to the Consolidated Financial Statements**

**3. Segment Information (continued)**

**a) Reporting segments**

**Year ended 31 July 2015**

	Investing activities \$'000	Energy \$'000	Copper and gold operations \$'000	Corporate advisory \$'000	Property \$'000	Intersegment / unallocated \$'000	Consolidated \$'000
Revenue from external customers	108,679	465,420	51,636	1,949	2,290	11,630	641,604
Intersegment revenue	37,758	-	-	6,152	2,100	(46,010)	-
<b>Total revenue</b>	<b>146,437</b>	<b>465,420</b>	<b>51,636</b>	<b>8,101</b>	<b>4,390</b>	<b>(34,380)</b>	<b>641,604</b>
<b>Regular profit/(loss) before income tax</b>	<b>209,290</b>	<b>31,546</b>	<b>(9,967)</b>	<b>4,866</b>	<b>9,251</b>	<b>(41,897)</b>	<b>203,089</b>
Non-regular items before tax (note 3b)	23,957	(79,880)	(88,563)	-	-	-	(144,486)
<b>Profit/(loss) before income tax</b>	<b>233,247</b>	<b>(48,334)</b>	<b>(98,530)</b>	<b>4,866</b>	<b>9,251</b>	<b>(41,897)</b>	<b>58,603</b>
Less income tax (expense)/benefit	(28,773)	14,898	24,884	(296)	(831)	7,069	16,951
<b>Profit/(loss) after tax</b>	<b>204,474</b>	<b>(33,436)</b>	<b>(73,646)</b>	<b>4,570</b>	<b>8,420</b>	<b>(34,828)</b>	<b>75,554</b>
Less (profit) attributable to non-controlling interests	(4,687)	13,493	-	-	(1,030)	-	7,776
<b>Profit/(loss) after tax attributable to members</b>	<b>199,787</b>	<b>(19,943)</b>	<b>(73,646)</b>	<b>4,570</b>	<b>7,390</b>	<b>(34,828)</b>	<b>83,330</b>
<b>Profit/(loss) after tax attributable to members (as above)</b>	<b>199,787</b>	<b>(19,943)</b>	<b>(73,646)</b>	<b>4,570</b>	<b>7,390</b>	<b>(34,828)</b>	<b>83,330</b>
Non-regular loss/(profit) after tax attributable to members (note 3b)	(19,648)	35,066	63,657	-	-	-	79,075
<b>Regular profit/(loss) after tax attributable to members</b>	<b>180,139</b>	<b>15,123</b>	<b>(9,989)</b>	<b>4,570</b>	<b>7,390</b>	<b>(34,828)</b>	<b>162,405</b>

**Profit/(loss) before income tax includes the following items:**

Interest revenue	43,803	230	11	163	109	-	44,316
Interest (expense)	(1,595)	(1)	(825)	-	(642)	-	(3,063)
Depreciation and amortisation (expense)	(2,267)	(61,181)	(16,675)	(16)	(104)	-	(80,243)
Impairment (expense)/reversal	42,189	(79,880)	(86,110)	-	-	-	(123,801)
Share of results from equity accounted associates	90,122	-	(249)	-	3,156	2,050	95,079*

\* The regular profit after tax for 2015 has been restated by transferring expenses of \$5.956 million from regular profit to non-regular items following a reallocation by an Associated Entity.



