ASX Announcement

Appendix 4E for the year ended 31 July 2020

24 September 2020 - Washington H. Soul Pattinson and Company Limited **(ASX: SOL)** provides the attached preliminary final report (Appendix 4E) in accordance with the Listing Rules. The following are the key dates relating to the Company's year end results:

Final Dividend Ex-Date:	Friday, 20 November 2020
Final Dividend Record Date:	Monday, 23 November 2020
Dividend Payment Date:	Monday, 14 December 2020
Annual General Meeting:	Friday, 11 December 2020

The final date for receipt of director nominations in accordance with the Listing Rules is Friday, 23 October 2020.

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This announcement was authorised by the WHSP Board.

Washington H. Soul Pattinson and Company Limited
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ASX Appendix 4E and Preliminary Final Report 31 July 2020

Lodged with the ASX under Listing Rule 4.3A

Contents

	Page

Reporting Period

The reporting period for this report is the year ended 31 July 2020 (previous corresponding period is the year ended 31 July 2019).

Results for announcement to the market

		Current period July 2020 $'000	Prior Period July 2019 $'000	Change $'000
Revenue from continuing operations	Down 15.3% to	1,368,467	1,615,888	(247,421)
Profit after tax attributable to members	Up 284.3% to	952,967	247,943	705,024
Regular profit after tax attributable to members[1]	Down 44.7% to	169,800	307,262	(137,462)

Dividends

		Cents per share	Franking %
This period			
Final Dividend		35.0	100
Interim Dividend		25.0	100
Previous corresponding period			
Final Dividend		34.0	100
Interim Dividend		24.0	100
Record date for determining entitlement to final dividend:	23 November 2020		
Date the Final Dividend is payable:	14 December 2020		

No dividend reinvestment plan was in operation during the year.

1 Regular profit after tax is a non-statutory profit measure and represents profit before non-regular items. A reconciliation to statutory profit is included in the section Alternative Performance Measures. Refer to page 25.

Comments on above results

Net profit after tax (including non-regular items) attributable to members

The statutory profit after tax attributable to shareholders was $953.0 million compared to $247.9 million last year. The increase in statutory profit after tax of $705.1 million was largely due to the accounting gain of $1.05 billion on de-recognition of TPG Telecom as an equity accounted associate following the completion of the TPG/Vodafone merger, partly offset by New Hope Corporation impairments and restructuring expenses incurred in its Queensland mining operations. The prior year included the gain on the sale of WHSP's 160 Pitt Street Mall property.

Regular profit after tax attributable to members

The regular profit after tax attributable to shareholders for the year ended 31 July 2020 was $169.8 million compared to $307.3 million for the previous corresponding period.

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

	$m	% Change
New Hope revenues lower due to USD thermal coal prices and lower production at its Queensland mines, partly offset by a full year contribution from its 80% interest in the Bengalla Joint Venture and a lower AUD/USD exchange rate	($92.4)	(69%)
TPG Telecom contribution lower due to net margin reduction from the migration to the NBN and WHSP not taking up a share of TPG's income from 29 June 2020 due to the merger of TPG and Vodafone	($23.4)	(25%)
Brickworks experienced a fall in demand in its building products businesses in Australia and North America due to COVID-19, partly offset by a solid contribution from its property division	($12.7)	(23%)
Reduction in investment and trading income and an increase in net interest expense from increased gearing	($20.6)	(26%)
Round Oak saw increased revenues from its Barbara and Mt Colin mines entering production, offset by lower commodity prices and high ore treatment charges	+$11.6	+21%
Total	**($137.5)**	**(45%)**

Refer to Chairman's Review and Review of Group Entities for further details on the results.

Earnings per share

	Current period 31 July 2020	Prior period 31 July 2019
From operations		
Basic Earnings per Share	398.07 cents	103.57 cents
Diluted Earnings per Share[1]	398.07 cents	103.57 cents
From continuing operations		
Basic Earnings per Share	398.07 cents	103.48 cents
Diluted Earnings per Share[1]	398.07 cents	103.48 cents
From regular profit after tax[2] attributable to members	70.93 cents	128.35 cents

Net tangible assets per security

	2020	2019
Net tangible asset backing per ordinary security[3] (based on the Consolidated Statement of Financial Position)	$16.93	$14.00

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 attached.

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 attached.

Audit

This report is based on accounts which are in the process of being audited.

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

2 Regular profit after tax is a non-statutory profit measure and represents profit before non-regular items. A reconciliation to statutory profit is included in the section Alternative Performance Measures. Refer to page 25.

3 Refer to the Chairman's Review for the market based Net Asset Value of the Group.

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

ASX Code: **SOL**

Year Ended 31 July 2020

Chairman's Review

Dear Shareholders,

I am pleased to present the 2020 Washington H. Soul Pattinson and Company Limited (WHSP, Company) Preliminary Final Report on behalf of the Board of Directors of the Company.

Key Highlights

Performance for the Year		
Group Regular Profit after tax[1]	$169.8 million	- 44.7%
Group Statutory Profit after tax	$953.0 million	+284.3%

Key Performance Indicators		
WHSP net asset value (pre-tax)[2]	$5.2 billion	- 5.3%
Net cash flow from investments[3]	$252.3 million	+ 48.8%
Total Dividends per share (fully franked)	60 cents	+ 3.4%
Total Dividend growth over 20 years (ordinary dividend compound annual growth rate)	9.2% p.a.	
Total Shareholder Return over 20 years (to 31 July 2020)	987%	

1 *Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in Alternative Performance Measures on page 25.*
2 *Refer to page 11 for details of the portfolio valuation.*
3 *Refer to Alternative Performance Measures on page 24 for the definition of net cash flow from investments.*

Washington H. Soul Pattinson and Company Limited

WHSP's diversified portfolio delivered another pleasing year. Our objective is to provide superior returns to our shareholders by creating capital growth along with steadily increasing dividends. In volatile markets, the Company performed well on each of these objectives in FY2020 with assets outperforming the All Ordinaries Index and cash generation significantly improved.

Dividends are paid out of the net cash flow from our investments, which increased by 48.8% in FY2020 due to a significant "catch-up" special dividend from TPG Telecom. This was against a backdrop of decreasing dividends from a number of companies across the market this year.

This strong cash generation allowed the Company to declare another increase to the final dividend and places WHSP as the only company in the All Ordinaries Index to have increased its dividends every year for 20 years. WHSP is proud of its history of paying dividends every year since listing in 1903.

While the Total Shareholder Return underperformed the index for the last 12 months, the portfolio demonstrated the advantages of diversification and defensiveness by outperforming the All Ordinaries Index by 6.9% for the year ending 31 July 2020.

WHSP has a strong track record of delivering outperformance over the long-term[1] along with increased dividends. Over the last 20 years, WHSP's Total Shareholder Returns have exceeded the market by 5.2% per annum.

We continue to attract new shareholders and by the end of FY2020 the number of shareholders had grown to 29,735 (up 45.0%).

During the second half of the financial year COVID-19 had a significant impact on all businesses. While some of our investments were impacted to varying degrees, the Parent Company was relatively unaffected and did not participate in government funding, did not require rent relief and did not reduce its workforce. Subsidiaries who received small amounts of Job Keeper assistance did not pay dividends and WHSP supported those investments through a challenging time.

The outlook for the domestic and global economy remains uncertain and volatile. One of WHSP's key advantages to generating returns is a flexible mandate to make long-term investment decisions and adjust the portfolio by changing the mix of investment classes over time. While the economic outlook is uncertain, we can be certain that there will be some dislocation in some asset classes. With dislocation comes opportunities and WHSP is well positioned with adequate liquidity to take advantage of the right investment opportunity.

WHSP maintains a strong balance sheet with modest gearing and solid liquidity. WHSP also has available profit reserves and franking credit balances that provide confidence and support to its aim to pay a stable and growing dividend year on year.

1 *Relative performance compared to the All Ordinaries Accumulation Index.*

Total Shareholder Returns (TSR) to 31 July 2020

Annual Return	1 Year	5 Years p.a.	10 Years p.a.	15 Years p.a.	20 Years p.a.
WHSP	**- 11.4%**	**+ 10.6%**	**+ 7.5%**	**+ 8.5%**	**+ 12.7%**
All Ordinaries Accumulation Index	- 9.0%	+ 5.5%	+ 7.4%	+ 6.6%	+ 7.5%
Relative Performance[1]	- 2.4%	+ 5.1%	+ 0.1%	+ 1.9%	+ 5.2%

1 *Relative performance compared to the All Ordinaries Accumulation Index.*

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

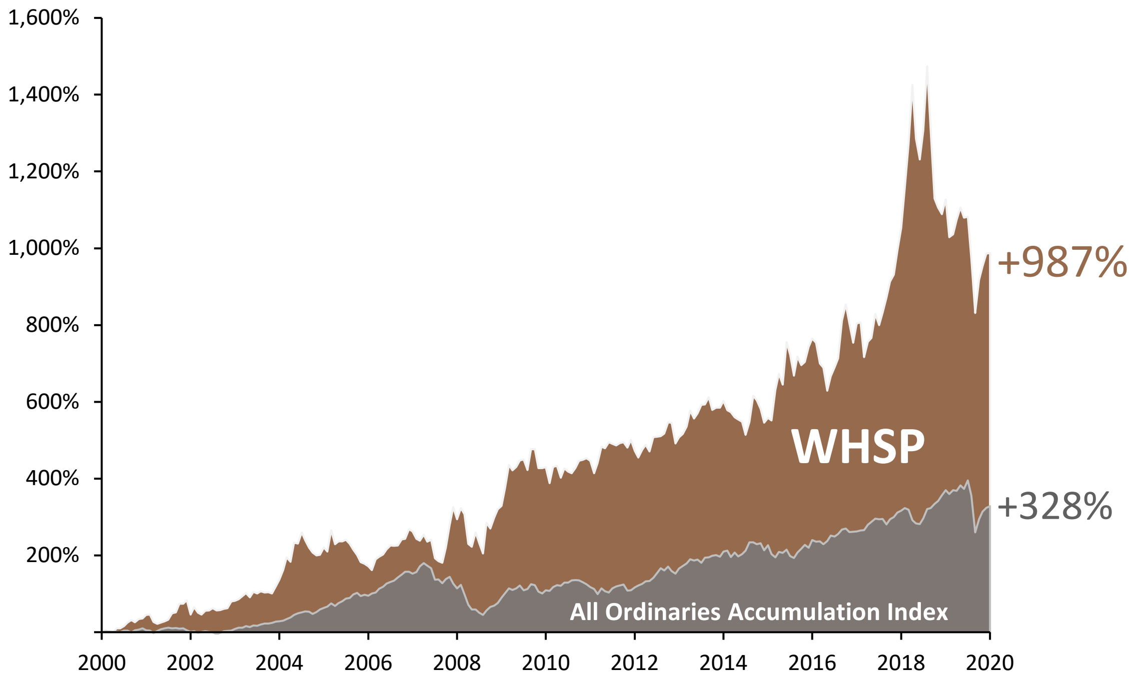
WHSP is focused on long-term growth and has outperformed the index in all of the periods shown above with the exception of the last year.

The last 12 months performance was impacted by short-term share price fluctuations. While the Company's share price underperformed, the underlying value of the Company (as represented by growth in net assets per share and adding back dividends paid during the year) outperformed the All Ordinaries Accumulation Index by 6.3%.

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

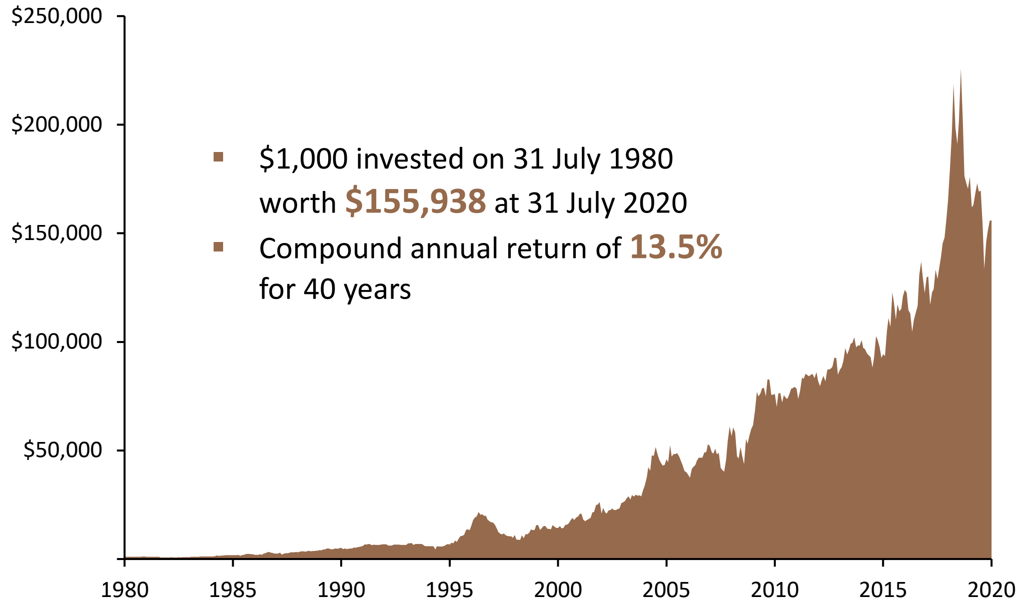
20 Year Total Shareholder Return

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



Includes the reinvestment of dividends

This performance has been maintained for a long period of time. If a shareholder had invested $1,000 in 1980 and reinvested all dividends, the shareholding would have appreciated to over $155,000 as at 31 July 2020. This equates to a compound annual growth rate of 13.5% year on year for 40 years. This growth does not include the value of the franking credits which have been passed on to shareholders by WHSP.



Includes the reinvestment of dividends

Dividends

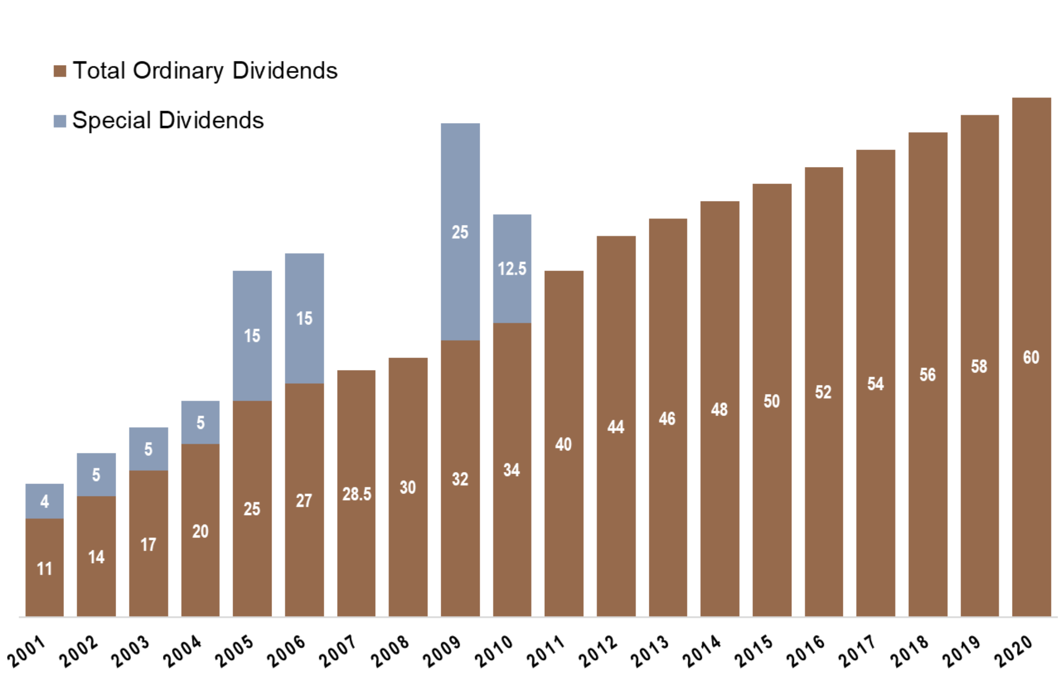
WHSP has an exceptional history of paying dividends to shareholders. WHSP has increased its ordinary dividend every year since 2000 and is the only company in the All Ordinaries Index to have achieved this. The compound annual growth rate of the Company's ordinary dividends over the last 20 years is 9.2%.

