



# Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

ASX Code: SOL

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For



# Profile

Washington H. Soul Pattinson and Company Limited (WHSP) was incorporated on 21 January 1903 having previously traded as two separate companies, Pattinson and Co. and Washington H. Soul and Co.

Following a public offering of shares, WHSP was listed on the Sydney Stock Exchange (now the Australian Securities Exchange) on 21 January 1903.

### Over 100 years as a listed public company

When Caleb Soul and his son Washington opened their first store at 177 Pitt Street, Sydney, in 1872 neither of them could have envisaged that 146 years later their single pharmacy would have evolved into a company as prominent and diversified as WHSP.

WHSP is now a significant investment house with a portfolio encompassing many industries including its traditional field of pharmaceuticals, as well as coal mining, building materials, copper and gold mining and refining, equity investments, property investment, telecommunications and financial services.

# Calendar

### Final Dividend

Record date	19 November 2018
Payment date	10 December 2018

### Annual General Meeting

AGM date	7 December 2018
AGM venue	The Wesley Theatre Wesley Conference Centre 220 Pitt Street, Sydney
Group Company displays open	10.45am
AGM commences	12.00 noon



For more information visit our website [www.whsp.com.au](http://www.whsp.com.au)

DIVERSIFIED PORTFOLIO

LONG TERM INVESTOR

CONSERVATIVE AND VALUE FOCUSED

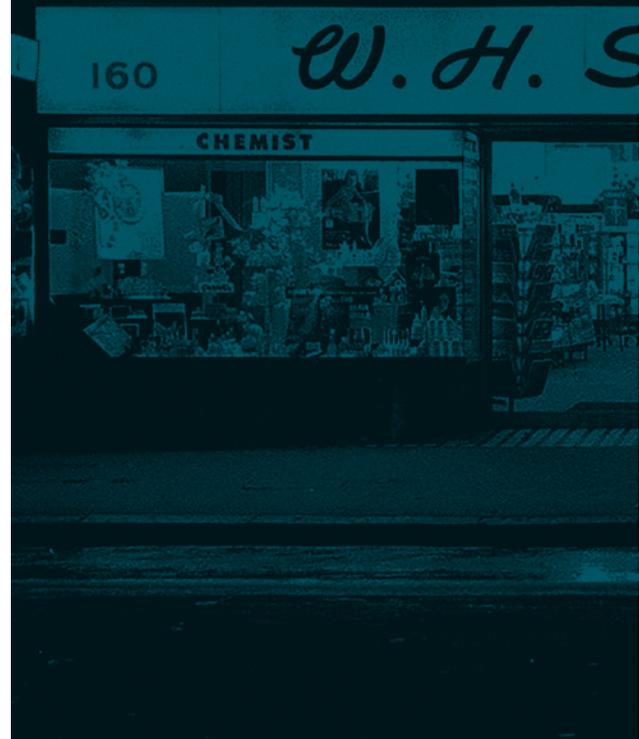
OVER THE LAST 15 YEARS WHSP HAS

CONTINUALLY INCREASED DIVIDENDS

GROWING AT A COMPOUND ANNUAL GROWTH RATE OF **8.3% PA**

DELIVERED A TSR OF **13.0% PER ANNUM**

OUTPERFORMING THE ALL ORDS ACCUMULATION INDEX BY **3.6% PA**



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# Corporate Directory

## Directors

Robert D Millner	Chairman and Non-Executive Director
Todd J Barlow	Managing Director and Chief Executive Officer
Tiffany L Fuller	Non-Executive Director
Michael J Hawker	Lead Independent Director and Non-Executive Director
Thomas C D Millner	Non-Executive Director
Warwick M Negus	Non-Executive Director
Robert G Westphal	Non-Executive Director

## Company Secretary

Ian D Bloodworth

## Auditors

Pitcher Partners Sydney

# Contents

Key Highlights	2
Chairman's Review	3
Review of Group Entities	9
TPG Telecom Limited	10
Brickworks Limited	12
New Hope Corporation Limited	14
Financial Services Portfolio	17
Australian Pharmaceutical Industries Limited	18
Round Oak Minerals Pty Limited	19
Apex Healthcare Berhad	21
Other Investments	22
Property	22
Directors' report	23
Remuneration report	30
Auditor's independence declaration	53
Financial report	54
Consolidated income statement	56
Consolidated statement of comprehensive income	57
Consolidated statement of financial position	58
Consolidated statement of changes in equity	59
Consolidated statement of cash flows	60
Notes to the consolidated financial statements	61
Directors' declaration	142
Independent auditor's report	143
ASX additional information	147



## Key Highlights

### HIGHEST EVER

REGULAR PROFIT<sup>1</sup>

**\$331m**

**17.4% ▲**

### PORTFOLIO VALUE TO \$5.4b

PORTFOLIO VALUE<sup>2</sup> INCREASE

**\$972m**

**21.8% ▲**

### 18th YEAR OF INCREASE

FULLY FRANKED DIVIDENDS

**56 cps**

**3.7% ▲**

### SHAREHOLDER WEALTH

MARKET CAP GROWTH  
AND DIVIDENDS ADDED

**\$1.1b**

TO SHAREHOLDER WEALTH<sup>3</sup>

12 MONTH  
TOTAL SHAREHOLDER RETURN

**27.5%**

**12.6% above Index<sup>4</sup>**

INVESTMENT IN WHSP  
OVER 15 YEARS GREW

**525%**

**vs 286% for the Index<sup>4</sup>**

1. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Consolidated Financial Statements – Note 3, Segment information.
2. Refer to page 4 for details of the portfolio valuation.
3. For the year ended 31 July 2018
4. Index refers to the All Ordinaries Accumulation Index.



# Chairman's Review

## Dear Shareholders,

I am pleased to present the 2018 Annual Report for Washington H. Soul Pattinson and Company Limited (WHSP, Company) on behalf of the Board of Directors of the Company.

## Consolidated Financial Performance

The regular profit after tax\* increased by 17.4% to \$331.1 million. This is the Group's highest ever regular profit and was primarily attributable to:

- New Hope Corporation Limited (New Hope) up by 74.7%, continued to capitalise on the recovery in coal prices and its Bengalla joint venture;
- Apex Healthcare Berhad was up 33.6%. Its share price also performed well, increasing by 50.4%;
- The Financial Services Portfolio was up 19.3%, driven by the performance of the merged Pengana Capital Group; and
- Brickworks Limited was up 8.0% due to strong building activity on the east coast and growth of its property trust.

The profit after tax attributable to shareholders for the year ended 31 July 2018 was \$266.8 million, down 20.0% on the previous corresponding period. Profit after tax was impacted by non-regular losses of \$64.3 million (2017: \$51.6 million profit) predominantly relating to New Hope's impairment of an undeveloped exploration project in Queensland.

During the year, WHSP reduced its holding in New Hope from 59.6% to 50.0%. The sale provided proceeds of \$175.7 million and a pre-tax gain of \$172.8 million to WHSP. It should be noted that this gain is not reflected in the consolidated results because New Hope is a member of the WHSP consolidated group.

Comparisons with the prior year are as follows:

	2018 \$'000	2017 \$'000	% Change
<b>Regular profit after tax* attributable to shareholders</b>	<b>331,143</b>	282,019	+17.4%
Profit after tax attributable to shareholders	266,846	333,611	-20.0%
Interim Dividend (paid in May each year)	23 cents	22 cents	+4.5%
Final Dividend (payable 10 December 2018)	33 cents	32 cents	+3.1%
<b>Total Dividends</b>	<b>56 cents</b>	54 cents	+3.7%

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

## Net Assets of the Parent Company – WHSP

The assets of WHSP are summarised below. The net asset value as at 31 July 2018 was \$5.4 billion, an increase of \$972 million or 21.8% compared to \$4.5 billion as at 31 July 2017. This increase was mainly attributable to strong share price performances by New Hope Corporation and Brickworks.

As at 31 July 2018	WHSP's Holding	Value of WHSP's Holding	12 month Movement	
	%	\$m	\$m	%
TPG Telecom <sup>1</sup>	25.3%	1,350	45	3.5%
New Hope Corporation <sup>1</sup> (59.6% held 31 July 2017)	50.0%	1,326	533	67.2%
Brickworks <sup>1</sup>	43.9%	1,023	156	18.0%
Financial Services Portfolio <sup>1 &amp; 2</sup>	–	414	5	1.2%
Australian Pharmaceutical Industries <sup>1</sup>	19.3%	161	(6)	(3.7%)
Round Oak Minerals <sup>2</sup> formerly CopperChem and Exco Resources	100%	154	71	84.3%
Apex Healthcare Berhad <sup>1</sup>	30.3%	83	34	70.0%
TPI Enterprises <sup>1</sup> (18.9% held 31 July 2017)	19.9%	21	(20)	(48.7%)
Other Listed Equities Portfolio <sup>1</sup>		515	68	15.3%
Other Unlisted Equities Portfolio <sup>2</sup>		93	21	28.4%
Property Portfolio <sup>2</sup> (net of borrowings)		183	(25)	(12.2%)
Cash and other net assets		116	90	354.9%
<b>Net asset value (pre-tax)<sup>3 &amp; 4</sup></b>		<b>5,439</b>	<b>972</b>	<b>21.8%</b>

<sup>1</sup> At market value.