Notes to the Consolidated Financial Statements

3. Segment Information (continued)

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

	Before tax	Tax	After tax	Attributable to:	
	\$'000	\$'000	\$'000	Non-controlling interest	Members
				\$'000	\$'000
<b>Year ended 31 July 2016</b>					
Gain on disposal of equity investments	16,501	(4,788)	11,713	-	11,713
Loss on initial recognition of an associate	(1,682)	-	(1,682)	-	(1,682)
Gain on deemed disposal of associates	118,850	(35,532)	83,318	-	83,318
Gain on disposal of associate	2,127	(638)	1,489	-	1,489
Impairment (expense) of assets	(116,539)	43,627	(72,912)	(11,009)	(61,903)
Share of significant (expenses) from associate entities	(29,834)	-	(29,834)	-	(29,834)
Deferred tax recognised on equity accounted associate entities	-	(20,900)	(20,900)	-	(20,900)
Acquisition fees	(45,604)	13,681	(31,923)	(12,881)	(19,042)
Land access compensation	5,000	-	5,000	2,018	2,982
Significant tax items	-	6,413	6,413	-	6,413
Other	(469)	114	(355)	-	(355)
<b>Total non-regular items</b>	<b>(51,650)</b>	<b>1,977</b>	<b>(49,673)</b>	<b>(21,872)</b>	<b>(27,801)</b>
	Before tax	Tax	After tax	Attributable to:	
	\$'000	\$'000	\$'000	Non-controlling interest	Members
				\$'000	\$'000
<b>Year ended 31 July 2015</b>					
Gain on disposal of equity investments	3,408	(534)	2,874	464	2,410
Gain on deemed disposal of associates	2,076	(626)	1,450	-	1,450
Impairment reversal on equity accounted associate	72,947	-	72,947	-	72,947
Impairment (expense) of assets	(196,748)	49,960	(146,788)	(30,805)	(115,983)
Share of significant (expenses) from associate entities	(23,391)	-	(23,391)	-	(23,391)
Deferred tax recognised on equity accounted associate entities	-	(13,902)	(13,902)	-	(13,902)
Restructuring costs	(1,291)	74	(1,217)	-	(1,217)
Consulting and legal costs	(325)	98	(227)	-	(227)
Other	(1,162)	-	(1,162)	-	(1,162)
<b>Total non-regular items</b>	<b>(144,486)</b>	<b>35,070</b>	<b>(109,416)</b>	<b>(30,341)</b>	<b>(79,075)</b>

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

**Notes to the Consolidated Financial Statements**

**4. Profit for the year**

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

	2016 \$'000	2015 \$'000
<b>(a) Revenue</b>		
Sales revenue	560,426	567,956
Dividend and distribution revenue	28,398	25,491
Interest revenue	23,448	44,316
Rental revenue	5,973	2,695
Other	2,416	1,146
	<b>620,661</b>	<b>641,604</b>
<b>(b) Other income</b>		
Gain on sale of investment properties	-	4,991
Gains on deemed disposal of equity accounted associates	118,850	2,076
Gain on disposal of equity accounted associate	2,127	-
Loss on initial recognition of an associate	(1,682)	-
Gain/(Loss) on investments fair valued through profit or loss	5,140	(6,018)
Gain on sale of long term equity investments	16,501	5,543
Land access compensation	5,000	-
(Loss) on disposal of unlisted investment	-	(2,135)
Other	(34)	47
	<b>145,902</b>	<b>4,504</b>
<b>(c) Expenses</b>		
Impairment (expense)/reversal on equity accounted associates (1)	(7,554)	72,947
(Impairment) of long term equity investments (2)	(17,912)	(25,697)
(Impairment) of oil producing and exploration assets (3)	(28,146)	(51,456)
(Impairment) of goodwill	-	(4,157)
(Impairment) of non-current assets - coal to liquids facility	-	(24,267)
(Impairment) of copper mining and exploration assets (4)	(53,392)	(83,021)
(Impairment) of other assets	(9,535)	(8,150)
Net impairment (expense)	<b>(116,539)</b>	<b>(123,801)</b>

**(1) Impairment (expense)/reversal on equity accounted associates**

The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2016. Where the carrying values of the investments exceeded the recoverable amounts, the investment has been impaired. At each reporting date, an assessment is made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through the income statement. During the year ended 31 July 2016, an impairment expense of \$7.55 million has been recognised on the investment in TPI Enterprises Limited. In the prior year previously recognised impairment on the investment in Australian Pharmaceutical Industries Limited was reversed by \$72.95 million.