The Directors determine interim and final dividends based on the Company's net cash flow from investments[1]. These cash flows include dividends and distributions from its investments, interest income and gains on property assets.

The net cash inflow from investments[1] for the year was $252.3 million, up 48.8% compared to 2019. This increase was mainly due to the special dividend received from TPG Telecom as part of its merger with Vodafone.

20 Year Dividend History

Cents per Share



Final Dividend

The Directors have resolved to pay a fully franked final dividend of 35 cents per share in respect of the year ended 31 July 2020 (2019: 34 cents fully franked). This brings total dividends for the year to 60 cents fully franked (2019: 58 cents fully franked).

The record date for the final dividend will be 23 November 2020 with payment due on 14 December 2020. The last day to purchase shares and be eligible for the final dividend is 19 November 2020.

This year WHSP will pay out, as dividends, 56.9% of its net cash flow from investments[1] (2019: 81.9%).

1 *Refer to Alternative Performance Measures on page 24 for the definition of net cash flow from investments.*

Consolidated Financial Performance

Regular profit after tax attributable to members

The regular profit after tax[1] attributable to shareholders for the year ended 31 July 2020 was $169.8 million compared to $307.3 million for the previous corresponding period.

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

	$m	% Change
New Hope Corporation revenues lower due to USD thermal coal prices and lower production at its Queensland mines, partly offset by a full year contribution from its 80% interest in the Bengalla Joint Venture and a lower AUD/USD exchange rate	- 92.4	- 69%
TPG Telecom contribution lower due to net margin reduction from the migration to the NBN and WHSP not taking up a share of TPG's income from 29 June 2020 due to the merger of TPG and Vodafone	- 23.4	-25%
Brickworks experienced a fall in demand in its building products businesses in Australia and North America due to COVID-19, partly offset by a solid contribution from its property division	- 12.7	- 23%
Reduction in investment and trading income and an increase in net interest expense from increased gearing	- 20.6	- 26%
Round Oak Minerals saw increased revenues from its Barbara and Mt Colin mines entering production, offset by lower commodity prices and high ore treatment charges	+ 11.6	+ 21%
Total	- 137.5	- 45%

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

Net profit after tax (including non-regular items) attributable to members

The statutory profit after tax attributable to shareholders was $953.0 million compared to $247.9 million last year. The increase in statutory profit after tax of $705.1 million was largely due to the accounting gain of $1.05 billion on de-recognition of TPG Telecom as an equity accounted associate following the completion of the TPG/Vodafone merger, partly offset by New Hope Corporation impairments and restructuring expenses incurred in its Queensland mining operations. The prior year included the gain on the sale of WHSP's 160 Pitt Street Mall property.

Comparisons with the prior year are as follows:-

	2020 $'000	2019 $'000	% Change
Regular profit after tax[1] attributable to shareholders	169,800	307,262	- 44.7%
Statutory Profit after tax attributable to shareholders	952,967	247,943	+ 284.3%
Interim Dividend (paid in May each year)	25 cents	24 cents	+ 4.2%
Final Dividend (payable 14 December 2020)	35 cents	34 cents	+ 2.9%
Total Dividends	60 cents	58 cents	+ 3.4%

1 *Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in Alternative Performance Measures on page 25.*

Net Assets Value of WHSP

As at 31 July 2020	Value of WHSP's Holding $m	12 month Movement $m	%
Telecommunications Portfolio[1]	1,967	+ 331	+ 20.2%
Brickworks[1]	1,072	- 27	- 2.5%
New Hope Corporation[1]	545	- 498	- 47.8%
Financial Services Portfolio[1 & 2]	311	- 42	- 11.9%
Pharmaceutical Portfolio[1]	285	+ 20	+ 7.7%
Round Oak Minerals[2]	161	- 27	- 14.5%
Equities Portfolios[1 & 2]	511	- 53	- 9.3%
Private Equity Portfolio[2]	272	+ 136	+ 100.8%
Property Portfolio[2]	90	+ 1	+ 0.7%
Cash and other net assets (excluding bank borrowings)	411	+ 285	+ 226.9%
Less: Bank Borrowings[3]	- 446	- 416	+ 1,386.6%
Net asset value (pre-tax)[4 & 5]	**5,179**	**- 290**	**- 5.3%**

1 *At market value.*
2 *At cost or Directors' valuation.*
3 *Refer to note 11 for details regarding bank borrowings.*
4 *The tax payable if all of these assets had been disposed of on 31 July 2020 would have been approximately $894 million.*
5 *Net asset value (pre-tax) is the value of all of WHSP's assets less all of its liabilities (other than the tax payable upon the sale of its assets). Assets are valued at market value, cost or Directors' valuation as shown.*

The net asset value of WHSP is summarised in the above table. The pre-tax value as at 31 July 2020 was $5.2 billion, down 5.3% compared to 31 July 2019. This is an outperformance of 6.9% over the All Ordinaries Index which fell by 12.2% for the same period.

The Telecommunications Portfolio consists of TPG Telecom and Tuas. In July 2020 TPG Telecom demerged Tuas via an in-specie dividend to its shareholders and merged with Vodafone.

The investment in the Financial Services Portfolio increased during the first half when WHSP increased its investment in Ironbark Asset Management from 25.6% to 31.2%.

WHSP also participated in Palla Pharma's capital raising in October 2019, investing a further $6.2 million in the Pharmaceutical Portfolio.

Other new investments (held in the Private Equity Portfolio) included $127.7 million in the agricultural sector.

To fund new acquisitions and to provide liquidity for further investment opportunities WHSP increased its borrowings by $416 million.

Review of Group Entities – as at 31 July 2020

Telecommunications Portfolio

TPG Telecom Limited

Investment: **12.6% held** Total market capitalisation: **$14.9 billion** Value of WHSP's holding: **$1.88 billion** ASX code: **TPG**	

Tuas Limited

Associated entity: **25.3% held** Total market capitalisation: **$0.33 billion** Value of WHSP's holding: **$82.6 million** ASX code: **TUA**	

On 29 June 2020 TPG Telecom Limited (ASX: TPM) shareholders approved a merger with Vodafone Hutchison Australia Limited (Vodafone) to form TPG Telecom Limited (ASX: TPG) via a scheme of arrangement. The merger completed on 29 June 2020.

TPG is no longer an Associate for accounting purposes

As a consequence of the merger with Vodafone, WHSP's shareholding in TPG decreased from 25.3% to 12.6% (however the value of WHSP's investment increased materially in FY2020). WHSP no longer has significant influence over TPG and therefore, TPG is no longer an associate for accounting purposes. From 29 June 2020 WHSP ceased to equity account the earnings of TPG.

The derecognition of TPG as an associate required WHSP to revalue its investment to the market valuation as at the effective date of the merger in accordance with accounting standards. This resulted in a non-regular accounting gain (after-tax) of $1.05 billion in FY2020.

Prior to the merger occurring, TPG paid a special dividend of 51.6 cents per share which resulted in WHSP receiving a fully franked dividend of $120.9 million.

Demerger of Tuas Limited

TPG also demerged its Singapore mobile business to shareholders via a non-cash in-specie dividend. That business has been renamed Tuas Limited and is listed on the ASX (ASX: TUA). WHSP holds a 25.3% interest in Tuas which is in the process of rolling out mobile infrastructure in Singapore. Tuas is an equity accounted associate and the value of WHSP's holding at 31 July 2020 was $82.6 million.

Treatment of the TPG special dividend

While a special dividend of $120.9 million was received in FY2020, the WHSP Board has allocated the special dividend notionally across the FY2020 and FY2021 years to more accurately represent normal dividend payments from TPG. In FY2018, the TPG dividend was cut to preserve cash for the proposed mobile network rollout. TPG abandoned its proposed mobile network and once the merger was agreed was able to return cash to its shareholders. Of the total dividend, an amount of $92.4 million was allocated to FY2020 as a "catch-up" on the previous three years of depressed dividends. The remaining $28.5 million was allocated to FY2021 to account for the fact that the merged TPG changed its year end and announced it would not be paying a dividend in the second half of calendar year 2020. This will result in WHSP receiving only one ordinary dividend from TPG in FY2021.

Performance of WHSP's telecommunications interests

The value of WHSP's telecommunications interests (TPG and TUA) increased by 20.2% to $1.97 billion over the year ended 31 July 2020. After including the special dividend of $120.9 million received from TPG, the total value increase for the year is $452.0 million, or 27.6%.

TPG contributed $1.1 billion to the Group's net profit after tax for the year (2019: $34.1 million), largely due to the accounting gain from derecognition of TPG as an associate. Tuas did not make a profit contribution to the Group's net profit after tax for the year.

The Federal Court approval of the merger of TPG and Vodafone has created a strong competitor in the Australian telecommunications sector with good opportunities for growth. TPG's strong broadband business and fibre infrastructure is highly complementary with Vodafone's mobile infrastructure and customer base. The merged entity will be able to offer bundled services across better network infrastructure and achieve synergies through reduction of duplicate costs.

Tuas now owns the TPG Singapore business which operates a low-cost mobile network in Singapore. As a new entrant in the market, TPG Singapore is growing its customer base with products that deliver good value relative to incumbent service providers. The TPG Singapore network is new and therefore does not have legacy networks or systems to support. TPG Singapore is well placed to provide modern network technology (such as 5G) at competitive prices.

Brickworks Limited

Associated entity: **43.8% held** Total market capitalisation: **$2.45 billion** Value of WHSP's holding: **$1.07 billion** ASX code: **BKW**	BRICKWORKS LIMITED

Brickworks delivered a strong financial result for the year ended 31 July 2020 with statutory net profit after tax (NPAT) of $299 million, up 93% on the prior year. This result included a significant one-off profit in relation to its shareholding in WHSP, triggered by the merger of WHSP's associate TPG with Vodafone.

After excluding discontinued operations and the impact of significant items, the underlying NPAT of Brickworks was $146 million, down 38% from the record result achieved in the prior year.

Contribution to WHSP

The directors of Brickworks have declared a fully franked final dividend of 39 cents per share for the year ended 31 July 2020, up 2.6% from 38 cents last year. This brings total dividends for the year to 59 cents per share, up 2 cents or 3.5%.

Brickworks contributed $42.0 million to the Group's regular profit after tax for the year (2019: $54.7 million). This contribution excludes the WHSP profit taken up by Brickworks under the equity accounting method.

Brickworks contributed $19.2 million to the Group's net profit after tax for the year (2019: $64.1 million). The reduction in contribution was largely due to impairments and restructuring provisions of its building products businesses in Australia and North America.

Building Products Australia

Despite lower earnings, operational performance across most divisions was encouraging given the challenges associated with the COVID-19 pandemic and the headwinds due to declining market activity. Austral Bricks earnings on the east coast proved particularly resilient, with improved earnings recorded in Queensland, South Australia and Tasmania.

Building Products North America

Brickworks' expansion into the United States has gathered momentum, with the completion of two further bolt-on acquisitions.

In August 2019 it acquired Iowa based Sioux City Brick, followed by four manufacturing plants from Redland Brick in February 2020. Brickworks previously acquired Glen-Gery in November 2018.

In just two years Brickworks has built a brick business with significant scale and a leading market position in the North East of the United States. Whilst the COVID-19 pandemic has had a short-term impact, the North American operations provide additional diversification and strong prospects for growth over the long-term.

Property

The property division once again delivered an outstanding result with EBIT of $129 million for the year. This was driven by a significant increase in the value of the industrial property portfolio.

Brickworks' portfolio of well-located industrial facilities close to consumers are increasing in value, as they are now a key component in the supply chain solution of its tenants.

The COVID-19 pandemic has only accelerated the trends towards online shopping, and as a result, demand for prime industrial assets is expected to increase further.

Brickworks has a long pipeline of land available for development in Western Sydney and is poised to benefit from these industry trends over the years to come.

A major highlight for the year was securing a lease pre-commitment for 20 years with Amazon at the Property Trust's Oakdale West Estate in Western Sydney. This is the second major pre-commitment secured at this site, following the announcement of Coles Group in January 2019.

Outlook

Within Building Products Australia, orders and sales have increased in September across most businesses, reflecting the various government stimulus measures in place. However, the outlook is clouded by uncertainty in the major capitals of Melbourne and Sydney.

In May, Brickworks received development approval for a new $125 million face brick plant at Horsley Park in NSW. Upon completion, this facility will be the most advanced brick facility in the country, placing Austral Bricks New South Wales in a very strong competitive position.

In North America, the bolt-on acquisitions completed during FY2020 have strengthened Brickworks' leadership position in the architecturally focussed Midwest and Northeast regions of the United States.

Activity within the Property Trust remains strong, with the completion of developments at Oakdale to drive growth in rent and asset value over the next few years.

New Hope Corporation Limited

Controlled entity: **50.0% held**
Total market capitalisation: **$1.09 billion**
Value of WHSP's holding: **$545 million**

ASX code: **NHC**

NEW HOPE GROUP

New Hope has weathered many coal pricing cycles in its long history, but never one driven by such a unique set of circumstances; a pandemic and increasing tension with Australia's major trading partner.

New Hope's financial performance for the first half of FY2020 was solid, recording a profit before tax and non-regular items of $123.5 million. However, the second half result was greatly impacted by the COVID-19 pandemic with a full year profit before tax and non-regular items of $119.5 million. After non-regular items, New Hope reported a net loss after tax of $156.8 million compared to a profit of $210.7 million last year.

Despite lower production at New Acland over the year, total saleable coal production increased by 4% to 11.3 million tonnes.

Coal prices were resilient until March 2020, however, weakening demand and a weakening US dollar saw prices fall by around 33% from March to July 2020. In response to this New Hope has paid careful attention to expenditure with non-essential capital spend postponed, and a refocus on cost management.

Contribution to WHSP

New Hope contributed $42.0 million to the Group's regular profit after tax for the year (2019: $134.3 million).

New Hope contributed a loss after tax of $78.4 million to the Group's net profit after tax (2019: a profit of $105.3 million). The reduction in contribution was largely due to the impact of COVID-19 and impairment charges on its Queensland Mining Operations, Bridgeport oil and gas operations and coal development assets.

New Hope is focused on investment in key capital programs to underpin the future of its operations and ensure sustainable long-term shareholder returns. In order to fund this investment and in light of the difficult global economic conditions from COVID-19, New Hope has not declared a final dividend this year. Therefore, the total dividend for the year is 6 cents per share, being the interim dividend, compared to total dividends for FY2019 of 17 cents per share.

Operations

New Hope produced 11.3 million tonnes of saleable coal in 2020 which was a 4% increase on 2019. New Hope's 80% share of the Bengalla mine was 8.3 million tonnes while New Acland and Jeebropilly produced a combined 3.0 million tonnes of saleable coal.

Bengalla Joint Venture

The Bengalla Mine (100% basis) produced 10.3 million tonnes of coal during the year. This was another record for the business.

The site commenced a scheduled major mid-life shutdown of its dragline at the end of July. This involves significant mechanical, electrical and structural repairs and upgrades. As the dragline accounts for around 20% of total waste material movement the shutdown is only expected to have a minor impact on coal flow in the first half of FY2021.

There has been a strong cost and business improvement focus across the business for the year. In a tough thermal coal market, Bengalla continued to make a positive margin and generate a strong profit.

New Acland Coal Mine

New Acland produced 2.8 million tonnes of coal for the year, down 32% year on year due to the Queensland Government's failure to approve Stage 3 which resulted in the halving of the workforce on site in October 2019.

New Acland Stage 3 Development

The Queensland Court of Appeal rejected the appeal of the Oakey Coal Action Alliance (OCAA) in relation to the May 2018 Judicial Review.

Subsequently, OCAA sought special leave to appeal the orders of the Court of Appeal and, on 5 June, this was granted. The High Court hearing will take place on 6 October 2020.