<sup>2</sup> At Directors' valuations.

<sup>3</sup> The tax payable if all of these assets had been disposed of on 31 July 2018 would have been approximately \$1,082 million.

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



In November 2017, we reduced our holding in New Hope from 59.6% to 50.0% in order to assist the free float and liquidity of its shares. The sale provided proceeds of \$175.7 million and a pre-tax gain of \$172.8 million.

The financial services portfolio consists of BKI Investment Company, Milton Corporation, Pengana Capital Group, Pengana International Equities and URB Investments which are listed on the ASX and Contact Asset Management, Ironbark Asset Management (Ironbark) and Pitt Capital Partners which are unlisted. The Company acquired a 14.5% holding in Ironbark during the period.

WHSP invested further in the 100% owned Round Oak Minerals (formerly CopperChem and Exco Resources). This investment funded Round Oak's acquisition of the Stockman copper-zinc project in north-east Victoria and the Jaguar underground copper-zinc operation in Western Australia.

During the year, the Company agreed the sale of two properties, one of which was the head office building at 160 Pitt Street. As this sale was completed in August 2018 it will be accounted for in the 2019 financial year.

### Washington H. Soul Pattinson and Company Limited

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

Total shareholder return (TSR) measures share price movement and assumes the reinvestment of all dividends. It does not account for franking credits also passed onto shareholders.

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

#### Total Shareholder Returns to 31 July 2018

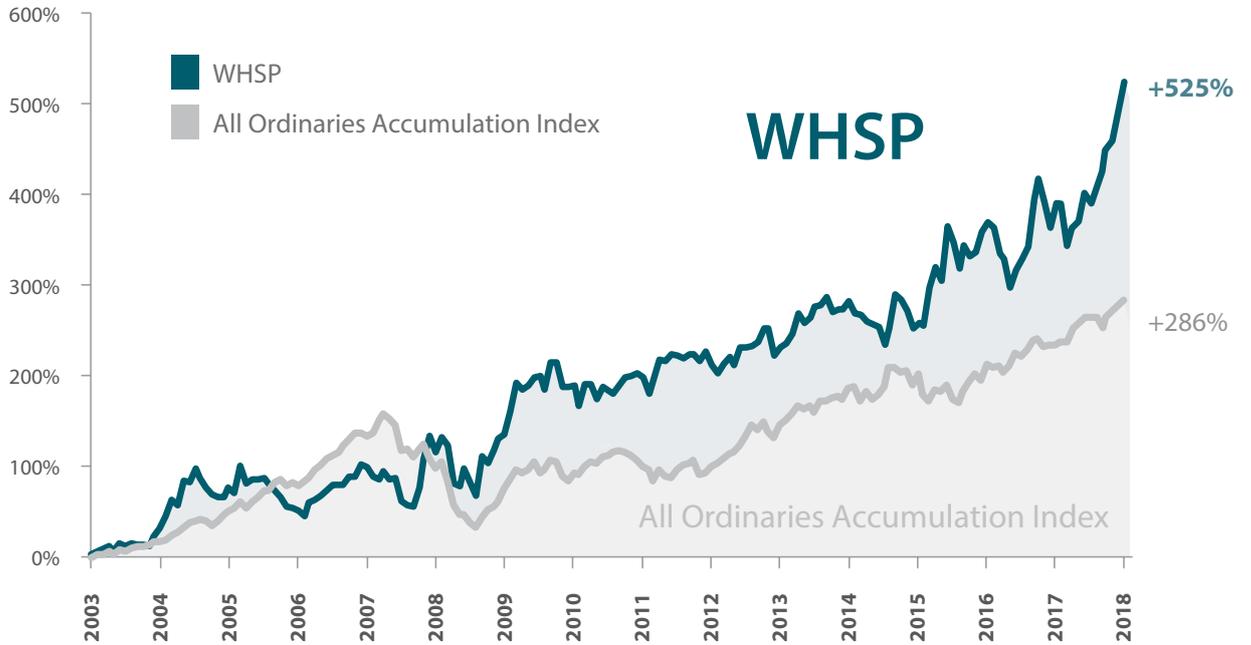
	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	15 Years p.a.
<b>Annual Return</b>					
<b>WHSP</b>	<b>27.5%</b>	<b>20.5%</b>	<b>13.7%</b>	<b>11.3%</b>	<b>13.0%</b>
All Ordinaries Accumulation Index	14.9%	8.4%	9.4%	6.9%	9.4%
<b>Out Performance</b>	<b>12.6%</b>	<b>12.1%</b>	<b>4.3%</b>	<b>4.4%</b>	<b>3.6%</b>

3 YEAR TOTAL  
SHAREHOLDER  
RETURN OVER  
**20%**  
PER ANNUM



The following chart shows the 15 year total shareholder return of an investment made in WHSP shares in July 2003 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP over this period has increased by more than five times while the index has increased by less than three times.

15 Year Total Shareholder Return



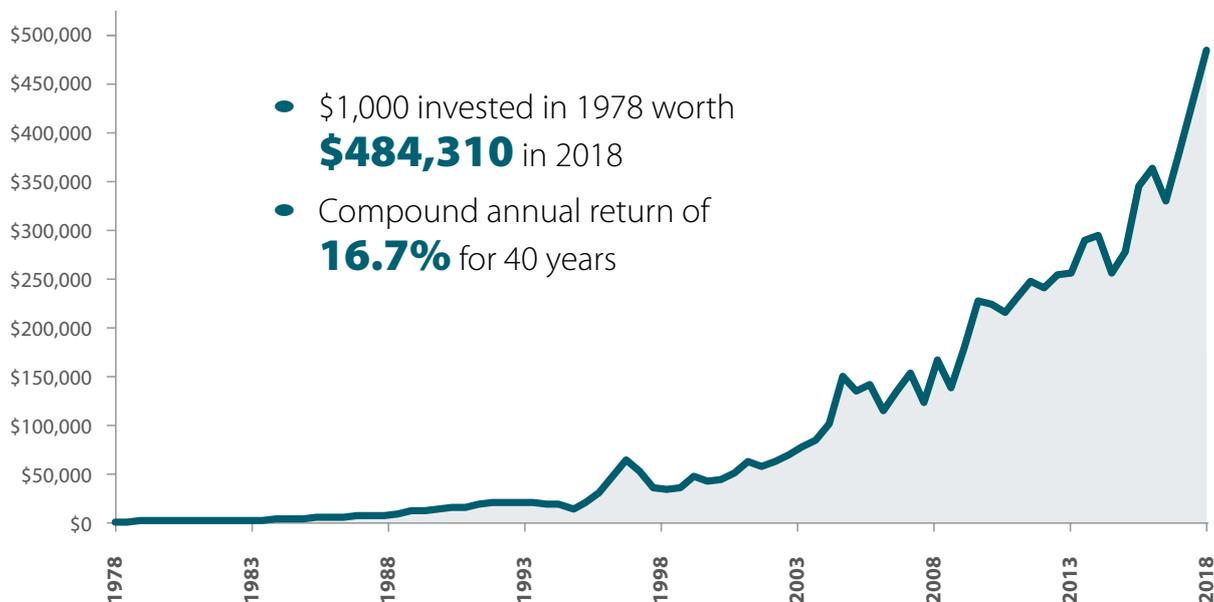
*Includes the re-investment of dividends.*

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The following chart shows the wealth created over a 40 year period. If a shareholder had invested \$1,000 in 1978 and reinvested all dividends, the shareholding would have appreciated to over \$484,000 as at 31 July 2018. This equates to a compound annual growth rate of 16.7% year on year for 40 years and does not include the franking credits which have also been passed on to shareholders by WHSP.