**Notes to the Consolidated Financial Statements**

**4. Profit for the year (continued)**

**(i) Profit before income tax expense (continued)**

*(2) Impairment of long term equity investments*

During the year ended 31 July 2016, there were significant decreases in the share prices of certain listed equity investments held by the Group. In accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment'. Where a long term equity investment's market last sale price is lower than the original cost, and the investment is considered by management to be 'impaired', the Group has recognised an impairment expense in respect of these investments. Impairments were recognised by WHSP (\$12.93 million) and New Hope Corporation Limited (\$4.98 million). An impairment recognised for a long term equity investment is prohibited from being reversed through profit and loss. Any future increments in the last sale price of these investments will be recognised as a fair value increment in the asset revaluation reserve. The impairment loss after tax impacted the result attributable to members by \$12.02 million.

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

During the year ended 31 July 2016, New Hope Corporation Limited determined that due to the continued significant decline in global oil prices indicated the carrying value of certain oil producing and exploration assets were impaired.

New Hope Corporation Limited classified its Cooper Basin assets as separate cash generating units (CGU) on a per field basis and has measured the recoverable amount of each CGU using the Fair value less cost of disposal method with all fair value measurements categorised as level 3 in the fair value hierarchy. The impairment loss on oil producing and exploration assets was \$28.15 million (2015: \$51.46 million). The impairment loss after tax impacted the result attributable to members by \$13.28 million.

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

As a result of continued and significant declines in the global copper price, the Group has determined that the carrying values of certain mining and exploration assets were no longer recoverable. An impairment loss on these assets of \$53.39 million (2015: \$83.02 million) was recognised during the period. These impairment losses after tax impacted the result attributable to members by \$22.37 million (2015: \$58.11 million).

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

**Notes to the Consolidated Financial Statements**

**4. Profit for the year (continued)**

**(ii) Tax expense/(benefit)**

	2016 \$'000	2015 \$'000
<b>Reconciliation of prima facie tax expense to income tax expense/(benefit):</b>		
Profit before income tax	130,361	58,603
Income tax expense calculated at 30%	39,108	17,581
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sale of long term equity investments	(172)	(345)
Impairment (benefit)	(11,235)	(13,662)
Franking credits received (excluding controlled and associate entities)	(11,379)	(9,965)
Tax effect of entities entering into the WHSP tax Group	(7,379)	-
Deferred tax asset not recognised on current year net losses	2,864	3,749
Net effect of New Hope Corporation Limited's Petroleum resource rent tax benefit	2,502	(673)
Tax (benefit) on the carrying value of equity accounted associates	(15,469)	(14,622)
Other	2,062	986
<b>Income tax expense/(benefit)</b>	<b>902</b>	<b>(16,951)</b>
The tax effective rates are as follows:	0.7%	(29%)

**5. Dividends**

		\$'000	Amount per security CPS	Franking per security CPS
<b>Final dividend 2016</b>	Final dividend not recognised in retained profits, to be paid on 12 December 2016	74,213	31.0	31.0
	Previous corresponding year, paid on 7 December 2015	71,819	30.0	30.0
<b>Interim dividend</b>	Interim dividend paid on 12 May 2016	50,273	21.0	21.0
	Previous corresponding year, paid on 14 May 2015	47,879	20.0	20.0

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

Total number of ordinary shares on issue at the end of the reporting period was 239,395,320 (2015: 239,395,320).

# Washington H. Soul Pattinson and Company Limited

## Year ended 31 July 2016

### Notes to the Consolidated Financial Statements

#### 6. Controlled entities acquired or disposed

##### (i) Acquisitions during the year

##### **Summary of acquisition – New Hope Bengalla joint venture**

On 1 March 2016, a subsidiary of Washington H. Soul Pattinson and Company Limited, New Hope Corporation Limited, acquired a 40% interest in the Bengalla Joint Venture, a coal mining and extraction operation producing thermal coal in the Hunter Valley, New South Wales.