The High Court appeal does not challenge the findings on groundwater or any other environmental issue that is relevant to any decision being made by Government. The Queensland Government has all the information before it to make the necessary decisions. There are no impediments to the granting of the approvals required for the Stage 3 Development.

Outlook

Bengalla begins FY2021 nearing the completion of the dragline major mid-life shutdown. Total production for the coming year is expected to remain at record levels through the continued operational improvements. Bengalla's positioning, low on the cost curve, will anchor its resilience during this global economic downturn.

Queensland operations will continue to ramp down production volumes in the year ahead with Acland production constrained to mining remnant coal from Stage 2 operations in the absence of receiving Stage 3 approvals. New Hope remains focused on securing all necessary approvals for Acland Stage 3 to ensure continuity of operations and employment for the remaining workforce and contractors, along with Queensland Bulk Handling and the broader community who rely on the operation.

Coal market fundamentals have deteriorated due to impacts of COVID-19 which has made for a challenging start to the year. The short-term outlook for thermal coal demand is dependent on post pandemic economic and industrial recovery in the Asian region. The mid to long-term outlook remains healthy as the need for industrial and domestic electricity generation remains strong based on growth in Asia, New Hopes' key export market.

With a suite of low cost, quality assets and strong balance sheet, New Hope remains well positioned to endure the current global economic downturn and retain its position as one of Australia's leading coal producers.

Financial Services Portfolio

Value of WHSP's holdings: **$311 million*** Listed and unlisted entities *Market value, cost or Directors' valuation

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

The values of the listed investments in the portfolio reduced due to the market disruption of COVID-19. While a further investment was made in Ironbark Asset Management, none of the unlisted investments were revalued or written down during the year. The total value of the portfolio continues to be well above its cost base.

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

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

Contribution to WHSP

WHSP received dividends of $19.1 million from the Financial Services Portfolio during the year, in line with 2019.

The Financial Services Portfolio contributed $20.1 million to the Group's regular profit after tax for the year (2019: $23.5 million).

As at 31 July 2020	WHSP's Holding %
BKI Investment Company Limited (ASX: BKI)	8.5%
Contact Asset Management Pty Limited	20.0%
Ironbark Asset Management	31.2%
Milton Corporation Limited (ASX: MLT)	3.3%
Pengana Capital Group Limited (ASX: PCG)	38.7%
Pengana International Equities Limited (ASX: PIA)	9.6%
Pitt Capital Partners Limited	100%
360 Capital Total Return Fund (ASX: TOT)*	6.5%

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

Pharmaceutical Portfolio

Total market capitalisation: **$1.18 billion** Value of WHSP's holdings: **$285 million** Listed entities	

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

Contribution to WHSP

WHSP received dividends of $5.6 million from the Pharmaceutical Portfolio during the year, down from $9.0 million in FY2019 due to the impact of COVID-19.

WHSP has equity accounted Apex's and Palla's results for the 12 months to 30 June 2020 and API's result for the 12 months to 29 February 2020.

The Pharmaceutical Portfolio contributed $12.5 million to the Group's regular profit after tax for the year (2019: $15.0 million).

As at 31 July 2020	WHSP'S Holding %
Australian Pharmaceutical Industries Limited (ASX: API)	19.3%
Apex Healthcare Berhad (Bursa Malaysia code: APEX MK)	29.9%
Palla Pharma Limited (ASX: PAL)	19.9%

WHSP participated in Palla Pharma's capital raising in October 2019 investing a further $6.2 million.

Round Oak Minerals Pty. Limited

Controlled entity: **100% held**
Value of WHSP's holding: **$161 million***
Unlisted entity

*Directors' valuation

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

Queensland assets

The Mt Colin underground copper mine commenced commercial production during the year. Mine development was ahead of target for the year allowing the focus in the latter half of the year to shift to resource development drilling at depth. Encouraging early drilling results have identified the potential for additional ore that could extend the mine life beyond 2023.

The Barbara open pit copper mine also commenced commercial production during the year. Open pit mining at Barbara is scheduled to be completed in late 2020 with toll treatment of the ore to be completed in early 2021. Studies have commenced on the potential to extend the mine life via the development of an underground mine below the south pit.

Gold mining at the Wallace South mine was completed in December 2019 and the Cloncurry processing facilities were placed on care and maintenance in July 2020 following the treatment of this ore. Reviews of further Round Oak owned gold resources in the region are being undertaken.

Western Australian assets

The Bentley underground mine at Jaguar saw first production from the high-grade Bentayga lens in the first half of the year. In the latter part of the year, monthly ore production from Bentley was deliberately reduced from 30 kilotons per month to 20-25 kilotons per month as underground resources were redirected to development of the Pegasus lens (discovered in 2019). Development of Pegasus is expected to take until early 2021 at which point mine production will ramp up to 40 kilotons per month.

Work on the Definition Phase Study for the development of the Triumph resource was completed, demonstrating its potential to both increase production capacity and extend the life of Jaguar beyond its current three year mine life.

Victorian assets

All primary approvals and permits for the Stockman copper-zinc project in north-east Victoria are in place, including the Mine Work Plan, with work continuing on the development of the associated Management Plans. A Selection Phase Study completed in the second half of 2019 continues to be refined prior to the commencement of a Definition Phase Study.

Contribution to WHSP

Round Oak contributed a regular after tax loss of $42.5 million to the Group's result for the year (2019: $54.1 million loss). Revenue was up 66% to $222.9 million largely driven by the Mt Colin and Barbara operations moving into commercial production. Notwithstanding higher sales volumes, lower commodity prices for zinc and copper and zinc smelter treatment charges had a material impact on gross margins.

Round Oak's statutory loss after tax of $94.8 million includes a non-regular impairment charge of $50.2 million, booked in the first half of FY2020 following a reassessment of the carrying values of development and exploration assets and processing infrastructure.

WHSP continues to review its strategic options for these assets.

Outlook

Zinc and copper prices have recovered since the bottom of the market in March 2020. In the last six months, copper has increased over 40% to over US$3 per pound and zinc is up over 30% to over US$2,500 per tonne. Mining of Round Oak's three major assets, Mount Colin, Barbara and Jaguar is proceeding to plan and the recovery of commodity prices is well timed given expected sales over the course of the next 12 to 18 months.

Exploration activities are focused on targets to increase the life of the current mining operations. Early results have been encouraging and these programmes will continue into FY2021.

Equities Portfolios

Large Caps Portfolio

The WHSP Large Caps Portfolio is externally managed by Contact Asset Management, with the aim of providing long-term capital preservation and an attractive income stream through investment in a diversified Australian equities portfolio. The strategy aims to deliver capital growth and a yield that exceeds the market through the cycle.

For the year ended 31 July 2020, the ASX 300 Accumulation Index return was negative 9.7%. The WHSP Large Caps Portfolio Return was negative 7.8%, an outperformance of 1.9%. Over the past 18 months to 31 July 2020, the WHSP Large Caps Portfolio generated a total return of 5.7%, compared to the ASX 300 Accumulation Index which returned 4.8%, an outperformance of 0.9%.

At 31 July 2020, the WHSP Large Caps Portfolio was valued at $262 million. The Portfolio, which was made up of 21 companies, is currently providing a grossed-up dividend annual yield of 4.6%. Cash generated from dividends/distributions from securities within the Portfolio is paid directly to WHSP.

Portfolio Performance	WHSP Large Caps Portfolio	ASX 300 Accumulation Index
12 months to 31 July 2020	- 7.8%	- 9.7%
18 months to 31 July 2020	+ 5.7%	+ 4.8%

Small Caps Portfolio

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

As at 31 July 2020 the portfolio was worth $248.9 million, a net increase of $24.2 million over the balance at 31 July 2019.

For the 12 months to 31 July 2020 the portfolio generated an investment return of 4.4%. This compares favourably to the ASX Small Companies Accumulation Index which returned negative 8.5% over the same period.

Since the market sell off in late March 2020 the portfolio is up 68.9% to the end of August 2020 (25 March 2020 to 31 August 2020).

We do not make investment decisions to correlate our returns against an index, however, we show this comparison as market context for our shareholders.

Portfolio Performance	WHSP Small Caps Portfolio	ASX Small Ordinaries Accumulation Index
6 months to 31 January 2020	+ 18.1%	+ 2.8%
12 months to 31 July 2020	+ 4.4%	- 8.5%
25 March 2020 to 31 August 2020	+ 68.9%	+ 42.0%

Private Equity Portfolio

The carrying value of the Private Equity Portfolio increased by $136.5 million to $271.9 million during the year ended 31 July 2020. This increase was principally due to new investments.

The new investments were mainly in the agricultural sector with $127.7 million invested since 31 July 2019.

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

During the year the portfolio was relatively unaffected by COVID-19 with the exception of Aquatic Achievers which was impacted by operating restrictions at its swim schools. Those restrictions have since ended and Aquatic Achievers is operating profitably again. Infrastructure and resources demand continued to benefit Ampcontrol and demand for commercial cleaning assisted Dimeo.

Property

In July 2020 contracts were exchanged to sell the shopping centre at 510 High Street Penrith in which WHSP holds a 50.1% interest. Total proceeds are expected to be $27.4 million (WHSP's share $13.7 million) with settlement due in November 2020.

WHSP has maintained its ownership of the office building at Pennant Hills and the industrial property at Castle Hill. These assets are presently being repositioned with a blend of capital improvements and leasing initiatives to increase income.

Contribution to WHSP

The Property Portfolio contributed $7.7 million to the Group's regular profit after tax for the year (2019: $11.0 million).

Alternative Performance Measures

The Consolidated Entity presents certain Alternative Performance Measures (APM's), including regular and non-regular profit after tax, Net cash flows from investments and net asset value, which are reconciled to directly comparable International Financial Reporting Standards ("IFRS") financial measures on pages 11, 25 and 26 respectively in this Preliminary Financial Report. These APMs are used by management to assess the performance of the business and may therefore be useful to investors. They are not a substitute for the IFRS measures and should be considered supplementary to those measures.

Regular and non-regular profit after tax

Financial performance is measured by regular profit and regular profit after tax attributable to members. These results are non-statutory profit measures and represent profit 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 profitability used by the Consolidated Entity.

Net cash flows from investments

Net cash flows from investments are after Parent Entity corporate costs and exclude the effects of non-regular cash inflows and outflows to demonstrate the underlying cash flows generated by the Parent Entity's investment portfolio. The Board of the Consolidated Entity determines dividends having regard to net cash flows from investments.

Net Asset Value ("NAV")

The Parent Entity is a long-term investor. Net asset value (pre-tax) is the value of all of the Parent Entity's assets less all of its liabilities (excluding any tax payable upon the sale of its assets). Assets are valued at market value, cost or Directors' valuation as shown in the NAV statement. The NAV post-tax assumes the Parent Entity disposed of its assets and incurred a capital gains tax liability based on the market values or Directors' valuations.

Reconciliation between consolidated regular profit after tax and profit after tax

A reconciliation between consolidated regular profit after tax attributable to members and profit after tax attributable to members is set out below. The Directors have presented this information as they consider the disclosure enhances the understanding of the financial results to shareholders and other users of the financial statements.

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

	2020 $'000	2019 $'000
Regular profit/(loss) after tax attributable to members		
TPG Telecom Limited	71,589	95,044
Brickworks Limited	41,960	54,710
New Hope Corporation Limited	41,968	134,270
Round Oak Minerals Pty Limited	(42,468)	(54,142)
Other investing activities	68,389	87,044
Intersegment/unallocated[1]	(11,638)	(9,664)
Regular profit after tax attributable to members	169,800	307,262
Non-regular items after tax		
Fair value gain on derecognition of TPG as an equity accounted associate	1,050,027	-
Share of non-regular items from equity accounted associates	(15,842)	(37,129)
Gain on deemed disposal of equity accounted associates	5,225	1,345
Deferred tax benefit/(expense) recognised on equity accounted associates	23,064	(13,632)
Loss on derecognition of an associate's reserves	(7,452)	-
Acquisition costs expensed	(2,245)	(17,101)
Gain on sale of 160 Pitt Street Mall	-	68,968
Impairment expense on equity accounted associates	(61,640)	(34,807)
Impairment expense on property, plant and equipment (including mine development)	(90,777)	(16,645)
Impairment expense on exploration and evaluation assets	(67,707)	-
Impairment expense on oil producing and exploration assets	(23,226)	-
Impairment expense on other assets	(14,479)	(1,323)
Restructuring costs	(12,729)	-
New Acland ramp down costs - New Hope	(4,662)	-
Reversal of provision for liquidation related costs - New Hope	7,165	-
Redundancies	(2,704)	(1,791)
Non-cash in-specie dividend	-	3,592
Onerous contract and other expenses	-	(10,000)
Rehabilitation costs - New Hope	3,311	-
Other items	(2,162)	(796)
Total non-regular profit/(loss) after tax attributable to members	783,167	(59,319)
Profit after tax attributable to members	952,967	247,943
Less: (loss)/profit attibutable to non-controlling interests	(78,512)	111,546
Profit after tax	874,455	359,489

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

Derecognition of TPG as an associate

As at 31 July 2020, the Parent Entity had a 12.6% (previously 25.3%) investment in TPG Telecom Limited ("TPG"), a telecommunications and internet provider. During the financial year, the Group's share of ownership in TPG was diluted from 25.3% to 12.6% as a result of the TPG and Vodafone Hutchison Australia Pty Limited ("VHA") merger. As of the merger date (29 June 2020), the Group lost significant influence over TPG and discontinued equity accounting for its investment in TPG. This resulted in TPG contributing $1.122 billion (after tax) to profit during the current financial year. The contribution reflects the Parent Entity's share of TPG's equity accounted results and reserves up until the merger date and a gain from the initial recognition of a financial asset held at Fair Value Through Other Comprehensive Income. The contribution has been calculated as follows:

Consolidated Entity	$'000
Market value of TPG investment based on a 5-day VWAP[1]	2,028,230
Less: equity accounted carrying value[2]	(553,704)
Gain on derecognition of TPG as an associate before tax	1,474,526
WHSP share of TPG results recognised up to 31 January 2020	36,277
Total contribution to profit from TPG, including fair value gain on derecognition	1,510,803
Income tax expense	(389,187)
Total contribution to profit from TPG, including fair value gain on derecognition, after tax	1,121,616
The contribution to profit from TPG has been allocated as follows:	
Regular profit after tax[3]	71,589
Non-regular profit after tax	1,050,027
Total contribution to profit from TPG after tax	1,121,616

[1] Market value based on 5-day volume weighted average price

[2] The TPG equity accounted value just prior to derecognition has been calculated as follows:

	$'000
Equity accounted carrying value of TPG – 1 August 2019	732,177
Share of TPG profits and reserves less dividends received from 1 August 2019 to 29 June 2020	(178,473)
Equity accounted carrying value of TPG – 29 June 2020	553,704

[3] Includes TPG estimated profit before tax for the second half of 2020 based on unaudited results released to the ASX

TPG special dividend allocation to the Parent Entity net cashflow from investments

The Parent Entity received the TPG special dividend of $120.948 million (or 51.6 cents per share) in July 2020. With the change to the TPG balance date (from 31 July to 31 December), the newly merged TPG did not declare an interim dividend in August 2020.

The Parent Entity has adopted the following treatment of the TPG special dividend in the calculation of the Parent Entity net cash flows from investments (a non-statutory measure of cash flows) for the 2020 financial year and the 2021 financial year.

The Parent Entity considers the special dividend to have two components. The first is a catchup component (estimated at $92.4 million), given that TPG has paid very low dividends over the six reporting periods from financial year 2018 to financial year 2020. The second component can be considered as an estimate of a final financial year 2020 dividend of $28.5 million for the pre-merger TPG. The following table shows the allocation of the special dividend to net cash flows from investments in financial year 2020 and financial year 2021.