### Wealth Creation over 40 years

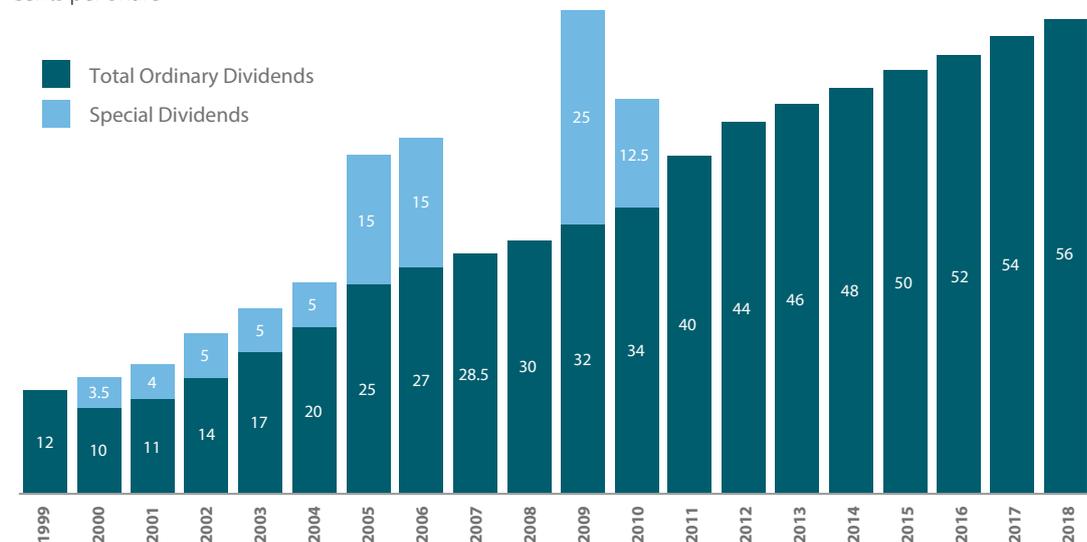


*Includes the re-investment of dividends.*

### Dividends

The chart below demonstrates WHSP's exceptional history of paying dividends to shareholders. The compound annual growth rate of the Company's ordinary dividends is 8.34% PA over the last 15 years. WHSP has not missed paying a dividend since listing in 1903, including during the Great Depression of the 1930s and the Global Financial Crisis of 2007-08.

### 20 Year Dividend History Cents per Share



**TOTAL  
DIVIDEND  
FOR THE YEAR**

**56¢**

### Final Dividend

The Directors have declared a fully franked final dividend of 33 cents per share in respect of the year ended 31 July 2018 (2017: 32 cents fully franked). This brings total dividends for the year to 56 cents fully franked (2017: 54 cents fully franked).

The record date for the final dividend will be 19 November 2018 with payment due on 10 December 2018. The last day to purchase shares and be eligible for the final dividend is 16 November 2018.

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

WHSP is one of only two companies in the ASX All Ordinaries Index to have increased its dividend every year for the last 18 years.

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

This year it will pay out, as dividends, 93.4% of its net regular cash inflows from operations (2017: 90.0%).

### Closure of the 160 Pitt Street Pharmacy

During the year, WHSP entered into an agreement to sell its head office building at 160 Pitt Street. As a consequence the Company's last remaining pharmacy, which had operated out of the building for 145 years, ceased trading in May 2018.

In 1872, Caleb Soul and his son, Washington Hanley Soul, opened their first shop at 177 Pitt Street offering general pharmaceutical goods. The shop traded under the name Washington H Soul and Co. Within a year, larger premises were needed and the shop moved down the road to 160 Pitt Street. The building caught fire in 1886 and a new building was erected in its place and named the Phoenix Building.

In 2000, WHSP sold its pharmaceutical operations to Australian Pharmaceutical Industries (API), and WHSP remains a major shareholder of API. The chemist at 160 Pitt Street was the only store retained by WHSP.

While the Company's foundations are as a pharmacy, today WHSP has evolved to become an investment house with a range of investments across diverse industries, including coal mining, building materials, copper and gold mining and refining, equity investments, property investment, telecommunications and financial services. As at 31 July 2018 the portfolio had grown in value to more than \$5 billion and pharmaceutical investments represented less than 5% of that total value.

This is the end of a chapter in the Company's history. While it was sad to see the pharmacy closing its doors after 145 years, we are immensely proud of what it achieved. WHSP thanks the many staff who have provided diligent service throughout the years and our many loyal customers.



**R D Millner**  
Chairman

# Review of Group Entities

as at 31 July 2018

		TPG Telecom Limited	ASX:TPM	10
		Brickworks Limited	ASX:BKW	12
		New Hope Corporation Limited	ASX:NHC	14
		Financial Services Portfolio		17
		Australian Pharmaceutical Industries Limited	ASX:API	18
		Round Oak Minerals Pty Limited (formerly CopperChem and Exco Resources)		19
		Apex Healthcare Berhad	Bursa Malaysia: APEX MK	21
		Other Investments		22
		Property		22

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## TPG Telecom Limited

Associated entity: **25.3% held**  
 Dividends paid to WHSP: **\$9.3 million**  
 Total Market Capitalisation: **\$5.34 billion**  
 Value of WHSP's Holding: **\$1.35 billion**  
 ASX code: **TPM**



TPG reported the following results for the year ended 31 July 2018 (FY18):

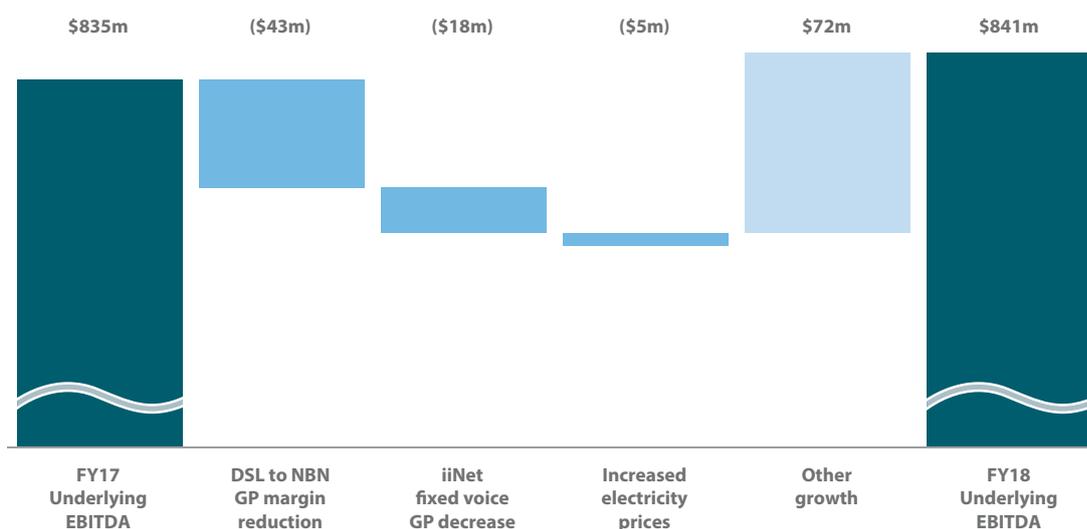
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$841.1 million;
- Net profit after tax (NPAT) attributable to shareholders of \$396.9 million; and
- Earnings per share (EPS) of 42.8 cents.

### Underlying Results

The FY18 EBITDA result includes no material irregular items and is therefore representative of underlying EBITDA for the period. By contrast the FY17 EBITDA result benefitted from \$55.8 million of favourable non-recurring items (predominantly a profit realised on sale of an investment). Therefore, although there is a \$49.7 million decrease in reported EBITDA between FY17 and FY18, underlying EBITDA increased by \$6.1 million in FY18 from \$835.0 million to \$841.1 million, making FY18 the 10th consecutive year of underlying EBITDA growth for TPG.

As shown in the chart below, this modest underlying EBITDA increase in FY18 has been achieved despite the significant headwinds that were experienced during the year from: the migration of DSL customers to lower margin NBN services; loss of gross profit from home phone services as customers migrate to NBN bundled services; and electricity price increases.

### Bridge between underlying FY17 and FY18 EBITDA



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**REGULAR  
PROFIT  
CONTRIBUTED  
TO THE GROUP**  
**\$109  
MILLION**

The adverse profit impacts of the headwinds shown in the chart above were all in line with, or slightly less than expectations, whilst the strong \$72 million of other EBITDA growth achieved relative to FY17 was pleasing. The main contributions to this growth were the Corporate Segment, TPG fibre to the building services and cost savings from the ongoing integration of iiNet.

### Segment Results

The Consumer Segment's EBITDA for FY18 was \$513.1 million compared to \$530.4 million for FY17.

The Corporate Segment achieved EBITDA of \$330.1 million for FY18 compared to \$312.8 million for FY17, a \$17.3 million year-on-year growth.

### Cash Flow, Capital Expenditure and Gearing

TPG delivered another strong cash flow result in FY18 with \$868.3 million of cash generated from operations (pre-tax).

TPG's capital expenditure for the year of \$956.3 million included \$597.3 million of spectrum payments (includes a \$594.8 million instalment for the 2x10MHz of 700MHz spectrum acquired at auction last year) and \$101.0 million invested in the mobile network builds in Singapore and Australia. The remaining 'business as usual' capital expenditure of \$258.0 million was \$104.5 million lower than FY17 as the fibre expansion for the Vodafone fibre contract was substantially completed during the year.

At the end of year TPG had net debt of \$1,266.4 million, which represents a leverage ratio of approximately 1.5 times EBITDA, and had undrawn headroom of over \$1 billion in its debt facilities to fund its remaining planned mobile network investments in Australia and Singapore.