The Joint Venture is accounted for as a joint operation, whereby the Group recognises its direct right to the assets, liabilities, revenue and expenses of the joint operation and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

	2016 \$'000
Purchase Consideration	
Cash Paid – Current Year	850,796
Purchase price adjustment receivable	(1,668)
Total Purchase Consideration	<u>849,128</u>

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

Cash	4,748
Receivables	15,079
Inventories	12,464
Property, plant and equipment	829,532
Intangibles	41,500
Accounts payables and accruals	(18,386)
Provisions	(35,809)
Net assets acquired	<u>849,128</u>

##### **Revenue and profit contribution**

The acquired business contributed revenue of \$97.41 million and profit before tax since acquisition of \$5.04 million (i.e before non-regulars) to New Hope Corporation Limited for the period 1 March 2016 to 31 July 2016. Due to the variability in key market factors and operational variations it is considered impractical to discuss an estimated revenue and profit/(loss) assuming the acquisition had occurred 1 August 2015. The anticipated increase in production and sales tonnes annually are 3.36 million tonnes.

	2016 \$'000
<b>Purchase Consideration</b>	
Outflow of cash to acquire subsidiary, net of cash acquired	
Total cash consideration	850,796
Less: Cash balance acquired	(4,748)
Outflow of cash – investing activities	<u>846,048</u>

##### **Summary of acquisition – Oil producing assets business**

During the year, a subsidiary of Washington H. Soul Pattinson and Company Limited, New Hope Corporation Limited acquired a business constituting the Moonie oil producing and exploration fields and also the unowned 40% joint operation interest in the Utopia oil production and exploration fields. These transactions constitute a business combination. The acquisitions resulted in cash outflows of \$3.482 million for the acquisition of oil producing assets and assumption of rehabilitation related provisions.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2016**

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**Notes to the Consolidated Financial Statements**

**6. Controlled entities acquired or disposed (continued)**

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

No controlled entities were disposed of during the year ended 31 July 2016.

**Washington H. Soul Pattinson and Company Limited**  
**For the year ended 31 July 2016**

**Notes to the Consolidated Financial Statements**

**7. Equity accounted associates**

Name of associated entity	Group's percentage of holding at balance date*		Contribution to Group net profit for the year **						Fair value of listed investments***	
	July 2016	July 2015	2016			2015			July 2016	July 2015
	%	%	Regular \$'000	Non-regular \$'000	Total \$'000	Regular \$'000	Non-regular \$'000	Total \$'000	\$'000	\$'000
<b>Associates – held by WHSP</b>										
Apex Healthcare Berhad	30.3	30.3	3,417	-	3,417	3,381	-	3,381	45,248	55,364
Australian Pharmaceutical Industries Limited (ii)	24.6	24.6	11,611	(600)	11,011	9,186	2,118	11,304	230,813	191,142
BKI Investment Company Limited (ii)	10.3	11.1	4,524	-	4,524	4,777	-	4,777	100,668	108,371
Brickworks Limited (ii)	44.1	44.2	38,841	(29,211)	9,630	29,089	(9,558)	19,531	986,646	978,113
Clover Corporation Limited	28.6	28.6	632	-	632	3	-	3	19,336	8,017
Rum Jungle Resources Limited (iii)	38.3	-	-	-	-	-	-	-	8,486	-
Ruralco Holdings Limited (ii)	20.1	20.3	3,787	(1,572)	2,215	3,735	(473)	3,262	52,947	60,921
TPG Telecom Limited (i)	25.2	26.9	91,825	5,699	97,524	66,201^	(5,956)^	60,245	2,737,949	2,029,441
TPI Enterprises Limited	19.4	19.4	(3,128)	(1,631)	(4,759)	(2,585)	(1,779)	(4,364)	28,898	n/a
Associates – held by controlled entities	n/a	n/a	829	(2,520)	(1,691)	4,683	(7,743)	(3,060)	n/a	n/a
<b>Share of results from equity accounted associates before gain on deemed disposals and impairment reversal</b>			152,338	(29,835)	122,503	118,470	(23,391)	95,079		
Gain on deemed disposal of associates (refer note 4(i))										
TPG Telecom Limited			-	81,760	81,760	-	-	-		
Other equity accounted associates			-	1,558	1,558	-	1,450	1,450		
Impairment (expense)/ reversal of investment in associates (refer note 4(i))										
- Australian Pharmaceutical Industries Limited			-	-	-	-	72,947	72,947		
- TPI Enterprises Limited			-	(7,554)	(7,554)	-	-	-		
<b>Total deemed disposal of associates/ impairment reversal of associates</b>			-	75,764	75,764	-	74,397	74,397		
<b>Share of results, gain on deemed disposals of associates and impairment reversal from equity accounted associates</b>			152,338	45,929	198,267	118,470	51,006	169,476		