Net cash flows from investments Year ended 31 July	2020 $'000	2021 $'000
Catch-up dividend	92,418	
Estimated final FY2020 for the pre-merger TPG usually paid in November		28,530

Financial statements

Consolidated statement of comprehensive income

	Notes	2020 $'000	2019 $'000
Revenue from continuing operations	4(a)	1,368,467	1,615,888
Other income	4(b)	9,885	117,409
Expenses			
Cost of sales		(1,021,189)	(978,217)
Selling and distribution expenses		(193,679)	(194,394)
Administration expenses		(67,500)	(64,540)
Acquisition costs expensed		(2,366)	(46,041)
Impairment expense	4(c)	(483,887)	(60,450)
Other expenses		14,058	(21,675)
Finance costs		(35,474)	(27,857)
Total contribution from equity accounted associates, including fair value gain on derecognition of TPG	7	1,534,868	134,343
Profit before income tax expense		1,123,183	474,466
Income tax expense	4(e)	(248,728)	(115,197)
Profit after income tax expense from continuing operations		874,455	359,269
Profit after income tax expense from discontinued operations		-	220
Profit after income tax expense for the year		874,455	359,489
Profit for the year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		952,967	247,943
Non-controlling interests		(78,512)	111,546
		874,455	359,489
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		14,906	28,211
Disposal of long term equity investments, net of tax		(16,575)	(19,299)
Net movement after tax in capital profits reserve		8,889	22,815
Items that may be reclassified subsequently to profit or loss			
Net movement after tax in hedge reserve		43,874	(15,251)
Net movement after tax in foreign currency translation reserve		1,015	2,275
Net movement after tax in equity reserve		1,756	(913)
Total other comprehensive income for the year, net of tax		53,865	17,838
Total comprehensive income for the year		928,320	377,327
Total comprehensive income for the year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		984,214	264,304
Non-controlling interests		(55,894)	113,023
		928,320	377,327

Comparative figures have been restated to better reflect the disclosures in the current financial year.

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

Financial statements

Consolidated statement of comprehensive income (continued)

	2020 Cents	2019 Cents
Earnings per share from continuing operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited (in cents)		
Basic earnings per share	**398.07**	103.48
Diluted earnings per share[1]	**398.07**	103.48
Earnings per share from discontinued operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited (in cents)		
Basic earnings per share	**-**	0.09
Diluted earnings per share[1]	**-**	0.09
Earnings per share attributable to the Owners of Washington H. Soul Pattinson and Company Limited (in cents)		
Basic earnings per share	**398.07**	103.57
Diluted earnings per share[1]	**398.07**	103.57
Weighted average number of shares used in calculating basic and diluted earnings per share	**239,395,320**	239,395,320

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

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

Financial statements

Consolidated statement of financial position

	Notes	31 July 2020 $'000	31 July 2019 $'000
Current assets			
Cash and cash equivalents		293,231	125,445
Term deposits		51,582	1,470
Trade and other receivables		148,845	162,258
Inventories		114,102	120,471
Biological assets	6	2,062	-
Assets classified as held for sale		26,879	53
Financial assets held for trading		204,160	77,148
Derivative financial instruments	9	45,852	-
Current tax asset		16,283	-
Total current assets		902,996	486,845
Non current assets			
Trade and other receivables		30,031	38,588
Equity accounted associates	7	915,458	1,603,610
Long term equity investments	8	2,759,779	785,135
Derivative financial instruments	9	8,912	190
Investment properties		75,724	106,281
Property, plant and equipment	10	2,239,586	2,351,799
Exploration and evaluation assets		109,422	333,623
Right-of-use assets	12	117,512	-
Deferred tax assets		95,909	56,669
Intangible assets		117,186	114,479
Total non current assets		6,469,519	5,390,374
Total assets		7,372,515	5,877,219
Current liabilities			
Trade and other payables		142,172	158,874
Contract liabilities		829	591
Interest bearing liabilities	11	259,011	32,537
Lease liabilities	12	22,215	-
Derivative financial instruments	9	-	10,774
Current tax liabilities		1,410	9,234
Provisions	13	58,851	93,029
Total current liabilities		484,488	305,039
Non current liabilities			
Trade and other payables		773	15,989
Interest bearing liabilities	11	575,422	370,213
Lease liabilities	12	99,151	-
Deferred tax liabilities	14	672,843	422,445
Provisions	13	284,166	252,064
Total non current liabilities		1,632,355	1,060,711
Total liabilities		2,116,843	1,365,750
Net assets		5,255,672	4,511,469
Equity			
Share capital		43,232	43,232
Reserves		206,938	176,603
Retained profits		4,133,308	3,301,831
Parent Entity interest		4,383,478	3,521,666
Non-controlling interests		872,194	989,803
Total equity		5,255,672	4,511,469

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

Financial statements

Consolidated statement of changes in equity

Year ended 31 July 2020	Share capital $'000	Retained profits $'000	Reserves $'000	Total Parent Entity interest $'000	Non-controlling interests $'000	Total equity $'000
Total equity at the beginning of the year						
1 August 2019	43,232	3,301,831	176,603	3,521,666	989,803	4,511,469
Effect of initial adoption of AASB 16 (refer to note 20)	-	(2,859)	-	(2,859)	-	(2,859)
Restated balance at the beginning of the year						
1 August 2019	43,232	3,298,972	176,603	3,518,807	989,803	4,508,610
Net profit for the year after tax	-	952,967	-	952,967	(78,512)	874,455
Other comprehensive income/(loss) for the year						
Net movement after tax in asset revaluation reserve	-	-	(1,407)	(1,407)	(262)	(1,669)
Net movement after tax in hedge reserve	-	-	20,995	20,995	22,879	43,874
Net movement after tax in foreign currency translation reserve	-	-	1,014	1,014	1	1,015
Net movement after tax in equity reserve	-	-	1,756	1,756	-	1,756
Net movement after tax in general reserve[1]	-	2,342	(2,342)	-	-	-
Net movement after tax in capital profit reserve	-	-	8,889	8,889	-	8,889
Total comprehensive income for the year	-	955,309	28,905	984,214	(55,894)	928,320
Transactions with owners						
Dividends provided for or paid[2]	-	(116,876)	-	(116,876)	(64,946)	(181,822)
Net movement in share based payments reserve	-	189	1,430	1,619	346	1,965
Transactions with non-controlling interests	-	300	-	300	3,520	3,820
Derecognition of TPG as an associate	-	(4,586)	-	(4,586)	-	(4,586)
Return of capital	-	-	-	-	(635)	(635)
Total equity at the end of the year						
31 July 2020	43,232	4,133,308	206,938	4,383,478	872,194	5,255,672

1 The general reserve historically recorded funds set aside for future requirements of the Group and relates to the Parent Entity.
2 After the elimination of a proportion of the Parent Entity dividend paid to Brickworks Limited (2020: 43.8%).

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

Financial statements

Consolidated statement of changes in equity (continued)

Year ended 31 July 2019	Share capital $'000	Retained profits $'000	Reserves $'000	Total Parent Entity interest $'000	Non-controlling interests $'000	Total equity $'000
Total equity at the beginning of the 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	-	52,687	(53,892)	(1,205)	-	(1,205)
Effect of initial adoption of AASB 15	-	1,174	-	1,174	-	1,174
Restated balance at the beginning of the year 1 August 2018	43,232	2,771,918	551,973	3,367,123	974,451	4,341,574
Net profit for the year after tax	-	247,943	-	247,943	111,546	359,489
Other comprehensive income/(loss) for the year						
Net movement after tax in asset revaluation reserve	-	-	9,260	9,260	(348)	8,912
Net movement after tax in hedge reserve	-	-	(12,720)	(12,720)	(2,531)	(15,251)
Net movement after tax in foreign currency translation reserve	-	-	2,275	2,275	-	2,275
Net movement after tax in equity reserve	-	-	(913)	(913)	-	(913)
Net movement after tax in general reserve[1]	-	402,206	(402,206)	-	-	-
Net movement after tax in capital profit reserve	-	(8,715)	27,174	18,459	4,356	22,815
Total comprehensive income/(loss) for the year	-	641,434	(377,130)	264,304	113,023	377,327
Transactions with owners						
Dividends provided for or paid[2]	-	(111,726)	-	(111,726)	(75,096)	(186,822)
Net movement in share based payments reserve	-	205	1,760	1,965	361	2,326
Return of capital	-	-	-	-	(22,936)	(22,936)
Total equity at the end of the year 31 July 2019	43,232	3,301,831	176,603	3,521,666	989,803	4,511,469

1 The general reserve historically recorded funds set aside for future requirements of the Group and relates to the Parent Entity.
2 After the elimination of a proportion of the Parent Entity dividend paid to Brickworks Limited (2019 43.8%).

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

Financial statements

Consolidated statement of cash flows

	Note	31 July 2020 $'000	31 July 2019 $'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		1,418,130	1,563,833
Payments to suppliers and employees inclusive of GST		(1,147,545)	(1,077,978)
		270,585	485,855
Dividends received		211,664	89,723
Interest received		4,393	14,607
Interest on lease liabilities		(6,703)	-
Acquisition costs expensed		(2,366)	(46,041)
Finance costs paid		(16,877)	(12,561)
Income taxes paid		(27,748)	(165,581)
Net cash inflow from operating activities	15	432,948	366,002
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(205,543)	(165,243)
Proceeds from sale of property, plant and equipment		7,510	96,255
Payments for capitalised exploration and evaluation activities		(17,523)	(29,591)
Net (payments to)/proceeds from term deposits		(50,112)	204,574
Payments for acquisition and development of investment properties		(406)	(32,577)
Proceeds from sale of investment properties		3,794	100,068
Payments for equity investments		(252,210)	(95,025)
Proceeds from sale of equity investments		129,360	94,882
Payments to acquire equity accounted associates		(17,989)	(11,172)
Payments for acquisition of business, net of cash acquired	19	(52,683)	(839,086)
Proceeds from sale of debt to third party		-	8,000
Loan repayments from external parties		27,966	29,084
Loans advanced to external parties		(18,147)	(56,911)
Net cash outflow from investing activities		(445,983)	(696,742)
Cash flows from financing activities			
Dividends paid to WHSP shareholders		(141,243)	(136,455)
Dividends paid by subsidiaries to non-controlling interests		(64,941)	(74,997)
Proceeds from external borrowings		583,341	790,000
Repayments of external borrowings		(168,206)	(425,272)
Payment for establishment costs of debt/guarantee facilities		-	(12,802)
Principal repayments of lease liabilities		(30,003)	-
Payments for return of capital		(629)	(22,937)
Payment for shares acquired for the employee long term incentive plan		(590)	(569)
Transactions with subsidiaries non-controlling interests		2,379	-
Net cash inflow from financing activities		180,108	116,968
Net increase/(decrease) in cash and cash equivalents		167,073	(213,772)
Cash and cash equivalents at the beginning of the financial year		125,445	337,933
Effects of exchange rate changes on cash and cash equivalents		713	1,284
Cash and cash equivalents at the end of the financial year		293,231	125,445

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

Contents

1 Basis of preparation

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

This Preliminary Final Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 31 July 2019 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities (Consolidated Entity or Group) during the 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, except for changes brought about by the adoption of *AASB 16 Leases* and the acquisition of various agricultural investments during the current financial year which has required the adoption of *AASB 141 Agriculture*.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 July 2020 reporting period. The Group has assessed the financial impact of these pending standards to be immaterial and therefore the Group has elected not to early adopt these standards and interpretations.

This Preliminary Financial Report was authorised for issue by the Board on 24 September 2020.

2 Parent Entity Financial Information

Source of shareholders dividends

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 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.

ACCOUNTING POLICY

Parent Entity

The statement of financial position, profit after tax and other 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 the 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.

*** Accounting for TPG special dividend**

On the 29 June 2020, a special dividend of $120.9 million was paid by TPG as a result of the TPG/Vodafone merger. Included in the special dividend was $28.53 million relating to a final FY20 dividend for old TPG usually paid in November. The new TPG did not declare a dividend for the first half of its 2020 financial year.

Statement of Financial Position

	As at 31 July 2020 $'000
Current assets	
Cash and term deposits	254,862
Assets held for sale	53
Financial assets held for trading	204,160
Other current assets	32,544
Total current assets	**491,619**
Non-current assets	
Long term equity investments – measured at market value	2,494,201
Long term equity investments – measured at fair value	74,686
Other financial assets	
Listed controlled and associated entities – measured at the lower of cost or impaired value	346,932
Unlisted entities – measured at the lower of cost or impaired value	520,912
Other non-current assets	204,368
Total non-current assets	**3,641,099**
Total assets	**4,132,718**
Current liabilities	
Interest bearing liabilities	245,982
Other current liabilities	13,289
Total current liabilities	**259,271**
Non-current liabilities	
Interest bearing liabilities	199,170
Other non-current liabilities	593,118
Total non-current liabilities	**792,288**
Total liabilities	**1,051,559**
Net assets	**3,081,159**
Equity	
Share capital	43,232
Reserves	34,085
Retained profits	3,003,842
Total equity	**3,081,159**

Income Statement

	2020 $'000
Profit after tax	**1,508,496**
Less: Non-regular items after tax	
Gain on derecognition of an associate	(1,254,227)
Non cash franked dividend on demerger of an associate	(79,683)
Net impairment expense on investments	66,382
Net impairment expense on associates	32,926
Other	1,528
Regular profit after tax	**275,422**
Other comprehensive income	
Net movement in the fair value of the listed investment portfolio	(159,819)

Market value of listed investments as at 31 July 2020
(based on ASX closing prices 31 July 2020)

	$'000
Financial assets held for trading	**204,160**
Long term equity investments	
TPG Telecom Limited	1,884,545
Milton Corporation Limited	93,974
BKI Investment Company Limited	91,111
Clover Corporation Limited	74,199
Commonwealth Bank of Australia	46,359
Woolworths Limited	34,421
Macquarie Group Limited	26,893
Pengana International Equities Limited	25,833
Wesfarmers Limited	23,336
Magellan Financial Group Limited	21,926
Bailador Technology Investments Limited	19,810
Lindsay Australia Limited	18,601
Other listed entities	133,193
Market value of long term equity investments	**2,494,201**

Listed controlled and associated entities	**Holding**	**$'000**
Brickworks Limited	43.8%	1,071,985
New Hope Corporation Limited	50.0%	544,562
Australian Pharmaceutical Industries Ltd	19.3%	105,051
Apex Healthcare Berhad	30.0%	157,872
Tuas Limited	25.3%	82,625
Pengana Capital Group Limited	38.6%	39,828
Palla Pharma Limited	19.9%	22,286
Market value of listed controlled and associated entities		**2,024,209**
Total value of WHSP's listed investments		**4,722,570**
Unlisted investments (Directors valuation)		569,185
Net debt and other assets		(112,552)
WHSP net assets value pre-tax		**5,179,203**

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 July 2020, the net capital gains tax liability of approximately $894.6 million would have arisen based on market values as at 31 July 2020.

Of this amount, only $578.97 million has been recognised in the Parent Entity's financial report at 31 July 2020. In the Parent Entity, investments in subsidiaries and associates are carried at the lower of cost or impaired cost.

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

Regular Profit after Tax and Regular Operating Cash Flows

For the year ended 31 July 2020	Year ended 31 July 2020 $'000
Interest income (from cash and loans)	**10,846**
Dividend and distribution income	
TPG Telecom Limited	132,668
Milton Corporation Limited	4,310
BKI Investment Company Limited	5,195
Clover Corporation Limited	607
Commonwealth Bank of Australia	2,806
Woolworths Limited	917
Macquarie Group Limited	927
Pengana International Equities Limited	1,462
Wesfarmers Limited	767
Magellan Financial Group Limited	732
Lindsay Australia Limited	1,166
Other listed entities	11,298
Brickworks Limited	38,074
New Hope Corporation Limited	62,354
Australian Pharmaceutical Industries Limited	3,803
Apex Healthcare Berhad	1,790
Tuas Limited	–
Pengana Capital Group Limited	1,593
Other controlled and associates	10,164
Total dividend and distribution income	**280,633**
Other revenue	**177**
Realised and fair value (losses)/gains on equities	**5,781**
Other expenses	**(15,779)**
Finance costs	**(3,830)**
Regular profit before tax	**277,828**
Income tax (expense)	**(2,406)**
Regular profit after tax	**275,422**
Add back the following:	
TPG FY20 final dividend escrowed *	**(28,530)**
Non-cash fair value (gains) /loss on equities	**4,301**
Net movements in working capital	**1,107**
Net cash flows from investments	**252,300**

The Board determines 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.