### Dividend

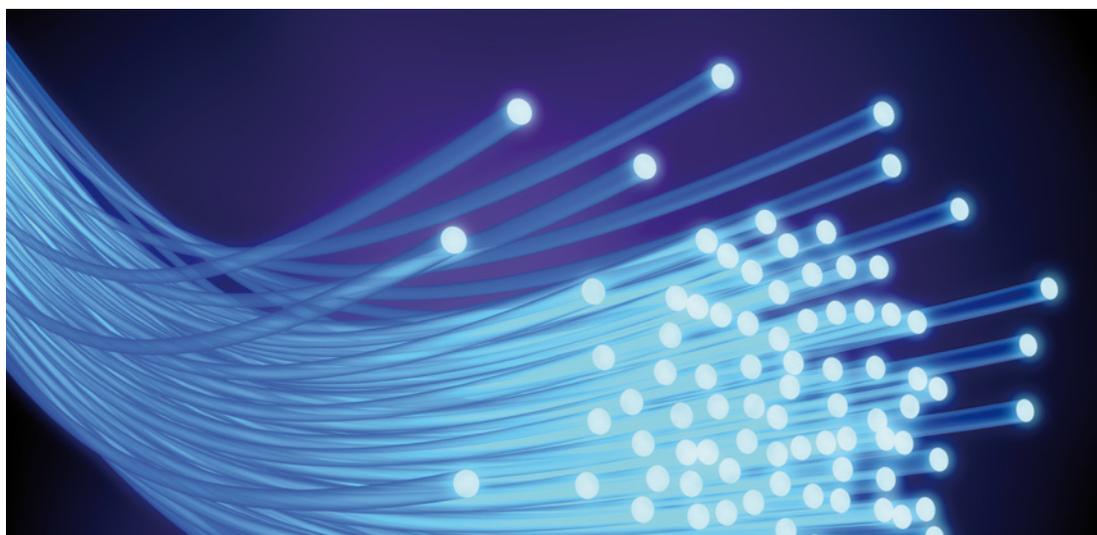
TPG has declared a final dividend of 2 cents fully franked, in line with the interim dividend.

### Merger of Equals with Vodafone Hutchison Australia

On 30 August 2018 TPG announced a planned merger of equals with Vodafone Hutchison Australia which, subject to satisfaction of certain conditions precedent, including the approval of the Australian Competition and Consumer Commission, is expected to complete in 2019.

### Contribution to WHSP

TPG contributed a net profit of \$100.0 million to the Group (2017: \$104.1 million). Its contribution to regular profit was \$109.0 million (2017: \$105.0 million).



## Brickworks Limited

Associated entity: **43.9% held**  
Dividends paid to WHSP: **\$34.1 million**  
Total Market Capitalisation: **\$2.33 billion**  
Value of WHSP's Holding: **\$1.02 billion**  
ASX code: **BKW**

**BRICKWORKS**  
LIMITED

RECORD  
UNDERLYING  
NET PROFIT  
AFTER TAX UP

**13.9%**

Brickworks posted a statutory net profit after tax (NPAT) for the year ended 31 July 2018 of \$175.4 million, down 5.8% on the prior year. Record underlying NPAT of \$223.7 million was up 13.9% from \$196.4 million for the year ended 31 July 2017.

Statutory earnings per share was \$1.17, down 6.0% on the prior year, and underlying EPS was \$1.50, up 13.7%.

Brickworks has declared a fully franked final dividend of 36 cents per share, up 5.9% on the prior year. This brings total dividends for the year to 54 cents per share, up 3 cents or 5.9% on the prior year.

### Building Products

Building Products' earnings before interest and tax (EBIT) was \$76.0 million, up 16.8% on the prior year. Austral Bricks earnings were significantly higher on the back of a strong performance in New South Wales and Victoria. Performance in Western Australia also improved following prior period restructuring initiatives.

Austral Bricks delivered a 12.8% increase in earnings for the year, with sales revenue up 8.1% to \$447.3 million.

Austral Masonry earnings were in line with the prior year, on a 23.2% increase in sales revenue to \$109.7 million. Excluding UrbanStone, revenue was up 5.5% on a like-for-like basis.

Bristle Roofing earnings increased on the prior year, with sales revenue up 6.7% to \$136.4 million.

Austral Precast and Auswest Timbers earnings were higher than last year.

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## Property

Property delivered an EBIT before significant items of \$94.0 million for the year ended 31 July 2018, up 3.8% from \$90.6 million for the prior year. This improved result was due to higher earnings from the Property Trust.

The total value of assets held within the Property Trust at 31 July 2018 was \$1.527 billion. This includes a 33% increase in the value of leased assets, to \$1.168 billion, due primarily to the completion of the Oakdale Central Estate in the second half. The Property Trust also holds a further \$360 million in land to be developed.

Borrowings of \$451 million are held within the Property Trust, giving a total net asset value of \$1.076 billion. Brickworks' 50% share of this net asset value was \$538 million, up \$58 million from \$480 million at 31 July 2017.

## Outlook

The Building Products division faces mixed market conditions across the country, with the timing and extent of any sustained decline in building materials demand difficult to predict.

Development activity within the Property Trust remains strong. The completion of new facilities at Oakdale South and Rochedale will drive growth in rent and asset value over both the short and longer term.

The sale of the Punchbowl property is due to complete in October 2018. With a sale price of \$41 million, and total costs of approximately \$8 million, this transaction will deliver a profit of around \$33 million to Brickworks.

## Contribution

Brickworks contributed a net profit of \$40.5 million (2017: \$36.3 million) to the Group. These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.



## New Hope Corporation Limited

Controlled entity: **50.0% held**  
Dividends paid to WHSP: **\$54.7 million**  
Total Market Capitalisation: **\$2.65 billion**  
Value of WHSP's Holding: **\$1.33 billion**  
ASX code: **NHC**



**NEW HOPE  
GROUP**

**REGULAR  
PROFIT  
AFTER TAX  
INCREASED  
96%**

New Hope reported a net profit after tax and before non-regular items of \$252.6 million for the year ended 31 July 2018. The result comprised: a profit of \$252.8 million from coal mining, marketing and logistics operations; and a loss of \$0.2 million from oil operations. This result is 96% higher than the 2017 result of \$128.7 million.

The net profit after tax, including non-regular items, was \$149.5 million, 7% higher than the 2017 result of \$140.6 million.

Compared to 2017, the full year result benefited from:

- Increased production and sales driven by performance of the Bengalla Joint Venture;
- Increased coal prices in US Dollar terms; and
- A lower AUD:USD exchange rate.

Partially offset by:

- Increased cost of sales as the Acland Mine nears the end of the Stage 2 life;
- Increased cost of sales arising from higher strip ratios at Bengalla; and
- A non-regular impairment loss and associated costs relating to the Colton exploration project.



During the year, New Hope generated a strong operating cash surplus of \$433.9 million (before interest and tax) which is an increase of 39% on the 2017 result of \$313.0 million.

Before non-regular items, basic earnings for 2018 were 30.4 cents per share, compared to 15.4 cents per share in 2017. After non-regular items, basic earnings per share were 18.0 cents per share for 2018 against 16.9 cents in 2017.

New Hope has declared a fully franked final dividend of 8 cents per share (2017: 6 cents). Together with the interim dividend of 6 cents per share, this brings the total dividends for the year to 14 cents per share (2017: 10 cents).

### Coal Operations

New Hope's two operating mines in South East Queensland (New Acland and Jeebropilly) combined to produce 5.2 million tonnes of saleable coal during the year. Bengalla (New Hope's 40% interest) produced 3.8 million tonnes for the year. The New Hope Group produced 9.0 million tonnes of saleable coal in 2018 which is an increase of 5% on 2017 production.

The total quantity of coal sold in 2018 was 8.9 million tonnes which exceeded the 8.5 million tonnes sold in 2017.

### Bengalla Joint Venture (New Hope share 40%)

The Bengalla joint venture mine (100% basis) produced 9.4 million tonnes of coal in 2018 which is an increase of 10% on 2017 production. The Bengalla mine is operated by the Bengalla Mining Company Pty. Limited of which New Hope has a 40% interest.

On 7 August 2018, New Hope announced it had reached agreement with Wesfarmers to acquire their 40% interest in the Bengalla mine (subject to the pre-emptive rights of the other Joint Venture parties) for \$860 million. This acquisition demonstrates New Hope's long term commitment to the Bengalla mine and a positive outlook for the global export thermal coal market. The acquisition is expected to settle early in the 2019 calendar year.

### Queensland Bulk Handling (QBH)

QBH, New Hope's 100% owned coal terminal at the Port of Brisbane, exported 7.2 million tonnes of coal on 93 vessels in 2018, which is slightly higher than 2017. QBH remains essentially a demurrage free port.