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

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

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

## Notes to the Consolidated Financial Statements

### 7. Equity accounted associates (continued)

#### Details of investments and result in associates

(i) During the year, TPG Telecom Limited issued shares to new and existing shareholders as follows:

- Issued shares to iiNet shareholders;
- Issued shares to new and existing shareholders to institutional shareholders (Placement); and
- Issued shares to retail shareholders through the (Share purchase plan). Washington H. Soul Pattinson and Company Limited (WHSP) only participated in the share purchase plan.

As a result of the issue of shares to iiNet shareholders, the institutional placement and the share purchase plan:

- WHSP's shareholding in TPG Telecom Limited decreased from 26.88% (July 2015) to 25.15%; and
- WHSP recognised a gain on deemed disposal after tax of \$81.76 million.

(ii) The following associates issued shares by way of a dividend reinvestment plan, employee share scheme or capital raising:

- Australian Pharmaceutical Industries Limited
- BKI Investment Company Limited
- Brickworks Limited
- Ruralco Holdings Limited;

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

(iii) During the year, WHSP participated and underwrote Rum Jungle Resources Limited's renounceable rights issue. This resulted in WHSP's holding increasing to 38.3% and the investment is now classified as an equity accounted associate. Total consideration for WHSP's participation and underwriting of the renounceable rights issue was \$6.3 million.

During the year, an associate of Washington H. Soul Pattinson and Company Limited, Supercorp Pty Limited was disposed of for an after tax profit of \$1.49 million.

### 8. Fair value measurement

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

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

#### 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:



**Washington H. Soul Pattinson and Company Limited**  
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**Notes to the Consolidated Financial Statements**

**8. Fair value measurement (continued)**

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

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

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

**Fair value measurements**

The following table presents the Group's assets and liabilities measured and recognised at fair value as at 31 July 2016 and 31 July 2015.

<b>As at 31 July 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Trading equities	15,459	-	16,146	31,605
Long term equity investments	585,700	-	3	585,703
Other financial assets	-	-	11,837	11,837
Derivatives - Foreign exchange hedge	-	2,313	-	2,313
<b>Non-financial assets</b>				
Investment properties	-	-	92,932	92,932
<b>Total assets</b>	<b>601,159</b>	<b>2,313</b>	<b>120,918</b>	<b>724,390</b>
<b>Financial liabilities</b>				
Derivatives – Interest rate swap	-	167	-	167
<b>Total liabilities</b>	<b>-</b>	<b>167</b>	<b>-</b>	<b>167</b>
<b>As at 31 July 2015</b>				
<b>Financial assets</b>				
Trading equities	12,956	-	8,344	21,300
Long term equity investments	615,642	-	3	615,645
Other financial assets	-	-	5,425	5,425
<b>Non-financial assets</b>				
Investment properties	-	-	20,720	20,720
<b>Total assets</b>	<b>628,598</b>	<b>-</b>	<b>34,492</b>	<b>663,090</b>
<b>Financial liabilities</b>				
Derivatives - Foreign exchange hedge	-	23,144	-	23,144
<b>Total liabilities</b>	<b>-</b>	<b>23,144</b>	<b>-</b>	<b>23,144</b>

**9. Contingent liabilities**

There are no other material changes to contingent liabilities of the Group since 31 July 2015.

## **Notes to the Consolidated Financial Statements**

### **10. Events occurring after the balance date**

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

### **11. Other significant information**

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

### **12. Audit**

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