Dividends paid/payable	
Interim of 25 cents per share paid 14 May 2020	59,849
Final of 35 cents per share payable 14 Dec 2020	83,788
Total dividends paid/payable	**143,637**
Payout ratio	
Dividends as a percentage of regular operating cash flows	56.93%

3 Segment information

Segment reporting

The Consolidated Entity operates within five segments. Four segments are based on material holdings of individual investments, where the Parent Entity has board representation. All segments are predominately based in Australia.

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

The Group's operating segments are described as:

TPG Telecom Limited (TPG)

TPG is a telecommunications and internet provider.

As at 31 July 2020, the Parent Entity had a 12.6% (previously 25.3%) investment in TPG. During the financial year, the Group's share of ownership in TPG was diluted from 25.3% to 12.6% as a result of the TPG and Vodafone Hutchison Australia Pty Limited ("VHA") merger. As of the merger date (29 June 2020), the Group lost significant influence over TPG and discontinued equity accounting for its investment in TPG.

Brickworks Limited (Brickworks)

The Parent Entity has a 43.8% investment in Brickworks.

Brickworks has four divisions: the manufacture of building products in Australia, the manufacture of building products in North America, property ownership and development, and an investment in Washington H. Soul Pattinson and Company Limited.

New Hope Corporation Limited (New Hope)

The Parent Entity has a 50.0% investment in New Hope.

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

Round Oak Minerals Pty Limited (Round Oak)

The Parent Entity has a 100% investment in Round Oak.

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

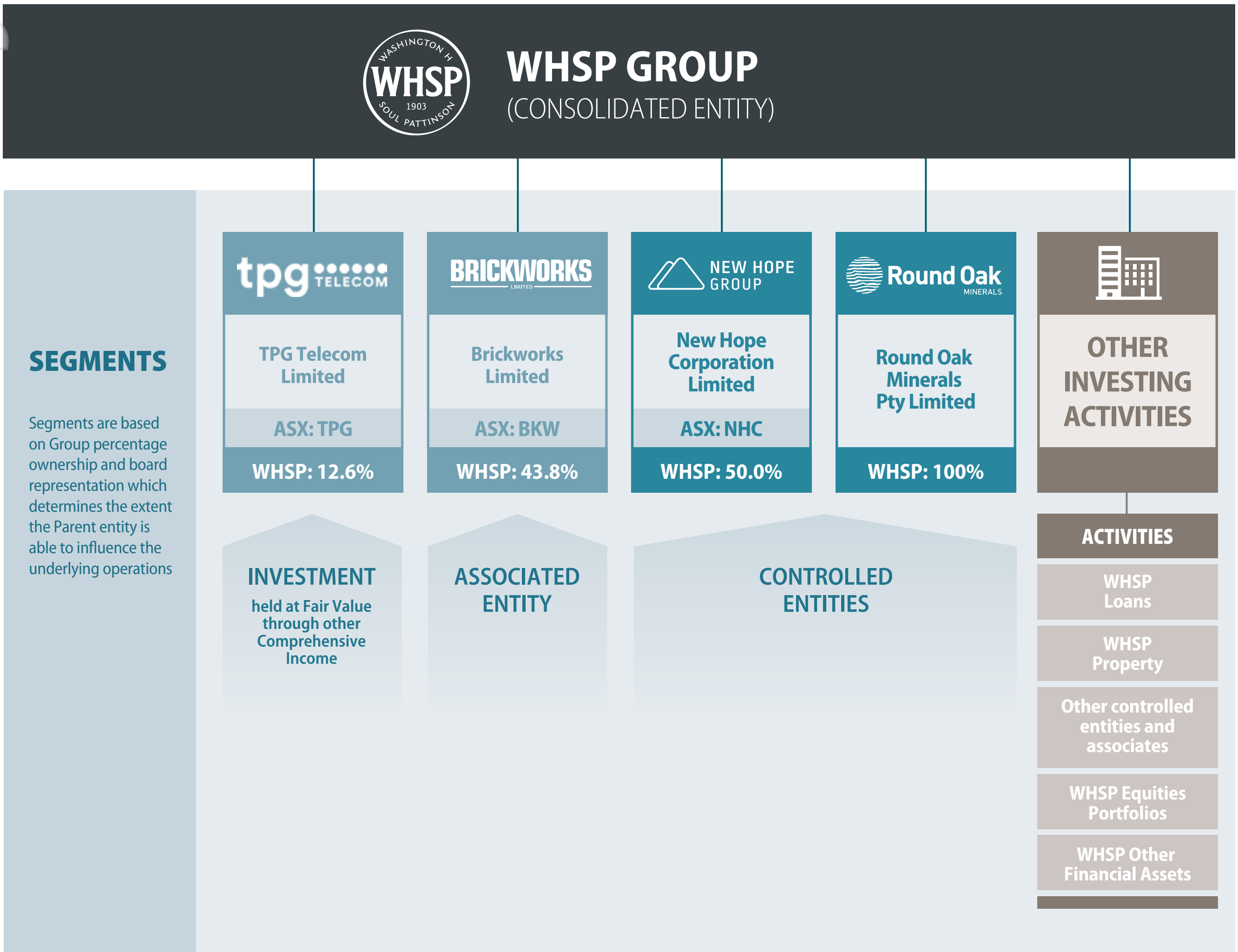
Other investing activities

Other investing activities include the Group's diversified investment portfolio across different asset classes (including equities, hybrid instruments, derivatives, property, corporate loans and cash), subsidiaries (that own and operate farmland assets, direct property and swim schools) and equity accounted associates.

Acquisition

During the year, a subsidiary of the Parent Entity, WHSP Agriculture Holding Trust acquired various agricultural businesses. Refer to note 19 of this Preliminary Financial Report. The financial results of this subsidiary are included in the other investing activities segment.

3 Segment information (continued)



3 Segment information (continued)

Reporting segments	TPG Telecom Limited[1] $'000	Brickworks Limited[1] $'000	New Hope Corporation Limited $'000	Round Oak Minerals Limited $'000	Other investing activities $'000	Intersegment/ unallocated $'000	Consolidated $'000
Year ended 31 July 2020							
Revenue from external customers	-	-	1,083,918	222,878	61,671	-	1,368,467
Intersegment revenue[2]	-	-	-	-	234,261	(234,261)	-
Total revenue from continuing operations	-	-	1,083,918	222,878	295,932	(234,261)	1,368,467
Profit/(loss) before income tax	1,510,803	2,032	(225,551)	(134,879)	(10,428)	(18,794)[3]	1,123,183
Less income tax (expense)/benefit	(389,187)[4]	17,179[4]	68,768	40,049	8,825	5,638	(248,728)
Profit/(loss) after tax	1,121,616	19,211	(156,783)	(94,830)	(1,603)	(13,156)	874,455
Less loss attributable to non-controlling interests	-	-	78,424	-	88	-	78,512
Profit/(loss) after tax attributable to members	1,121,616	19,211	(78,359)	(94,830)	(1,515)	(13,156)	952,967

1 No revenue recognised as only the share of associates profit after tax is recognised for equity accounted associates. TPG was derecognised as an associate on 29 June 2020.
2 Represents inter-segment dividends and interest received from subsidiaries and associates that are eliminated on consolidation.
3 Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.
4 The income tax expense relates to the deferred tax recognised on consolidation in respect of these investments.

3 Segment information (continued)

Reporting segments	TPG Telecom Limited[1] $'000	Brickworks Limited[1] $'000	New Hope Corporation Limited $'000	Round Oak Minerals Limited $'000	Other investing activities $'000	Intersegment/ unallocated $'000	Consolidated $'000
Year ended 31 July 2019							
Revenue from external customers	-	-	1,306,429	133,138	176,321	-	1,615,888
Intersegment revenue[2]	-	-	-	-	116,730	(116,730)	-
Total revenue from continuing operations	-	-	1,306,429	133,138	293,051	(116,730)	1,615,888
Profit/(loss) before income tax	43,908	81,891	307,770	(103,769)	159,906	(15,240)[3]	474,466
Less income tax (expense)/benefit	(9,783)[4]	(17,795)[4]	(97,338)	30,303	(25,156)	4,572	(115,197)
Profit after tax from discontinued operations	-	-	220	-	-	-	220
Profit/(loss) after tax	34,125	64,096	210,652	(73,466)	134,750	(10,668)	359,489
Less (profit) attributable to non-controlling interests	-	-	(105,305)	-	(6,241)	-	(111,546)
Profit/(loss) after tax attributable to members	34,125	64,096	105,347	(73,466)	128,509	(10,668)	247,943

1 No revenue recognised as only the share of associates profit after tax is recognised in profit or loss for equity accounted associates.
2 Represents inter-segment dividends and interest received from subsidiaries and associates that are eliminated on consolidation.
3 Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.
4 The income tax expense relates to the deferred tax recognised on consolidation in respect of these investments.

4 Revenue and expense

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

4(a) Revenue from continuing operations

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Revenue from sale of goods	**1,299,851**	1,509,588
Revenue from provisional pricing adjustments	**(10,236)**	5,041
Rental revenue	**7,990**	9,901
Revenue from services	**21,383**	32,044
	1,318,988	1,556,574
Other revenue		
Dividend and distribution revenue	**30,417**	36,838
Interest revenue	**8,242**	16,261
Other	**10,820**	6,215
	49,479	59,314
	1,368,467	1,615,888

Disaggregation of revenue

The Group presents disaggregated revenue based on what each subsidiary provided to customers and the timing of transfer of goods and services.

Major product lines

Revenue from contracts with customers comes from the sale of coal, oil, gas, copper, gold and zinc. Other goods and services include agricultural products, education services, rental income and the provision of management and consulting services.

Year ended 31 July 2020	New Hope Corporation Limited $'000	Round Oak Minerals Pty Limited $'000	Other investing activities $'000	Total $'000
Major product lines				
Coal, oil and gas	1,060,621	-	-	1,060,621
Copper, gold and zinc	-	222,862	-	222,862
Other goods and services	13,213	-	22,292	35,505
Total revenue from contracts with customers	**1,073,834**	**222,862**	**22,292**	**1,318,988**
Other revenue	10,084	16	39,379	49,479
Total revenue from continuing operations	**1,083,918**	**222,878**	**61,671**	**1,368,467**
Total revenue from contracts with customers by geographical regions				
Australia	118,446	33,492	22,292	174,230
Overseas	955,388	189,370	-	1,144,758
Total revenue from contracts with customers	**1,073,834**	**222,862**	**22,292**	**1,318,988**
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	1,060,621	222,862	15,379	1,298,862
Goods and services transferred over time	13,213	-	6,913	20,126
Total revenue from contracts with customers	**1,073,834**	**222,862**	**22,292**	**1,318,988**

4 Revenue and expense (continued)

4(a) Revenue from continuing operations (continued)

	New Hope Corporation Limited $'000	Round Oak Minerals Pty Limited $'000	Other investing activities $'000	Total $'000
Year ended 31 July 2019				
Major product lines				
Coal, oil and gas	1,281,235	-	-	1,281,235
Copper, gold and zinc	-	133,016	-	133,016
Other goods and services	13,565	-	128,758	142,323
Total revenue from contracts with customers	**1,294,800**	**133,016**	**128,758**	**1,556,574**
Other revenue	11,629	122	47,563	59,314
Total revenue from continuing operations	**1,306,429**	**133,138**	**176,321**	**1,615,888**
Total revenue from contracts with customers by geographical regions				
Australia	81,786	30,417	128,758	240,961
Overseas	1,213,014	102,599	-	1,315,613
Total revenue from contracts with customers	**1,294,800**	**133,016**	**128,758**	**1,556,574**
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	1,281,235	133,016	118,397	1,532,648
Goods and services transferred over time	13,565	-	10,361	23,926
Total revenue from contracts with customers	**1,294,800**	**133,016**	**128,758**	**1,556,574**

4(b) Other income

	2020 $'000	2019 $'000
Gain on sale of property, plant and equipment	**2,975**	90,641
Reclassification adjustment from reserves on derecognition of an associate	**(11,653)**	-
Gain on fair value of biological assets	**4,951**	-
Gain on deemed disposal of equity accounted associates	**5,348**	1,921
Gain on trading equities at fair value through profit or loss	**5,780**	6,700
Gain on revaluation of investment property	**-**	7,655
Gain on sale of investment properties	**38**	6,657
Insurance recovery	**56**	3,264
Other	**2,390**	571
	9,885	117,409

4 Revenue and expense (continued)

4(c) Impairment expense

	2020 $'000	2019 $'000
Equity accounted associates[1]	(61,640)	(34,807)
Property, plant and equipment (including mine development costs)[2]	(166,762)	(24,209)
Exploration and evaluation assets[3]	(171,626)	-
Oil producing and exploration assets[4]	(66,381)	-
Other assets[5]	(17,478)	(1,434)
	(483,887)	(60,450)

(1) Impairment of equity accounted associates

The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2020. Where the carrying value of an investment exceeded the recoverable amount, the investment has been impaired. At each reporting date, an assessment is made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through the Consolidated Statement of Comprehensive Income.

During the current financial year, an impairment expense of $22.069 million was recognised on the investment in Pengana Capital Group Limited, $32.553 million on the investment in API Limited and $7.579 million on the investment in Palla Pharma Limited. A reversal of an impairment of $0.561m was recognised for Verdant Minerals Limited.

In the previous financial year, an impairment expense of $46.519 million was recognised on the investment in Pengana Capital Group Limited and reversals of impairment of $9.915 million and $1.797 million were recognised for Verdant Minerals Limited and Palla Pharma Limited respectively.

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

An impairment loss on property, plant and equipment (including mine development costs) is recognised for the amount by which the asset's carrying values exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). For the purpose of assessing impairment under value in use testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGU's). At each balance date, an assessment is undertaken to determine if there are any circumstances that would indicate that an asset has been impaired. Individual business units adopt assumptions on pricing and exchange rates suitable for the markets in which they operate. During the financial year, the following impairment expenses were recognised:

New Hope – Queensland coal mining CGU

An impairment expense of $110.783 million (property, plant and equipment of $65.449 million and exploration and evaluation assets of $45.334 million) was recognised on the Queensland coal mining CGU. New Hope has determined the recoverable amount for the CGU based on a FVLCD calculation. This calculation uses discounted cash flow projections, adjusted with probability weightings specific to individual scenarios to derive a weighted average recoverable amount. Several scenarios have been assessed, considering a combination of different assumptions.

In assessing the recoverable amount for the CGU, New Hope has used reasonable assumptions and judgements of future uncertainties in key pricing, discount rate and foreign exchange assumptions, probabilities of scenarios as well as those associated with COVID-19. Any changes in probabilities or other assumptions could result in additional impairment of the remaining carrying value of the CGU at risk of $93.870 million as at 31 July 2020.

Refer to note 10 for further details.

Round Oak Minerals

An impairment expense of $52.600 million was recognised on property, plant and equipment and mine development costs (2019: an impairment expense of $24.209 million). In assessing the recoverable amount for the CGU, Round Oak has used a VIU calculation for its CGUs with reasonable assumptions and judgements of future uncertainties in key pricing, discount rate and foreign exchange assumptions, probabilities of scenarios as well as those associated with COVID-19 and climate risk. Any changes in probabilities or other assumptions could result in additional impairment of the remaining carrying value of the CGU at risk of $95.7 million as at 31 July 2020.

4 Revenue and expense (continued)

Key assumptions used in VIU calculations:

Assumption	Description
Commodity prices	The commodity price ranges for assessments as at 31 July 2020 are: ▪ Zinc (US$/t): US$2,186 - US$2,379 (nominal basis) ▪ Copper (US$/t): US$5,942 – US$6,378 (nominal basis) ▪ Gold (US$/oz): US$ 1,521 – US$ 1,485 (nominal basis)
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.64 – 0.67.
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 7.8% (2019: 8.0%).