### Pastoral Operations

Acland Pastoral continued to build its breeding herd throughout the year. The year end herd consisted of 2,529 breeders, 400 weaners and 76 bulls with 2,511 cattle sold during the year.

The cropping operation produced and sold 13,930 tonnes of sorghum and 794 tonnes of corn silage with an additional barley silage crop grown to support the weaning operation.

A further 180 hectares of rehabilitated land from the New Acland Mining Lease was fenced and transferred back to pastoral operations for grazing activities during the year. The majority of boundary fencing upgrades were completed through the year as part of a strategic fencing project.

### Bridgeport Energy Limited

Oil production totalled 373,875 barrels for the year, a 21% increase on 2017. This significant increase in production was the result of the full year impact of the Greater Kenmore Bodalla assets and improved production performance at the principal assets.

Sales revenue for the year was \$29.1 million compared to \$18.7 million for the prior year, an increase of 56%. Realised oil sale prices averaged \$88 per barrel against the previous year of \$65 per barrel.

Bridgeport's earnings before interest, tax, depreciation and amortisation were \$8.0 million for the year.



### New Hope Corporation Limited (continued)

#### Outlook

In 2019, New Hope expects its coal operations to produce at similar levels to the 2018 financial year. Continuing global demand for high quality Australian thermal coal is likely and with the limited scope for increased supply prices are expected to remain firm. This will continue to underpin strong results from this business segment.

New Hope expects the coal reserves at Jeebropilly Mine to be exhausted late in the 2019 calendar year. The focus will then transition to optimising the post mining land use. Jeebropilly is ideally located in close proximity to the city of Ipswich which provides attractive sale or development opportunities for industrial, commercial and residential use.

Timely New Acland Stage 3 approvals will be critical to enabling production to continue at current levels beyond the 2019 financial year. While current prices may support mining additional coal within the Stage 2 lease area (subject to social and environmental approvals), the receipt of the Environmental Authority, Mining Lease and Associated Water License for the Stage 3 lease area are critical to the production outcomes for 2020 and beyond.

Bridgeport operations will continue to focus on incremental growth in the producing fields as well as targeted exploration activities. Interest in the oil and gas sector has continued to grow over the last 12 months and may present opportunities for Bridgeport over the coming year.

With global demand for high quality Australian coals continuing to rise, New Hope's strong balance sheet and quality portfolio of operational and development assets represent a unique opportunity over the short, medium and long term.

#### Contribution to WHSP

New Hope contributed \$133.0 million to regular profit (2017: \$76.7 million, 59.6% held). A non-regular expense of \$51.5 million attributable to the impairment of New Hope's Colton reserve and associated costs reduced contribution to the Group's net profit to \$81.5 million (2017: \$83.8 million, 59.6% held).

In November 2017, WHSP reduced its holding in New Hope from 59.6% to 50.0% in order to assist the free float and liquidity of New Hopes' shares.

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## Financial Services Portfolio

Dividends paid to WHSP: **\$15.4 million**  
Value of WHSP's Holding: **\$414 million**



**DIVIDENDS  
PAID TO WHSP  
\$15.4  
million**

The assets in the Financial Services Portfolio include investments in funds management, corporate advisory and Listed Investment Companies (LICs). The valuation of the assets in this portfolio at 31 July 2018 was \$414 million while the cost base of these assets was just over \$250 million.

In June 2017, WHSP's investments in Pengana and Hunter Hall were merged to form the Pengana Capital Group (PCG). WHSP became the biggest shareholder in PCG with a 39.2% shareholding. For the year ended 30 June 2018, PCG continued to add funds under management and delivered strong returns to its investors. WHSP's shareholding in PCG increased in value by 7.7% during the year.

WHSP added to the portfolio during the year by purchasing shares in an unlisted business in the financial services industry, Ironbark Asset Management. Ironbark provides asset management solutions for investors and financial advisers by partnering with best in class investment managers across a range of asset classes.

WHSP realised part of its investment in Milton Corporation during the year producing proceeds of \$17.8 million and a gain of \$7.3 million.

This portfolio provides WHSP with exposure to both Australian and international equities. WHSP will continue to look for investments in the financial services sector where it sees long-term growth and attractive industry dynamics.

As at 31 July 2018	WHSP's Holding %
BKI Investment Company Limited (ASX: BKI)	8.6%
Contact Asset Management Pty Limited	20.0%
Ironbark Asset Management	13.9%
Milton Corporation Limited (ASX: MLT)	3.8%
Pengana Capital Group Limited (ASX: PCG)	39.2%
Pengana International Equities Limited (ASX: PIA) formerly Hunter Hall Global Value Limited (ASX: HHV)	9.8%
Pitt Capital Partners Limited	100%
URB Investments Limited (ASX: URB)	12.4%

The financial services portfolio contributed a net profit of \$16.4 million to the Group (2017: \$13.1 million).

## Australian Pharmaceutical Industries Limited

Associated entity: **19.3% held**  
Dividends paid to WHSP: **\$6.7 million**  
Total Market Capitalisation: **\$832 million**  
Value of WHSP's Holding: **\$161 million**  
ASX code: **API**



API's financial year ended on 31 August 2018. The results for the full year are not expected to be released to the market until late October 2018.

For the six months ended 28 February 2018, API reported the following results which are compared to those of the first half last year:

- Underlying net profit after tax (NPAT) of \$26.8 million, decrease of 8%, slightly ahead of revised guidance;
- Reported NPAT was \$24.9 million, down 14.4%;
- Underlying earnings before interest and tax of \$44.6 million, down 8%;
- Pharmacy Distribution continued to perform well with underlying sales growth of 9.8%; and
- Priceline/Priceline Pharmacy total network sales growth of 2.1% with 466 stores, and comparable retail store sales decline of 1.7%.

In June API paid a fully franked interim dividend of 3.5 cents per share, unchanged from last year.

API commented that its prior capital investments provide it with the ability to reduce operational costs in the second half of the year.

On 25 June 2018, API announced that it had entered into agreements to acquire the assets of Clearskincare Clinics, a leading provider of non-invasive aesthetic services such as laser hair removal, skin treatments and cosmetic injectables. Clearskincare has 44 clinics (42 in Australia and two in New Zealand) and an exclusive skincare product range. API advised that Clearskincare has a demonstrated track record of growth, generates strong cash flow and it is anticipated to be earnings per share accretive for API in its 2019 financial year, with ongoing earnings' growth in future years from current and new clinics. In July, API announced that the first stage of the acquisition had been completed as anticipated with API taking up an initial 50.1% controlling interest in the clinics and 100% of the skincare product business. API will move to 75.1% ownership of the clinics in September 2020 and then 100% in September 2021.

The acquisition has been well received by the market with API's share price rising from \$1.355 on 22 June to \$1.845 on 31 August, a 36.2% increase. This increase added \$46.6 million to the market value of WHSP's investment in API over that period.

WHSP has equity accounted API's result for the 12 months to 28 February 2018. API contributed a net profit of \$9.3 million (2017: \$14.2 million) to the Group. The contribution was impacted by WHSP reducing its holding in API from 24.5% to 19.4% in early May 2017.

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# Round Oak Minerals Pty Limited

(formerly CopperChem and Exco Resources)

Controlled entities: **100% held**  
Value of WHSP's Holding: **\$154 million\***  
Unlisted entity