(3) Impairment of exploration and evaluation assets

New Hope – coal exploration and evaluation assets CGU

New Hope determined that an indicator of impairment existed as at 31 July 2020 in respect of the North Surat and Yamala coal exploration projects. The indicator arose as a result of the market conditions for coal exploration assets.

The recoverable amount of the CGU has been determined based on a FVLCD calculation underpinned by a resource multiple. A resource multiple is considered the appropriate valuation methodology for an exploration asset of this type as it represents the price paid for the resources in market transactions for exploration tenures.

In the current market conditions, New Hope determined that a resource multiple of $0.03 be ascribed to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves or JORC resources.

New Hope concluded the recoverable amount for the CGU was below its carrying value.

As a result of this impairment assessment an impairment charge of $157.197 million was recognised in the consolidated statement of comprehensive income for the year ended 31 July 2020. Any changes in other assumptions could result in additional impairment, with the remaining carrying value of the CGU at risk of $39.869 million.

Round Oak Minerals

Round Oak determined that an indicator of impairment existed in respect of certain exploration tenements. The indicator of impairment was the anticipated implementation of care and maintenance of these tenements in May 2020 following the cessation of mining (December 2019) and processing (May 2020). As a result, an impairment test was undertaken and an impairment of $17.536 million was recognised during the financial year. Any changes in other assumptions could result in additional impairment, with the remaining carrying value of the CGU at risk of $15.199 million.

(4) Impairment of oil producing and exploration assets

New Hope - oil producing and exploration assets CGU

New Hope has classified its Cooper Basin operated assets, Cooper Basin non-operated assets and Surat Basin assets as separate CGUs.

New Hope determined that an indicator of impairment existed at 31 July 2020 in respect of certain oil producing and exploration assets. The indicator arose due to the significant decline in global oil prices impacted by the COVID-19 pandemic and the potential expiration of exploration rights in the future.

The recoverable amount for each CGU is based on a FVLCD calculation. This calculation uses discounted cash flow projections, with key assumptions including economically recoverable reserves, future production profiles, commodity prices, foreign exchange rates, operating costs and future development costs necessary to produce the reserves.

Key assumptions used in FVLCD calculations:

Assumption	Description
Oil price	The oil price range for assessments as at 31 July 2020 is US$40 – US$65/bbl (real basis)
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.68 – 0.73.
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 10.0% (2019: 10.0%).

4 Revenue and expense (continued)

Oil exploration assets have been assessed with respect to their ongoing investment. Due to the potential relinquishment of certain interests if expenditure commitments are not satisfied, it was determined that the recoverable amount for each CGU was below their carrying amounts.

As a result of this impairment assessment a total impairment charge of $66.381 million (property, plant and equipment of $48.441 million and exploration and evaluation assets of $17.940 million) was recognised in the consolidated statement of comprehensive income for the year ended 31 July 2020. Any changes in other assumptions could result in additional impairment, with the remaining carrying value of the CGU at risk of $17.404 million.

(5) Impairment of other assets

An impairment expense of $17.478 million (2019: $1.434 million) was recognised on goodwill attached to coal and copper exploration assets.

	2020 $'000	2019 $'000
4(d) Depreciation and amortisation expense	**(249,200)**	(162,949)

4(e) Income tax expense

	2020 $'000	2019 $'000
Reconciliation of prima facie tax expense to income tax expense		
Profit before income tax expense from continuing operations	**1,123,183**	474,466
Profit before income tax expense from discontinued operations	**-**	220
Profit before income tax expense	**1,123,183**	474,686
Income tax at 30% (2019: 30%)	**336,955**	142,406
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Net impairment expenses (non-deductible)	**23,628**	18,135
Franking credits received (excluding controlled and associate entities)	**(7,280)**	(8,455)
Tax (benefit) on the carrying value of equity accounted associates	**(94,855)**	(26,671)
(Over) provision for income tax	**(10,674)**	(9,633)
Other	**954**	(585)
Income tax expense	**248,728**	115,197
Income tax expense is attributable to:		
Profit from continuing operations	**248,728**	115,197
Loss from discontinued operations	**-**	-
	248,728	115,197
Effective tax rate:	**22.1%**	24.3%

5 Dividends

	$'000	Amount per security CPS	Franking per security CPS
Final dividend			
Final dividend not recognised in retained profits, to be paid on 14 December 2020	**83,788**	**35.0**	**35.0**
Previous corresponding year, paid on 9 December 2019	81,394	34.0	34.0
Interim dividend			
Interim dividend paid on 14 May 2020	**59,849**	**25.0**	**25.0**
Previous corresponding year, paid on 9 May 2019	57,455	24.0	24.0

No dividend reinvestment plan was in operation during the financial year.

Total number of ordinary shares on issue at the end of the financial year was 239,395,320 (2019: 239,395,320).

6 Biological assets

Accounting policy

The Group only recognises biological assets when it:

(a) controls the asset as a result of a past event;

(b) has determined that the future economic benefits associated with the asset will flow to the Group; and

(c) the fair value or cost of the asset can be measured reliably.

Biological assets are measured at FVLCD at each reporting date. The fair value is determined as the net present value of cash flows expected to be generated by the asset (including a risk adjustment factor). Where the fair value cannot be measured reliably, biological assets are measured at cost.

The fair value is to be determined with regard to quoted prices of an active market in which the asset is located. Where more than one active market is available, the market expected to be used is the market from which the value of the asset is derived.

In the event that there is no active market, a determination shall be made taking into account various factors including the most recent market transaction prices, market prices for similar assets with adjustments to reflect differences and sector benchmarks.

Finally, and integral to management's internal valuation process for biological assets, where the present condition of the asset is immature and fair value cannot be reliably measured within a market, the fair value of the biological asset may be calculated using the present value of the expected net cash flows from the asset.

Net increments and decrements in the fair value of the growing assets are recognised as income or expense in the consolidated statement of comprehensive income, determined as:

- the difference between the total fair value of the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date.
- cost incurred in maintaining or enhancing the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date.
- the market value of the produce picked during the reporting period is measured at their fair value less estimated costs to be incurred up until the time of picking. Market price is determined based on underlying market prices of the product.

6 Biological assets (continued)

	2020 $'000	2019 $'000
Current assets		
Opening balance	-	-
Business combination additions	102	-
Additions	452	-
Sale or transfer to inventory	(3,443)	-
Change in fair value due to biological transformation	4,951	-
	2,062	-

7 Equity accounted associates

Year ended 31 July	Group's percentage of holding at balance date[1]		Contribution to Group result for the year[2]		Equity accounted carrying value[3]	
	2020	2019	**2020 Total $'000**	2019 Total $'000	**2020 Total $'000**	2019 Total $'000
Associates – held by the Parent Entity						
Apex Healthcare Berhad (a)	**29.9**	30.1	**5,947**	5,821	**43,986**	40,130
Australian Pharmaceutical Industries Limited (a)	**19.3**	19.3	**10,302**	9,288	**105,051**	131,412
Brickworks Limited (a)	**43.8**	43.8	**2,032**	81,891	**519,195**	531,234
Pengana Capital Group Limited (b)	**38.7**	38.6	**2,366**	(5,508)	**39,828**	59,742
Palla Pharma Limited (c)	**19.9**	19.9	**(2,500)**	(1,240)	**22,286**	21,352
TPG Telecom, including fair value gain on derecognition (d)	**-**	25.3	**1,510,803**	43,908	**-**	732,177
Tuas Limited (e)	**25.3**	-	**.**	.	**79,683**	-
Other associates	**various**	various	**5,918**	183	**105,429**	87,563
Total contributions from equity accounted associates, including fair value gain on derecognition of TPG			**1,534,868**	134,343	**915,458**	1,603,610
Gain on deemed disposal of equity accounted associates, net of tax			**5,225**	1,345		
Deferred tax expense on gain on derecognition of TPG Telecom as an associate (d)			**(389,187)**	-		
Deferred tax benefit/(expense) recognised on equity accounted associates			**14,210**	(13,632)		
Net impairment expense of associates			**(61,640)**	(34,807)		
Net contribution from equity accounted associates			**1,103,476**	87,249		

1 The percentage holding represents the Group's total holding in each associate.
2 Contribution to Group result represents the amount included in profit after income tax before non-controlling interests as shown on the consolidated statement of comprehensive income.
3 Equity accounted carrying amount is the carrying value of the associates in the consolidated statement of financial position.

7 Equity accounted associates (continued)

Details of investments and results of associates

(a) During the financial year, Apex Healthcare Berhad, Australian Pharmaceutical Industries Limited and Brickworks Limited issued shares by way of employee share schemes. The Parent Entity did not participate in the share issues. As a result, there has been an immaterial decrease in the Group's shareholding in each of these investments.

(b) During the financial year, the Parent Entity's holding percentage increased from its non-participation in the Pengana Capital Group Limited share buy-back program and was partly offset by reduction of ownership attributable to shares issued under Pengana Capital's Employee Loan Share Plan. This resulted in a net increment of 0.06% in the shareholding in Pengana Capital to 38.7%.

(c) During the financial year, the Parent Entity purchased additional shares in Palla Pharma Limited for $6.21 million under its Accelerated Non-Renounceable Entitlement Offer.

(d) As at 31 July 2020, the Parent Entity has a 12.6% investment in TPG, a telecommunications and internet provider. During the financial year, the Group's share of ownership in TPG was diluted from 25.3% to 12.6% as a result of the TPG and Vodafone Hutchison Australia Pty Limited ("VHA") merger. As of the merger date (29 June 2020), the Group lost significant influence over TPG and discontinued equity accounting its investment in TPG and contributed $1.122 billion (after tax) to profit during the financial year. This contribution reflects the Parent Entity's share of TPG's equity accounted results and reserves up until the merger date, and a gain from initial recognition of a financial asset held at Fair Value Through Other Comprehensive Income. From 29 June 2020, the Consolidated Entity's investment in TPG is held as an investment at Fair Value through Other Comprehensive Income. Refer to note 8, below.

(e) Following the approval of the merger of TPG and VHA, the Tuas Limited Group ("Tuas") was demerged from TPG via a non-cash in-specie dividend of Tuas shares. Tuas owns and operates the fourth largest mobile network in Singapore. The Parent Entity received an in-specie dividend of $79.7 million on 13 July 2020. The Parent Entity owns 25.26% of Tuas and holds a board seat. As at the de-merger date the Parent Entity has significant influence over Tuas and commenced equity accounting of the investment. Tuas was listed on the ASX from 30 June 2020. In the segment information note (refer to note 3, above), the equity accounted results of Tuas are included in the other investing activities.

8 Long term equity investments

	2020 $'000	2019 $'000
Non-current assets		
Long term equity investments - listed (a)	2,721,315	753,966
Long term equity investments - unlisted	38,464	31,169
Total long term equity investments	2,759,779	785,135
Dividends		
Dividends from long term equity investments held at FVOCI recognised in profit or loss in other income:		
Related to investments sold during the year	2,326	1,920
Related to investments held at the end of the year	24,614	31,435
Total dividends	26,940	33,355

(a) Long term equity investments pledged as security for short term finance and long-term loan

Long term equity investments with a fair value of $245.98 million (2019: $30 million) have been transferred to the Parent Entity's bank as security for $245.98 million (2019: $30 million) of equity finance. As the Parent Entity retains the risks and benefits of ownership of the transferred long-term equity investments, including the right to receive dividends, these long-term equity investments continue to be included as an asset in the consolidated statement of financial position. Refer to note 11 (interest bearing liabilities) for further details.

8 Long term equity investments (continued)

In addition, long term equity investments with a fair value of $200 million (2019: $nil million) have been transferred to Credit Suisse as security for the $200 million Parent Entity's term loan facility. As the Parent Entity retains the risks and benefits of ownership of the transferred long-term equity investments, including the right to receive dividends, these long-term equity investments continue to be included as an asset in the consolidated statement of financial position. Refer to note 11 (interest bearing liabilities) for further details.

(b) Fair value

The Group has used the following valuation techniques: market approach, income approach, cost approach and net asset approach to determine the fair value of unlisted long-term equity investments. Refer to note 16 (fair value measurement) for details of these valuation techniques.

9 Derivative financial instruments

	2020 $'000	2019 $'000
Current assets		
Forward foreign exchange contracts	45,852	-
Non-current assets		
Forward foreign exchange contracts	8,912	190
Current liabilities		
Forward foreign exchange contracts	-	10,774

Derivative contracts are held by New Hope in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates and commodity prices. These instruments are used in accordance with New Hope's financial risk management policies.

10 Property, plant and equipment

Accounting policy – farmland assets and bearer plants

Agricultural assets comprising farming property and improvements ("farmland assets") are carried at their revalued amount, which is their fair value at the date of the revaluation, less, where applicable, any subsequent accumulated depreciation and impairment losses.

Bearer plants are carried at cost less any accumulated depreciation and impairment.

Revaluations are performed at least every 12 months, by independent valuers, so as to ensure that the carrying amount of an asset does not differ materially from fair value.

Under the revaluation model, increases in the carrying amount of an asset arising on revaluation are recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity (except where an increase reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of that decrease). Decreases in the carrying amount of an asset arising on revaluation are recognised in profit or loss (except where a decrease reverses a revaluation increase of the same asset recognised in the revaluation reserve, in which case the decrease is recognised in other comprehensive income and reduces the revaluation reserve).

Bearer plants are plants used in the production or supply of agricultural produce, are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. They include, for example, the Group's citrus trees, macadamia trees and table grapevines. Bearer plants are accounted for as property, plant and equipment. However, produce growing on bearer plants is accounted for as a biological asset (refer note 6, above).

Depreciable agricultural assets are depreciated on a straight-line basis consistent with other property, plant and equipment as described above. The expected useful life of property improvements, including buildings, is 2 to 20 years and bearer plants is 10 to 30 years.