\* Directors' valuation

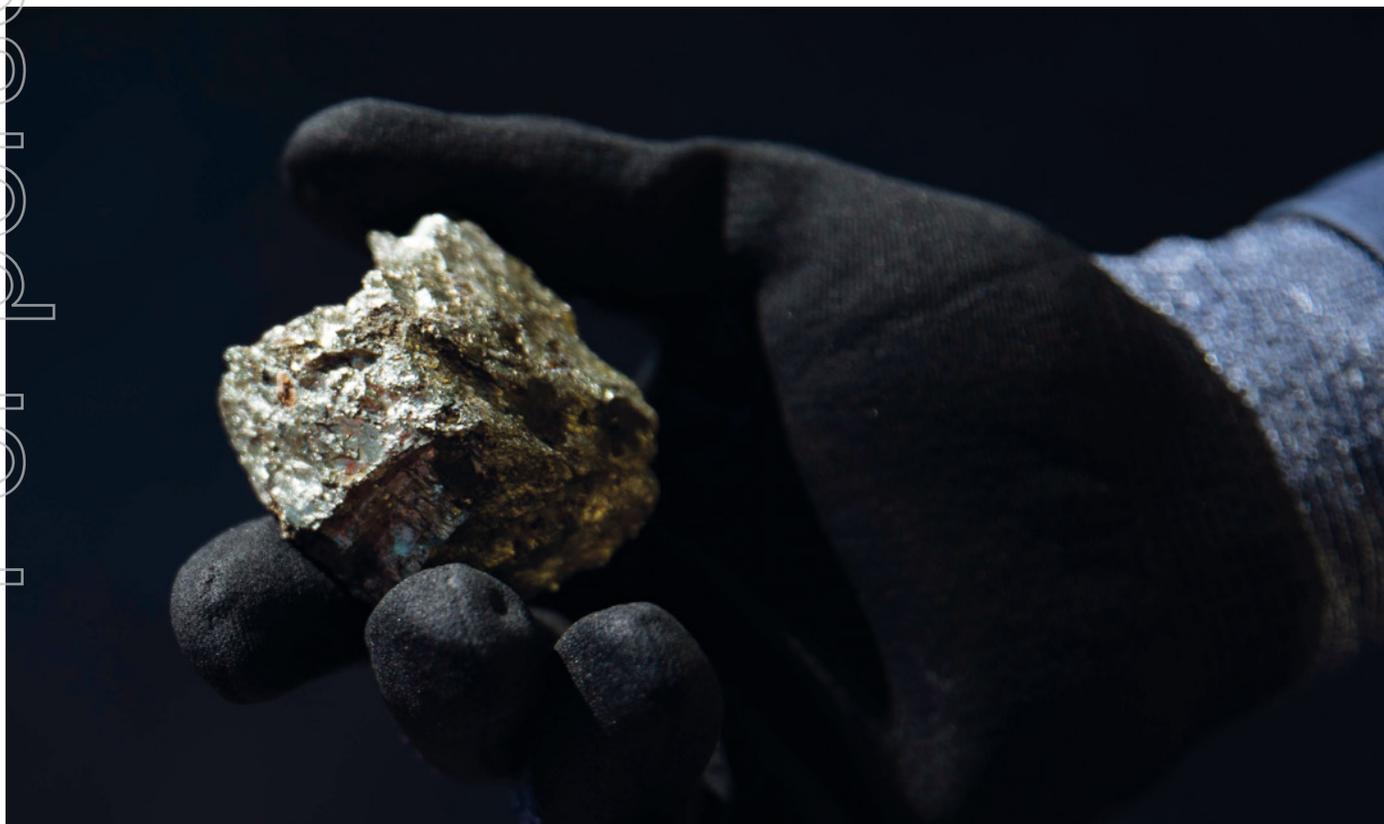


Round Oak is a mining and exploration company which produces zinc and copper concentrates (both containing silver) and gold ore from its mining and processing facilities. Round Oak has further processing facilities capable of producing copper sulphate which are currently on care and maintenance.

Round Oak acquired the Jaguar underground copper-zinc operation in Western Australia from Independence Group Limited in May 2018 and assumed operational management of Jaguar on 1 June 2018. This was a separate transaction to the acquisition of the Stockman project in north-east Victoria which was also purchased from Independence Group Limited during the year.

The transaction to acquire the Stockman copper-zinc project was completed in December 2017. The final approval and permitting phase of the project is underway and an Infrastructure Mining Licence (IML) covering the project's tailings dam was granted to Round Oak in July 2018. The granting of the IML was a critical step in the approvals process and allows Round Oak to submit the Work Plan for the project in the second half of 2018. The Work Plan is the final step in the primary approvals phase for the project.

The integration of existing crushing and grinding circuits at the Cloncurry plant into the new gold processing facilities was completed during the year with first gold production expected in the second half of 2018. This facility will be utilised to process Round Oak's portfolio of gold resources with a number of satellite open pit mines feeding the plant over an initial 2-3 year period. The first of these, Wallace South, commenced mining activities in June 2018. Additional gold projects are being evaluated to increase the production life of the facilities.



## Round Oak Minerals Pty Limited (continued)

The Mt Colin underground copper mine commenced development in July 2018 with portal access established from the existing open pit. Copper ore from Mt Colin will be toll treated at Glencore's Earnest Henry operation, with first ore expected to be produced in the first half of 2019.

Production activities continued at the White Dam mine in South Australia during the year with gold production now forecast to continue until the end of 2019.

Exploration activities are continuing in north-west Queensland on a number of prospective targets for the purpose of identifying additional copper and gold resources for future mining activities within the operating radius of the Cloncurry processing facilities. An exploration drilling programme was completed at Stockman in the first half of 2018 with further drilling planned for late 2018. The aim of the exploration is to increase the mineral resource bases for the project.

Revenue from gold sales for the year was \$18.7 million, an increase over the \$18.4 million for previous financial year. Revenue from zinc concentrate (also containing silver credits) from the Jaguar operation was \$15.2 million for the period since the acquisition in May 2018.

Round Oak contributed a net loss of \$12.6 million to the Group (2017: \$2.8 million loss). Significant expenses were associated with the acquisition of the Jaguar asset and with Round Oak transitioning a number of its assets into production which impacted the regular result. In addition, this year's contribution included non-regular expenses of \$2.9 million.

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# Apex Healthcare Berhad

Associated entity: **30.3% held**  
Dividends paid to WHSP: **\$1.4 million**  
Total Market Capitalisation: **\$275 million**  
Value of WHSP's Holding: **\$83 million**  
Listed on Bursa Malaysia, code: **APEX MK**



**NET PROFIT  
CONTRIBUTED  
TO THE GROUP  
\$5m**

Apex's operations include the development and manufacturing of generic pharmaceuticals and orthopaedic devices, and the sale, marketing and distribution of pharmaceuticals, consumer healthcare products and diagnostic products. It has over 1,100 employees at its facilities in Malaysia, Singapore, Vietnam and Myanmar. Apex was established in 1962 and is publicly listed on the Main Board of Bursa Malaysia.

Apex's results are converted from Malaysian Ringgit (MYR) to Australian dollars (AUD). The appreciation of the MYR has positively affected Apex's results when restated in AUD. For this reason the percentage movements shown below are based on MYR movements.

For the six months ended 30 June 2018 Apex generated revenue of \$104.4 million, an increase of 0.2% in MYR over the previous corresponding six month period. The net profit after tax attributable to shareholders was \$9.0 million, a substantial increase of 48.1% in MYR over the first half of 2017.

Apex has declared an interim dividend of 2.2 cents per share for the six months ended 30 June 2018. This is an increase of 18.2% over last year in MYR and 30.1% in AUD.

Apex's share price has performed particularly well over the 12 months to 31 July 2018 rising by 50.4% in MYR and 70.3% in AUD. This increase added \$34.4 million to the market value of WHSP's investment in Apex over the year.

WHSP has equity accounted Apex's result for the 12 months to 30 June 2018. Apex contributed a net profit of \$5.0 million to the Group (2017: \$3.3 million).



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## Other Investments

<b>As at 31 July 2018</b>	<b>WHSP's Holding %</b>
<b>Listed</b>	
Bailador Technology Investments Limited	19.1%
Clover Corporation Limited	22.6%
Heritage Brands Limited	25.1%
Lindsay Australia Limited	18.9%
Quickstep Holdings Limited	15.9%
Verdant Minerals Limited	33.4%
<b>Unlisted</b>	
Ampcontrol Pty Limited	43.3%
Seven Miles Coffee Roasters Pty Limited	40.0%
Specialist Oncology Property Pty Limited	23.3%
WHSP Aquatic Achievers Pty Limited (acquired February 2018)	100%

## Property

During the year, redevelopment of the Kingsgrove property continued and works commenced at the Prestons site. WHSP sold one of its two commercial office buildings in Pennant Hills and has maintained the asset at 1 City View, Pennant Hills.

The Company also agreed the sale of the head office building at 160 Pitt Street and the industrial property at Prestons. The head office sale was completed in August 2018 and will be accounted for in the 2019 financial year. The sale of Prestons is expected to complete in November 2018.

Pitt Street Real Estate Partners continues to investigate opportunities to add to WHSP's property portfolio, whilst also considering the sale of mature assets.

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# Directors' Report

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP, Parent Company) present their report and the financial statements of the Consolidated Entity, being the Parent Company and its subsidiaries (the Group), for the financial year ended 31 July 2018.

## Directors

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

- **Mr R D Millner** *Chairman*
- **Mr T J Barlow** *Managing Director*
- **Mr M J Hawker** *Lead Independent Director*
- **Mr T C D Millner**
- **Mr W M Negus**
- **Mr R G Westphal**
- **Mr D E Wills** was a Director of WHSP from the commencement of the financial year until his retirement on 31 October 2017.
- **Mrs T L Fuller** was appointed as a Director of WHSP on 1 December 2017. She remained a Director for the rest of the financial year and up to the date of this report.
- **Ms M R Roderick** was an Executive Director of WHSP from the commencement of the financial year until 12 April 2018 when she ceased employment and consequentially ceased to be a Director under the Company's Constitution.

## Principal Activities

The principal activities of the entities in the Consolidated Entity during the course of the financial year were: ownership of shares; coal mining; gold and copper mining and refining; property investment; and consulting. There were no significant changes in the nature of the Consolidated Entity's principal activities during the year.

## Dividends

Dividends paid or declared by the Parent Company since the end of the previous financial year were:

	Cents Per Share cents	Total Amount \$'000	Franking %	Date of Payment
<b>Declared and paid during the year</b>				
Final ordinary dividend 2017	32	76,607	100%	11 December 2017
Interim ordinary dividend 2018	23	55,061	100%	10 May 2018
Dealt with in the financial report as dividends	55	131,668		
<b>Declared after the end of the year</b>				
Final ordinary dividend 2018	33	79,000	100%	10 December 2018

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## Review of Operations

The profit after tax attributable to shareholders for the year ended 31 July 2018 was \$266.8 million, down \$66.8 million on the previous corresponding period. This result includes expenses of \$51.5 million from New Hope's impairment of an undeveloped exploration project in Queensland and associated costs.

Comparison with the prior year is as follows:

	2018 \$000	2017 \$000	Change %
Revenue from continuing operations	1,174,882	967,570	+ 21.4%
Profit after tax attributable to shareholders	266,846	333,611	– 20.0%
Interim Dividend (paid in May each year)	23 cents	22 cents	+ 4.5%
Final Dividend (payable 10 December 2018)	33 cents	32 cents	+ 3.2%
<b>Total Dividends</b>	<b>56 cents</b>	<b>54 cents</b>	<b>+ 3.7%</b>

For further information regarding the operations of the Group refer to the Chairman's Review and the Review of Group Entities on pages 3 to 22 of this annual report.

## State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or the Consolidated Entity's financial statements.

## Financial Position, Financial Instruments and Going Concern

The Directors believe the Group is in a strong and stable position to grow its current operations.

Details of financial risk management objectives and policies are set out in note 20 of the consolidated financial statements.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in its operational businesses for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

## Events Subsequent to the Reporting Date

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report or the consolidated financial statements that has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent years. Refer to note 7 of the consolidated financial statements.

## Likely Developments, Business Strategy and Prospects

Other than as discussed in the Review of Group Entities, information about likely developments, business strategy and prospects and the expected results in subsequent financial years have not been disclosed because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Consolidated Entity.

## Corporate Governance Statement

The Parent Company's Corporate Governance Statement may be viewed in the Corporate Governance section of the Company's web site at <http://www.whsp.com.au/whsp/wp-content/uploads/2018/10/WHSP-Corporate-Governance-Statement.pdf>

## Workplace Gender Equality

In accordance with the requirements of the Workplace Gender Equality Act 2012, WHSP lodged its annual public report for the year ended 31 March 2018 with the Workplace Gender Equality Agency on 10 May 2018.

The report may be viewed in the Employment section of the Company's web site at [www.whsp.com.au](http://www.whsp.com.au).

## Environmental Compliance

The Group was subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 during the year. This Act requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2016/17 report to the Greenhouse and Energy Data Officer on 30 October 2017.

### New Hope Group (NHG)

NHG was not prosecuted for any breach of environmental laws during the 2018 financial year. It did receive two Penalty Infringement Notices during 2018 for separate environmental compliance matters at its New Acland operations. The Penalty Infringement Notices were both issued for minor technical infringements of approval requirements. While no environmental harm was caused by either environmental compliance matter, NHG has taken corrective actions to ensure they are not repeated in the future.

### Environmental performance

The majority of NHG's operations, which include: coal mining operations and exploration tenements; the Jondaryan rail loading facility; the Queensland Bulk Handling coal export port facility; and oil and gas operations, are in Queensland. The key pieces of Queensland environmental legislation are: the Environmental Protection Act 1994; the Water Act 2000; and the Nature Conservation Act 1992. The main Commonwealth environmental legislation is the Environment Protection and Biodiversity Conservation Act 1999.

NHG's operations continue to undertake proactive initiatives to improve their environmental performance. For example, during 2018 it commenced the process for official certification for 376.9 hectares of rehabilitated land at its New Acland operations.

### Environmental systems

During the year NHG adhered to its Environmental policy which is aligned with the requirements of the ISO 14001 standard and its operations have continued improvement of the Environmental Management System (EMS). The EMS enables NHG's operations to effectively manage their environmental performance by increasing environmental awareness, optimising operational control, monitoring compliance and facilitating continuous improvement.

### Environmental reporting

NHG's operational sites have submitted reports under the National Pollutant Inventory program.

### Round Oak Minerals Pty Limited (Round Oak)

CopperChem Limited was renamed Round Oak Minerals Pty Limited in 2018, with Exco Resources Limited becoming a 100% owned subsidiary of Round Oak. Round Oak operates in four state government jurisdictions regulated under each state's environmental legislation and policies.

Round Oak's Queensland Operations consist of 24 EPMs (exploration tenements) and 11 Mining Leases (MLs), with one ML in application at year end. The mining operations and exploration tenements are environmentally regulated by the Department of Environment and Science (DES) under Queensland's Environmental Protection Act (1994). Mining operations and exploration tenements each function under an Environmental Authority (EA) that permit and condition site activities. All activities on code compliant licensed EPMs have been reported as compliant in the past year.

Two Queensland sites transitioned to operation during 2018: Great Australia Operations (including the Wallace South gold mine and Cloncurry processing facilities); and the Mt Colin underground copper mine. The tailings storage facility (TSF) at Cloncurry was expanded during the year as part of recommencing operational activities.

DES has concerns over the Great Australia Operations legacy groundwater quality. Round Oak continues to manage and consult with DES regarding these concerns. Round Oak conducted dewatering of the impacted groundwater system and successfully closed out an Environmental Protection Order for groundwater quality during 2018. Round Oak also implemented monitoring and management actions in response to an unplanned water release that occurred at its Mt Colin operations. Water remains a key management and compliance aspect for the Queensland Operations.

Round Oak's White Dam Gold Mine, in South Australia, is regulated by the Department of Premier and Cabinet and the Environmental Protection Authority S.A. under state legislation. Mining activities were completed in 2017 with only processing and rehabilitation activities being undertaken in 2018. Round Oak received approval for its updated Program of Environmental Protection and Rehabilitation (PEPR) which details closure and rehabilitation activities. Round Oak conducts environmental monitoring and annual compliance reporting in accordance

with its MLs and PEPR, and the operation has complied with all conditions of approval, applicable compliance standards and required outcomes in 2018.

The Jaguar base metals operation in Western Australia was acquired by Round Oak in June 2018. These operations are regulated by the Department of Mines, Industry Regulation and Safety and the Department of Water and Environment Regulation under state legislation. The Jaguar operation has an application pending for the permitting of a raise on its TSF with approval anticipated in late 2018.

Round Oak acquired the Stockman base metals project in north-east Victoria in December 2017. The project is regulated by the Earth Resources Regulation (ERR) branch of the Department of Economic Development, Transport and Resources, the Environmental Protection Authority Victoria and the Department of Environment, Land, Water and Planning. Following Round Oak being granted an Infrastructure Mining Licence over the historic tailings facility in July 2018, the Stockman Project is now in the final stages of permitting with the Work Plan and associated environmental management plans currently being assessed by ERR and referral agencies. Round Oak is now focused on commencing baseline activities and engaging with agencies on supplementary licences prior to construction.

### Directors

Information regarding the Directors of the Parent Company.

#### Robert Dobson Millner FAICD

##### Chairman

**Non-executive Director since 1984, appointed Chairman 1998. Chairman of the Investment Committee and member of the Nomination, Remuneration and Risk Committees**

Mr Millner has extensive experience in the investment industry.

Other current listed company directorships:

- Apex Healthcare Berhad – Appointed 2000
- Australian Pharmaceutical Industries Limited – Appointed 2000
- Brickworks Limited – Appointed 1997 Chairman since 1999
- BKI Investment Company Limited – Appointed Chairman 2003
- Milton Corporation Limited – Appointed 1998 Chairman since 2002
- New Hope Corporation Limited – Appointed 1995 Chairman since 1998
- TPG Telecom Limited – Appointed 2000

Former listed company directorships in the past three years:

- Hunter Hall Global Value Limited – Appointed as an interim Director April 2017. Resigned June 2017

#### Todd James Barlow B.Bus, LLB(Hons)(UTS)

##### Managing Director since 2015

**Member of the Investment and Risk Committees**

Mr Barlow was appointed Chief Executive Officer of the Company in April 2014 having previously been the Managing Director of Pitt Capital Partners Limited for five years.

Mr Barlow has extensive experience in mergers and acquisitions, equity capital markets and investing and has been responsible for a number of WHSP's investments since joining the WHSP Group in 2004. His career has spanned positions in law and investment banking in Sydney and Hong Kong.

Mr Barlow has a Bachelor of Business and Bachelor of Laws (Honours) from the University of Technology, Sydney.

Other current listed company directorships:

- TPI Enterprises Limited – Appointed 2015
- New Hope Corporation Limited – Appointed 2015

Former listed company directorships in the past three years:

- PM Capital Asian Opportunities Fund Limited – Appointed 2015. Resigned 2017

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

**Non-executive Director since 2017**

**Member of the Audit, Nomination, Remuneration and Risk Committees.**

Mrs Fuller is an experienced public company director with a background in Chartered Accounting, Private Equity and Investment Banking. Her experience includes: financial advisory; corporate finance; management consulting; and mergers and acquisitions.