10 Property, plant and equipment (continued)

	Land $'000	Buildings $'000	Farmland assets $'000	Plant, fixtures, motor vehicles $'000	Oil producing assets $'000	Mining reserves and leases $'000	Mine development $'000	Bearer plants $'000	Total $'000
At 1 August 2019									
Cost	180,458	90,358	-	1,375,768	180,839	1,245,869	353,242	-	3,426,534
Accumulated depreciation/amortisation and impairment	-	(28,785)	-	(633,574)	(98,725)	(138,880)	(174,771)	-	(1,074,735)
Net book value	**180,458**	**61,573**	**-**	**742,194**	**82,114**	**1,106,989**	**178,471**	**-**	**2,351,799**
Initial adoption of AASB 16	-	-	-	(6,444)	-	-	-	-	(6,444)
Adjusted net book value	**180,458**	**61,573**	**-**	**735,750**	**82,114**	**1,106,989**	**178,471**	**-**	**2,345,355**
Opening net book value	180,458	61,573	-	735,750	82,114	1,106,989	178,471	-	2,345,355
Acquisition of businesses	-	-	29,655	3,298	-	-	-	17,725	50,678
Additions	-	3,898	5,871	102,885	13,819	-	69,650	-	196,123
Mining and restoration and rehabilitation	-	-	-	11,097	5,314	-	16,969	-	33,380
Transfers in/(out)	-	5,401	(245)	(23,203)	-	-	18,047	-	-
Transfer to intangibles	-	-	-	(459)	-	-	-	-	(459)
Transfer to held-for-sale asset	-	-	-	(239)	-	-	-	-	(239)
Transfer from investment property	-	-	-	61	-	-	-	-	61
Disposal of assets	-	(3,795)	-	(7,139)	-	-	-	-	(10,934)
Fair value adjustments	-	-	4,863	-	-	-	-	-	4,863
Impairment of assets	-	-	(273)	(93,260)	(47,629)	-	(25,600)	-	(166,762)
Depreciation/amortisation	-	(3,364)	(153)	(85,336)	(7,791)	(62,753)	(52,125)	(958)	(212,480)
Closing net book value	**180,458**	**63,713**	**39,718**	**643,455**	**45,827**	**1,044,236**	**205,412**	**16,767**	**2,239,586**
At 31 July 2020									
Cost	180,458	95,862	40,144	1,455,625	199,972	1,245,869	457,908	17,725	3,693,563
Accumulated depreciation/amortisation and impairment	-	(32,149)	(426)	(812,170)	(154,145)	(201,633)	(252,496)	(958)	(1,453,977)
Net book value	**180,458**	**63,713**	**39,718**	**643,455**	**45,827**	**1,044,236**	**205,412**	**16,767**	**2,239,586**

10 Property, plant and equipment (continued)

	Land $'000	Buildings $'000	Farmland assets $'000	Plant, fixtures, motor vehicles $'000	Oil producing assets $'000	Mining reserves and leases $'000	Mine development $'000	Bearer plants $'000	Total $'000
At 1 August 2018									
Cost	166,114	73,420	-	1,088,811	160,627	663,841	258,705	-	2,411,518
Accumulated depreciation/amortisation and impairment		(25,962)	-	(558,066)	(90,840)	(93,325)	(122,752)	-	(890,945)
Net book value	166,114	47,458	-	530,745	69,787	570,516	135,953	-	1,520,573
Opening net book value	166,114	47,458	-	530,745	69,787	570,516	135,953	-	1,520,573
Acquisition of businesses	14,344	13,618	-	185,804	-	582,028	17,426	-	813,220
Additions	-	3,212	-	97,267	18,596	-	57,652	-	176,727
Mining and restoration and rehabilitation	-	-	-	4,771	1,616	-	14,960	-	21,347
Transfers in/(out)	-	108	-	(518)	-	-	4,499	-	4,089
Disposal of assets	-	-	-	(367)	-	-	-	-	(367)
Impairment of assets	-	-	-	(162)	-	-	(24,047)	-	(24,209)
Depreciation/amortisation	-	(2,823)	-	(75,346)	(7,885)	(45,555)	(27,972)	-	(159,581)
Closing net book value	180,458	61,573	-	742,194	82,114	1,106,989	178,471	-	2,351,799
At 31 July 2019									
Cost	180,458	90,358	-	1,375,768	180,839	1,245,869	353,242	-	3,426,534
Accumulated depreciation/amortisation and impairment	-	(28,785)	-	(633,574)	(98,725)	(138,880)	(174,771)	-	(1,074,735)
Net book value	180,458	61,573	-	742,194	82,114	1,106,989	178,471	-	2,351,799

10 Property, plant and equipment (continued)

Impairment assessments

The Consolidated Entity has undertaken a detailed assessment of the recoverable amount of certain CGUs at 31 July 2020. Recoverable amounts were determined using either a FVLCD or VIU discounted cash flow model, with the exception of exploration related CGUs which use a comparable resource multiple. These methodologies are subject to critical judgement, estimates and assumptions. The recoverable amount of certain CGUs was determined to be below their carrying amount. These are detailed below and in note 4(c), above.

New Hope – Queensland coal mining operations CGU

The Queensland coal mining operations CGU is predominantly comprised of the New Acland mine. New Hope carefully considered the potential impact that recent developments in the complex legal and regulatory environment may have and the possibility of resultant impacts on future cash flows and the recoverable amount for this CGU.

A summary of key events pertaining to New Acland Stage 3 project ("NAC03") approvals are detailed below:

On 31 May 2017, the Land Court recommended that the Environmental Approval (EA) and Mining Lease (ML) for the project not be granted.

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 EA.

On 28 May 2018 the Supreme Court of Queensland ruled in favour of New Acland with the key orders being:

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

A hearing of the Land Court, in accordance with the instructions of the Supreme Court from the Judicial Review, was held in early October 2018 with a decision handed down on 7 November 2018. The Land Court conditionally recommended that the ML and EA amendment be granted subject to certain conditions including the Coordinator-General first amending the noise limit conditions to 35 dBA in the evening and night with the Department of Environment and Science (DES) incorporating the changes in the amendment of the EA by 31 May 2019.

The Associated Water Licence (AWL) application process re-started during July 2018 following engagement with the Department of Natural Resources, Mines and Energy (DNRM). On 19 January 2019, NAC lodged an Amended AWL application which has now progressed through public consultation and is with the Minister for decision.

On 12 February 2019, New Acland Coal Pty Ltd (NAC) received a change report from the Coordinator-General in respect of the noise conditions for NAC03. On 15 February 2019, DES confirmed that the change report had satisfied all of the preconditions imposed by the Land Court for the approval of the ML and amendments to the EA and the EA was granted on 12 March 2019.

With approvals not forthcoming by 1 September 2019 New Acland completed a partial redundancy process.

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

On 5 June 2020, the High Court of Australia granted OCAA special leave to appeal in respect of the orders issued by the Queensland Court of Appeal given on 1 November 2019. The date for the hearing of the appeal has been set for the 6 October 2020. If the hearing of the High Court is found in favour of OCAA the NAC03 approvals will likely be remitted to the Land Court while if unsuccessful there are no further avenues for appeal for the OCAA.

The NAC03 project requires a Regional Interests Development Approval (RIDA) in accordance with the Regional Planning Interests Act 2014. The application was approved, with conditions, by the Queensland Treasury on the 27 August 2020.

The Minister for Natural Resources has indicated that a decision on the ML and the AWL will not be forthcoming while the appeal to the High Court of Australia remains outstanding.

New Hope has determined the recoverable amount for the CGU based on a FVLCD calculation. This calculation uses discounted cash flow projections, adjusted with probability weightings specific to individual scenarios to derive a weighted average recoverable amount. Several scenarios have been assessed, considering a combination of different assumptions.

10 Property, plant and equipment (continued)

Key assumptions used in the FVLCD calculations:

Assumption	Description
Extensions of approval timelines and coal tonnages	The extension of approval timelines has a direct impact on assumptions relating to the volume of coal tonnages to be produced and sold. The assessments have been considered based on project approvals being granted in 2021 in the earliest instance, or at the latest with operations recommencing on 1 August 2027. The assumptions of the impairment assessment reflect that once approvals are granted, NAC03 operates for the full life of mine with varying tonnage scenarios considered to optimise the return from the assets.
Coal price	The COVID-19 global pandemic has had a direct impact on the pricing assumptions in the short term. Short term coal prices have declined since 31 July 2019 while long term indications of pricing have remained largely consistent. However, given the current global market a slight reduction in this long-term pricing has been reflected. The coal price range for assessments at 31 July 2020 is US$47.80 - US$133.50 per tonne (nominal basis).
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.68 – 0.73.
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 10.5% (2019: 10.0%).

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

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

Having due regard to all relevant information, New Hope has concluded that in aggregate these matters result in the recoverable amount for the CGU being below its carrying value.

As a result of this impairment assessment an impairment charge of $110.783 million has been recognised in the Consolidated Statement of Comprehensive Income at 31 July 2020 (2019: nil).

In assessing the recoverable amount for the CGU, New Hope has used reasonable assumptions and judgements of future uncertainties in key pricing, discount and foreign exchange assumptions, probabilities of scenarios as well as those associated with COVID-19. Any changes in probabilities or other assumptions could result in additional impairment of the remaining carrying value of the CGU at risk of $93.870 million as at 31 July 2020.

New Hope – Port operations CGU

The major customer of the Port Operations CGU is the Queensland coal mining operations CGU. In the event there are circumstances which impact the Queensland coal mining operations CGU, this may be relevant to the recoverable value of the Port Operations CGU and will be a factor in any future impairment considerations.

The Queensland coal mining operations 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 carrying value of the Port Operation CGU assets as at 31 July 2020 is $155.311 million (2019: $100.8 million). Included in the carrying value is $5.596 million of goodwill (2019: $5.596 million) that arose from the acquisition of Queensland Bulk Handling Pty Limited.

During the 2020 financial year no indicators of impairment were noted. However, in relation to goodwill the Port Operations CGU was tested for impairment.

The recoverable amount of the Port Operations CGU has been determined based on a VIU calculation. This calculation uses a discounted cash flow model. The future cash flows have been discounted using a post-tax discount rate of 9.5% (2019: 9.0%).

The recoverable amount was assessed to be greater than the carrying value for this CGU and as such no impairment charge was recognised for the 2020 financial year (2019: nil).

11 Interest bearing liabilities

Accounting policy

Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of any transaction 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 consolidated 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.

	2020 $'000	2019 $'000
Current liabilities		
Secured		
Equity finance loan (a)	**245,980**	30,000
Other loan facilities (b)	**13,031**	-
Finance lease liabilities (c)	**-**	2,537
	259,011	32,537
Non-current liabilities		
Secured		
Other loan facilities (b)	**575,422**	364,948
Finance lease liabilities (c)	**-**	5,265
	575,422	370,213
Total interest bearing liabilities	**834,433**	402,750
Less: cash and cash equivalents	**(293,231)**	(125,445)
Net debt	**541,202**	277,305
Financing facilities	**1,460,815**	935,589
Facilities utilised at reporting date:		
Equity finance and other loan facilities	**(834,433)**	(394,948)
Capitalised transaction costs	**(4,878)**	(7,052)
Bank guarantees	**(268,837)**	(244,564)
Facilities not utilised at reporting date	**352,667**	289,025

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

Financing facilities

As at 31 July 2020, the Consolidated Entity had the following financing facilities in place:

a) Equity finance loans: The Parent Entity utilised $190.182 million (2019: $30.0 million) of the $250 million equity finance facility with the National Australia Bank. The debt incurs interest at a variable rate and is repayable upon either the bank or the Parent Entity providing 30 days notice. In addition, during the current financial year, the Parent Entity entered into:

- $100 million drawable equity finance facility with Macquarie Bank. The facility is repayable in 12 months. As at 31 July 2020 this facility is drawn to $45 million (2019: $nil); and,
- An International Swaps and Derivatives Association ('ISDA') Master Agreement with Goldman Sachs Financial Markets Pty Limited, which allows for substantially similar liquidity arrangements via the sale of listed shares and concurrent economic repurchase via cash settled swaps. As at 31 July 2020 the liquidity generated via these arrangements was $10.798 million. The facility is repayable within 12 months.

11 Interest bearing liabilities (continued)

As security for each of these loans, the Parent Entity transferred ownership of title over certain long-term equity investments to the banks. 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 assets on the Group's statement of financial position. Upon repayment of the debt, legal title of the equity investments are transferred back to the Parent Entity.

b) Other loan facilities utilised comprised New Hope of $355.952 million (2019: $352.948 million), the Parent Entity Credit Suisse term loan facility of $199.170 million (2019: $nil), a subsidiary property trust's bank loan facility for a commercial property of $12.0 million (2019: $12.0 million) and term debt for the WHSP Agricultural Holding Trust of $21.331 million (2019: $nil).

New Hope

The New Hope secured loan facility is with a syndicate of Australian and international banks. The facility is comprised of a $600 million drawable amortising facility and a $300 million credit support facility. The facility's drawable line for credit is for general corporate purposes and has a maturity of November 2023. New Hope has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 financial years and has secured a waiver of a relevant covenant for the reporting period ending 31 January 2021, in event that it is needed.

During the current financial year, $135 million of debt drawn down under the facility by New Hope was repaid (2019: $400 million).

At the end of the financial year, the New Hope secured loan facility had amortised to $510 million (2019: $570 million). Facilities utilised at the end of the financial year were as follows:

- the drawable amortising facility utilised $360 million (2019: $360 million); unutilised $150 million (2019 $210 million)
- Unrestricted access for the credit support facility was utilised $247.414 million (2019: $220.975 million); unutilised $52.586 million (2019: $79.025 million).

Prior year transaction costs incurred by New Hope in obtaining the secured loan above were $12.802 million. Amortisation of the transaction costs during the year of $2.079 million (2019: $5.750 million) was recorded as financing expenses in the income statement. As at 31 July 2020, the transaction costs balance was $4.976 million (net of accrued interest of $0.928 million), was offset against the secured loans balance (2019: $7.052 million). The secured facility holds fixed and floating charges over all assets held by New Hope (with the exception of certain excluded New Hope subsidiaries).

Parent entity

During the year, the Parent Entity entered into a $200 million, 3 year secured term loan facility with Credit Suisse AG. The facility is for making investments, refinancing existing debt and general corporate purposes. As at 31 July 2020, the facility is fully drawn (2019: $nil). Transaction costs of $0.884 million were incurred to obtain the secured loan.

Subsidiary property trust

As at 31 July 2020, a subsidiary property trust of the Parent Entity has a $12 million loan facility (2019: $12 million) with the Commonwealth Bank of Australia, secured over a commercial property in Penrith, New South Wales. The expiry date of the facility is March 2021. A contract for sale of this property was exchanged in July 2020, with settlement due in November 2020. The loan facility is expected to be repaid from the net sale proceeds. In the current financial year, this loan has been reclassified as a current liability as it is directly associated with assets classified as held for sale. Security includes a real property mortgage over the Penrith property and a General Security Deed providing a fixed and floating charge over the assets of the Trust.

WHSP Agriculture Holding Trust

On 29 July 2020, the WHSP Agriculture Holding Trust entered into a 5-year secured loan facility with the Commonwealth Bank of Australia Limited. The facility comprises a $30 million bank overdraft and market rate loan and a $3.3 million asset finance facility. Only the market rate loan was utilised at the end of the financial year at $21.335 million. Security given includes first ranking property mortgages, first ranking water mortgages over water entitlements, first ranking mortgages over water leases and first ranking General Security Interests. The expiry date of the facility is 29 July 2025.

c) Finance lease liabilities: The Consolidated Entity recognised finance lease liabilities in the previous financial year as part of the Group's interest-bearing liabilities. These finance lease liabilities have been reclassified and disclosed under lease liabilities in note 12, below.

12 Lease assets and liabilities

Accounting policy

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

Lease assets or right-of-use assets

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

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

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

Lease liabilities

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

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

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

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

12 Lease assets and liabilities (continued)

The Consolidated Entity recognised the following right-of -use assets:

Right-of-use assets	2020 $'000
Carrying amount of lease assets, by class of underlying asset:	
Buildings	33,276
Plant, fixtures and motor vehicles	84,236
Total carrying amount of right-of-use assets	**117,512**
Reconciliation of the carrying amount of right-of-use assets at the beginning and end of the year:	
Amount recognised at 1 August 2019 upon adoption of AASB 16	125,594
Acquisition of businesses	706
Additions	24,516
Disposals	(851)
Depreciation	(32,453)
Carrying amount at 31 July 2020	**117,512**

The Consolidated Entity recognised the following lease liabilities:

Lease liabilities	
The present value of lease liabilities is as follows:	
Current	22,215
Non-current	99,151
Recognised as lease liabilities	**121,366**
Opening balance at 1 August 2019 upon adoption of AASB 16	126,949
Acquisition of businesses	706
Additions	24,521
Disposals	(807)
Accretion of interests	6,703
Payments	(36,706)
Closing balance at 31 July 2020	**121,366**

Lease liabilities (undiscounted) maturity analysis	
Within one year	27,228
Later than one year but not later than five years	36,189
Greater than five years	111,625
Total	175,042

Secured liabilities

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 liabilities.

The total cash outflow for leases for the financial year ending 31 July 2020 was $36.706 million.

12 Lease assets and liabilities (continued)

The Group recognised the following amounts in the consolidated statement of comprehensive income:

	2020
Amount recognised in profit and loss	$'000
Depreciation expense of right-of-use assets	32,453
Interest expense on lease liabilities	6,703
Short-term lease expenses	3,156
Low value lease expenses	418

13 Provisions

	2020 $'000	2019 $'000
Current liabilities		
Mining restoration and site rehabilitation (a)	11,400	17,717
Employee benefits	47,441	59,089
Onerous contracts	10	223
Other (b)	-	16,000
	58,851	93,029
Non-current liabilities		
Mining restoration and site rehabilitation (a)	275,873	242,836
Employee benefits	7,701	8,374
Onerous contracts	-	656
Other	592	198
	284,166	252,064

13 Provisions (continued)

(a) Mining restoration and site rehabilitation (New Hope)

In November 2019, the Jeebropilly Operation closed and New Hope lodged a revised estimated rehabilitation calculation ("ERC") with the Queensland Department of Environment and Science ("DES"). In January 2020, Jeebropilly Collieries Pty Ltd (Jeebropilly) was issued with a notice requesting additional financial assurance of $65.7 million, which was lodged on 4 March 2020. Subsequent to the lodgement of this revised ERC, rehabilitation activities have been undertaken as well as further planning for the requirements of the site. Consequently, an updated ERC has been prepared for the Jeebropilly Operation which reduces the rehabilitation obligation significantly. Further discussions with DES are in progress and formal lodgement of the updated ERC is anticipated in September 2020. The rehabilitation provision for the year ended 31 July 2020 has been prepared to reflect this updated ERC as representing New Hope's best estimate of future probable economic outflows to settle the obligation. The balance of the non-current provision as at 31 July 2020 is $8.8 million. The reduction in the provision has increased the consolidated statement of comprehensive income in the current financial year by $9.8 million.

New Hope has made judgements in respect of the probable future cash outflows associated with this rehabilitation based on the intentions of the Jeebropilly Operations in respect of the previously mined areas. It is noted that there are presently multiple commercial transactions which may influence the final land use of the areas previously mined at Jeebropilly and these have been relevantly considered in determining the likelihood and potential timing of rehabilitation activities. The updated ERC aligns with these potential uses within the existing Environmental Approval requirements. Further progress in relation to the status of the commercial transactions may reduce the current rehabilitation provision. In the event New Hope is unable to secure the approval of the updated ERC, and or complete one or more of the commercial transactions, additional provisions may be required.

(b) Other provisions (New Hope)

Administration of subsidiaries

The Directors of Northern Energy Corporation Limited (NEC) and Colton Coal Pty Ltd (Colton), placed the companies into voluntary administration on 17 October 2018. The companies were subsequently placed into liquidation by creditors at a meeting on 26 July 2019.

As at 31 July 2019, when Wiggins Island Coal Export Terminal Pty Ltd (WICET), NEC and Colton were claiming in proceedings that New Hope and certain of its subsidiaries had guaranteed the debts of NEC and Colton under the Deed of Cross Guarantee (DOCG) in an amount of approximately $155 million, New Hope recognised a provision for $16 million. At that time, New Hope considered the $16 million provision was the best estimate of the future probable net economic outflows associated with the NEC and Colton matter.

A summary of the developments during the current financial year follows:

Deed of Cross Guarantee (DOCG) proceedings

On 20 August 2019, WICET and the Liquidators on behalf of NEC and Colton filed appeals with the Court of Appeal in New South Wales in relation to the Supreme Court's decision in favour of the Company on the DOCG.

On 20 December 2019, the Court of Appeal in New South Wales dismissed (with costs) the WICET, NEC and Colton appeal, confirming the Supreme Court's declaration that New Hope had not guaranteed the debts of NEC and Colton Coal under the DOCG.

In January 2020, applications were made by WICET and by the Liquidators on behalf of NEC and Colton for special leave to appeal to the High Court of Australia in relation to the New South Wales Court of Appeal decision.

On 12 June 2020, the High Court of Australia dismissed (with costs) WICET, NEC and Colton's applications for special leave to appeal. This left in place the determinations of the Supreme Court and Court of Appeal in New South Wales that New Hope had not guaranteed the debts of NEC and Colton under the Company's DOCG.

Administration/liquidation process

On 19 July 2019, the administrators appointed to NEC and Colton issued a Voluntary Administrators' Report in advance of the second meeting of creditors. This Report identified potential claims that may be available to any Liquidators appointed to NEC and Colton, subject to the Liquidators obtaining funding and conducting further investigations.

On 5 December 2019, the Liquidators indicated that they intended to continue their investigations into NEC and Colton, including investigating whether NEC and Colton were trading whilst insolvent, and whether any claims existed in that regard.

13 Provisions (continued)

(b) Other provisions (New Hope) (continued)

On 15 May 2020, the Liquidators advised that their investigations into NEC and Colton were continuing and alleged that the value of the potential claims may be in the range of $150.2 million to $168.3 million. No proceedings have been commenced with respect to these potential claims. New Hope denies these alleged potential claims.

Summary

Given the successful results in relation to the DOCG proceedings, that no proceedings have been commenced by the Liquidators against New Hope and given the uncertainty of future funding of the Liquidators, New Hope has considered its position and has determined that no provision is required to be made as at 31 July 2020 as a result of the liquidation process, and the $16 million provision has therefore been released in full.

14 Deferred tax liabilities

	2020 $'000	2019 $'000
Non-current liability		
Deferred tax liabilities	672,843	422,445
Opening balance at 1 August	422,445	409,764
Deferred tax on movements in associates' carrying values	(23,474)	10,676
Subsidiaries' timing differences	(52,377)	(1,707)
Deferred tax on revaluation of long term equity investments	(19,461)	26,126
Transfer of equity accounted associates to long term equity investments[a]	345,710	(21,675)
Other	-	(739)
Closing balance at 31 July	672,843	422,445

a) Transfer of equity accounted associates to long term equity investments

In the current financial year, a deferred tax liability of $345.710 million was created following the derecognition of TPG as an equity accounted associate. From 29 June 2020, the TPG investment was held as a financial asset held at Fair Value Through Other Comprehensive Income. Refer to note 7(d) for further details.

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

	2020 $'000	2019 $'000
Profit after tax for the year	874,455	359,489
Adjustments for non-cash items:		
Depreciation and amortisation	249,200	162,949
Amortisation of transaction costs	2,076	1,384
Gain from discontinued operations	-	(220)
Gain on deemed disposal of equity accounted associates	(5,348)	(1,921)
Gain on derecognition of TPG as an equity accounted associate	(1,474,526)	-
Loss on derecognition of TPG reserves	11,653	-
Gain on revaluation of investment property	-	(7,655)
Gain on sale of investment property	(38)	(6,657)
Net loss/(gain) on sale of non-current asset	1,161	(90,641)
Loss on sale of controlled entity	785	-
Gain on fair value of biological assets	(4,951)	-
Gain on trading equities fair value through profit or loss	(5,780)	(6,700)
Impairment expense	483,887	60,450
Net foreign exchange gain	(713)	(1,283)
Non-cash in-specie dividend	(79,683)	(3,592)
Non-cash share based payments	2,372	2,820
Unwinding of interest on deferred purchase consideration	928	-
Share of losses/(profits) of associates not received as dividends or distributions	198,759	(75,272)
Other non-cash items	1,131	5,181
Changes in operating assets and liabilities, net of effects from purchase and sales of business:		
Decrease in trade debtors, other debtors and prepayments	13,964	19,718
Decrease/(increase) in inventory	11,370	(1,763)
Decrease in trade creditors and accruals	(34,327)	(1,282)
Decrease/(increase) in employee entitlements and provisions	(34,400)	6,619
(Increase) in current tax asset	(15,254)	-
(Increase)/decrease in deferred tax asset	(39,240)	14,898
Increase/(decrease) in current tax liability	25,069	(71,857)
Increase in deferred tax liability	250,398	1,337
Net cash inflow from operating activities	432,948	366,002

16 Fair value measurement

Accounting policy

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

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

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

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

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 Consolidated Entity categorises each asset and liability into one of the following three levels as prescribed by accounting standards:

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

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

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

Valuation techniques

Listed equities

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

Unlisted equities

In the absence of an active market for unlisted equities, the Consolidated Entity selects and uses one or more valuation techniques to measure the fair value of these unlisted equities.

The Consolidated Entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The following valuation techniques are used by the Consolidated Entity:

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

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

16 Fair value measurement (continued)

Fair value measurement

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 July 2020				
Financial assets				
Trading equities	180,068	-	24,092	204,160
Long term equity investments	2,646,629	74,686	38,464	2,759,779
Derivatives financial instruments	-	54,764	-	54,764
Non-financial assets				
Investment properties	-	-	75,724	75,724
Total assets	**2,826,697**	**129,450**	**138,280**	**3,094,427**
Financial liabilities				
Derivatives financial instruments	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

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

16 Fair value measurement (continued)

Fair value measurement using significant unobservable inputs (level 3)

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

	Trading equities $'000	Long-term equity investments $'000	Investment properties $'000	Total $'000
Opening balance at 1 August 2018	9,028	29,542	158,254	196,824
Acquisitions	4,620	13,884	26,321	44,825
Disposals	(2,038)	-	(85,756)	(87,794)
Transfer to Equity accounted associates	-	(12,257)	-	(12,257)
Gain recognised in other income- realised	-	-	7,655	7,655
Gain/(loss) recognised in other income- unrealised	4,588	-	(193)	4,395
Closing balance at 31 July 2019	**16,198**	**31,169**	**106,281**	**153,648**
Acquisitions	2,733	4,109	437	7,279
Disposals	-	(14)	(3,757)	(3,771)
Gain recognised in other income - unrealised	5,161	-	38	5,199
Gain recognised in other comprehensive income - unrealised	-	3,200	-	3,200
Transfer to held-for-sale asset	-	-	(27,275)	(27,275)
Closing balance at 31 July 2020	**24,092**	**38,464**	**75,724**	**138,280**

17 Commitments

	2020 $'000	2019 $'000
Capital commitments		
Capital expenditure contracted for at year end but not recognised as liabilities is as follows:		
Within one year	111,178	59,364
One to five years	34,613	58,106
More than five years	3,262	5,258
	149,053	122,728

Capital commitments include contracted management services for mining services, exploration permits and acquisition of property, plant and equipment.

18 Contingent liabilities

Other than the matter set out in Note 13(b), there are no material changes to contingent liabilities of the Group since 31 July 2019.

19 Business combinations

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 value 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 gain on bargain purchase.

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

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

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

Acquisition of WHSP agricultural businesses

In accordance with the Sustainable Investment Policy of the Parent Entity, a subsidiary of the Parent Entity, WHSP Agriculture Holding Trust, acquired on 18 October 2019, a 100% interest in the Mildura Citrus, MC Property, HK Farming and HK Farmland Trusts and a 97% interest in the Fitzroy Macadamias Trust, for a total purchase consideration of $37.2 million. Collectively these entities formed the WHSP agricultural business.

This portfolio of farming businesses produces and sells citrus fruit, macadamia nuts, cereal crops and cotton. The acquired business contributed revenue of $6.3 million and loss before tax of $2.6 million to the WHSP Agriculture Holding Trust for the period from the date of acquisition to 31 July 2020. If the acquisition had occurred on 1 August 2019, revenue and loss before tax would have been $8.8 million and $2.9 million, respectively.

The purchase price allocation of the acquisition is final as at 31 July 2020.

On 1 May 2020, WHSP Agriculture Holding Trust acquired 97% of Infinity Farms, a horticultural enterprise in Victoria which produces table grapes and stone fruits and owns serviced and uncleared horticultural development land. Total purchase price was $16.971 million.

Infinity Farms contributed revenue of $0.1 million and loss before tax of $0.2 million to the Group from the date of acquisition to 31 July 2020. If the acquisition had occurred on 1 August 2019, revenue and loss before tax for the period ended 31 July 2020 would have been $0.1 million and $0.2 million respectively.

The purchase price allocation of the acquisition is final as at 31 July 2020.

19 Business combinations (continued)

Purchase consideration and the net assets acquired are as follows:

	18 October 2019 $'000	1 May 2020 $'000
Total purchase consideration		
Total cash consideration in the current period	37,200	16,481
Consideration by issue of units	-	490
Total purchase consideration	**37,200**	**16,971**
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:		
Cash and cash equivalents	998	-
Trade and other receivables[1]	2,520	-
Inventories	1,998	83
Biological assets	102	-
Property, plant and equipment	38,700	11,978
Right-of-use assets	706	-
Deferred tax assets	296	-
Intangibles	4,330	4,910
Trade and other payables	(683)	-
Interest bearing liabilities	(11,197)	-
Fair value of net identifiable assets	**37,770**	**16,971**
Non-controlling interest measured at fair value	(570)	-
Net assets acquired	**37,200**	**16,971**
Net cash outflow for the acquisition are as follows:		
Outflow of cash to acquire subsidiary, net of cash acquired		
Total cash consideration – current year	37,200	16,481
Less cash balance acquired	(998)	-
Outflow of cash – investing activities	**36,202**	**16,481**
Acquisition costs expensed	1,821	545
Total cash outflow	**38,023**	**17,026**

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

20 New or amended accounting standards

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

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

AASB 16 Leases

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

Accounting policy

On adoption of the new AASB 16 Leases, the Consolidated Entity recognised right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset was of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

   - investment property, the lessee applies the fair value model in AASB 140 Investment Property to the right-of-use asset: or
   - property, plant or equipment, the lessee applies the revaluation model in AASB 116 Property, plant and equipment to all of the right-of-use assets that relate to that class of property, plant and equipment.

b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

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

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

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

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

Adoption of AASB 16 Leases

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

- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;

20 New or amended accounting standards (continued)

AASB 16 Leases (continued)

- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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

	As reported 31 July 2019 $'000	AASB 16 transition adjustments $'000	Opening balance 1 August 2019 $'000
Property, plant and equipment	2,351,799	(6,444)	2,345,355
Right-of-use assets	-	125,594	125,594
Interest bearing liabilities (current and non-current)	(402,750)	7,802	(394,948)
Lease liabilities	-	(126,949)	(126,949)
Retained profits	3,301,831	(2,859)	3,298,972

The following is a reconciliation of non-cancellable operating lease commitments disclosed at 31 July 2019 to the aggregate carrying amount of lease liabilities recognised at the date of initial application, 1 August 2019:	$'000
Aggregate non-cancellable operating lease commitments at 31 July 2019	98,672
Add: finance lease liabilities recognised at 31 July 2019	7,802
Add: restoration to leased property provision included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	1,124
Add: extension options included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	65,288
Add: lease payments included in the measurement of lease liabilities and previously included in capital expenditure commitments	10,834
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	(7,175)
Less: property lease rent outgoings and related costs previously included in non-cancellable lease commitments and not included in lease liabilities	(1,865)
Less: impact of discounting lease payments to their present value at 1 August 2019	(47,731)
Carrying amount of lease liabilities recognised at 1 August 2019	**126,949**

21 COVID-19 impact on operations and financial statements

During the second half of the financial year the Coronavirus (COVID-19) has had a significant impact on local and world economies. It has impacted the financial position and financial performance of the Consolidated Entity and may affect the future financial performance of the Consolidated Entity.

The majority of the Consolidated Entity's investments and businesses continued to operate, with a priority to protect the health and safety of all employees. The Consolidated Entity promptly implemented strict workplace protocols, including physical distancing, travel restrictions, roster changes, flexible working arrangements, rapid screening and personal hygiene controls.

Key financial impacts to the Consolidated Entity until 31 July 2020 were as follows:

- Changes to demand resulting in lower commodity prices, in particular, lower average realised prices achieved for thermal coal, copper and zinc. Since March 2020, copper and zinc prices have significantly improved.
- The impact on the sales volumes of major product lines, both in response to market demand and in response to government directives. For example, a reduction in demand for thermal coal from markets such as India and regulatory changes in China favouring domestic coal producers.
- The Consolidated Entity has not needed to grant any material deferrals or waiver of rents received from its investment properties.
- Changes to operating costs, including additional costs incurred to manage the impact on our assets (e.g. costs relating to controls such as cleaning, screening and roster changes) and the effect of favourable exchange rate and input cost movements. The Consolidated Entity has not received any material benefit from the deferral or waiver of lease payments.
- Receipt of Federal Government JobKeeper support of $6.051 million comprising New Hope ($3.909 million), subsidiary operating a network of swimming schools ($2.088 million) and a subsidiary in the hospitality industry ($0.054 million).
- Reassessment of the carrying value of non-current assets and, where required, asset impairments have been included in the financial year 2020 results.

22 Events after the reporting period

No events have occurred since 31 July 2020, which would require dislosure in the financial report.

23 Other significant information

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