Mrs Fuller holds a Bachelor of Commerce Degree from the University of Melbourne and is a member of both Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

Other current listed company directorships:

- Computershare Limited – Appointed 2014
- Smart Parking Limited – Appointed 2011

Former listed company directorships in the past three years:

- Costa Group Holdings Limited – Appointed 2015. Resigned September 2018

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

**Lead Independent Director**

**Non-executive Director since 2012**

**Chairman of the Nomination and Risk Committees, member of the Audit and Remuneration Committees**

Mr Hawker is a professional company director with over 30 years experience in financial markets and investment. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008. From 1995 to 2001, Mr Hawker held a range of positions at Westpac, including Group Executive of Business and Consumer Banking and General Manager of Financial Markets. Prior to this, he held a number of positions at Citibank, including Deputy Managing Director for Australia and subsequently Executive Director, Head of Derivatives, Europe.

Mr Hawker has been: Chairman of the Insurance Council of Australia; Chairman of the Australian Financial Markets Association; a member of the Australian Governments Financial Sector Advisory Committee; and a member of the Business Council of Australia.

Other current listed company directorships:

- Aviva PLC – Appointed 2010
- Macquarie Group Limited – Appointed 2010

**Thomas Charles Dobson Millner B.Des(Industrial), GDipAppFin(Finsia), FFin, GAICD**

**Non-executive Director since 2011**

**Member of the Investment, Nomination, Remuneration and Risk Committees**

Mr Millner is a Director and Co-Portfolio Manager of Contact Asset Management Pty. Limited which is the manager of Listed Investment Companies BKI Investment Company Limited (ASX: BKI) and URB Investments Limited (ASX: URB).

Mr Millner's experience includes: 16 years within the financial services industry, including 14 years in active portfolio management of Australian equities; 8 years as a CEO of an Australian listed company, BKI; and 7 years as a Director of Australian listed companies.

Mr Millner has a Bachelor of Industrial Design degree and a Graduate Diploma in Applied Finance. He is a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

Other current listed company directorships:

- New Hope Corporation Limited – Appointed 2015

Former listed company directorships in the past three years:

- PM Capital Global Opportunities Fund Limited – Appointed 2013, Resigned 2017

### Mr Warwick Martin Negus B.Bus(UTS), M.Com(UNSW), SFFin

**Non-executive Director since 2014**

**Chairman of the Remuneration Committee, member of the Audit, Investment, Nomination, and Risk Committees**

Mr Negus has over 30 years experience in the banking and finance sectors including both senior management and director roles. He has extensive experience in managing equity and property portfolios.

He has a Bachelor of Business Degree from the University of Technology Sydney and a Master of Commerce from the University of New South Wales. He is a Senior Fellow of the Financial Services Institute of Australasia (FINSIA).

Mr Negus is a Director of Terrace Tower Group Pty. Limited and a Member of the Council of UNSW.

Other current listed company directorships:

- Bank of Queensland Limited – Appointed 2016
- Pengana Capital Group Limited – Chairman Appointed 2017
- URB Investments Limited – Chairman Appointed 2016
- Virgin Australia Holdings Limited – Appointed 2017

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

**Non-executive Director since 2006**

**Chairman of the Audit Committee and member of the Nomination, Remuneration and Risk Committees.**

Mr Westphal is a Chartered Accountant and was a partner of Ernst & Young for 25 years. He has many years of experience in corporate transactions with particular emphasis on mergers and acquisitions, due diligence and valuation across a variety of industry sectors. Mr Westphal was formerly the Chairman of the Board of Governors of Queenwood School for Girls Limited for 10 years.

### Company Secretary

#### Ian David Bloodworth

Mr Bloodworth is a Chartered Accountant with more than 30 years accounting and company secretarial experience and was appointed Company Secretary of WHSP in 2007. He was also the Company Secretary of Clover Corporation Limited from 2007 to 2012. Prior to joining the Company, Mr Bloodworth was Company Secretary of the Garratts Limited Group of Companies for 2 years and Chief Financial Officer of the Group for 6 years.

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## Directors' Meetings

The number of Board meetings and meetings of committees of Directors and the number of meetings attended by each of the Directors of the Company during the financial year were:

Committee Member		Board		Audit Committee		Investment Committee		Nomination Committee		Remuneration Committee		Risk Committee	
		Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Mr R D Millner	I,N,Re,Ri	14	14	-	-	9	9	1	1	4	4	6	6
Mr T J Barlow	I,Ri	14	14	-	-	9	9	-	-	-	-	6	6
Mrs T L Fuller	A,N,Re,Ri	8	7	3	3	-	-	-	-	1	1	4	3
Mr M J Hawker	A,N,Re,Ri	14	14	8	8	-	-	1	1	4	4	6	6
Mr T C D Millner	I,N,Re,Ri	14	14	-	-	9	9	1	1	4	4	6	6
Mr W M Negus	A,I,N,Re,Ri	14	12	8	6	9	8	1	1	4	4	6	5
Ms M R Roderick	Ri	11	11	-	-	-	-	-	-	-	-	5	5
Mr R G Westphal	A,N,Re,Ri	14	14	8	8	-	-	1	1	4	4	6	6
Mr D E Wills	A,N,Re,Ri	5	4	5	4	-	-	1	1	3	3	2	1

A Member of the Audit Committee of Directors during the year.

I Member of the Investment Committee of Directors during the year.

N Member of the Nomination Committee of Directors during the year.

Re Member of the Remuneration Committee of Directors during the year.

Ri Member of the Risk Committee of Directors during the year.

## Directors' Interests

### Ordinary Shares

The relevant interest of each Director in the share capital of the Company, as notified to the Australian Securities Exchange in accordance with section 205G of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares
Mr R D Millner	19,465,093
Mr T J Barlow	5,000
Mrs T L Fuller	1,800
Mr M J Hawker	35,300
Mr T C D Millner	18,762,977
Mr W M Negus	47,000
Mr R G Westphal	28,739

### Rights to Deferred Shares

	Rights to Deferred Shares
Mr T J Barlow	185,282

Refer to the following Remuneration Report for further information.

### Interests in Contracts

The Company has entered into a co-investment agreement with URB Investments Limited (URB) (ASX: URB), Contact Asset Management Pty Limited (Contact) (in its capacity as investment manager of URB) and Pitt Street Real Estate Partners Pty Limited (PSRE).

Mr W M Negus is a director of both WHSP and URB.

Mr R D Millner is a director of both WHSP and Contact. Mr T C D Millner is a director of both WHSP and Contact and is a 40% shareholder of Contact. No fees are paid to Contact by WHSP.

For further information regarding the above contract refer to note 34 of the consolidated financial statements.

# Remuneration Report

## Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee I am pleased to present to you WHSP's Remuneration Report for the financial year ended 31 July 2018. The Company's remuneration policy is designed with a number of things in mind:

1. Align management incentives with the outcomes desired by our shareholders
2. Attract and retain our key executives over the long term
3. Establish objectives that can be easily and independently measured
4. Reinforce a standard of ethical behaviour, compliance with laws and risk culture that are in line with community expectations

The headline results for WHSP in the financial year were extremely positive. Market capitalisation grew in excess of \$1 billion from \$4.2 billion to over \$5.2 billion. Our Net Asset Value grew by 21.8% against a market that grew by 14.9%. Dividends of \$132 million were paid which was a rise of 3.7% over the previous year.

At the end of the last financial year we made a series of changes to remuneration which became operational in the year ended 31 July 2018.

STI objectives focus management on cash flow growth and the growth of our Net Asset Value (NAV) relative to the market (ASX200 Accum). Cash flow growth is used to fund an increasing dividend. WHSP has consistently grown its dividends over many years and we reinforce the importance of this in our STI. Equally, we would like to see the growth in the value of WHSP keeping pace with the market. We especially reward management when our NAV grows ahead of the market.

In 2018, achievements against our STI measures were strong and a direct reflection of management's focus on cash flow and growth in value.

At last year's Annual General Meeting shareholders endorsed a change to our LTI plan which also became operational in the year just ended. LTI now rewards achievement in two areas: Total Shareholder Return (TSR) and long term absolute growth in our NAV. Over the long term our shareholders want their TSR to be no worse than the performance of the market. LTI requires this to be achieved over the measurement period (3 years). We have also set management a hurdle of growing the overall value of the Company at a rate that is consistent with the risk taken. LTI rewards an achievement over the measurement period that is 3% greater than the risk free rate. The first vesting, if these hurdles are met, will be shortly after the end of the 2020 financial year. If vesting occurs then the shareholder outcomes will have been positive.

The Company has used the All Ordinaries Accumulation Index as the relevant hurdle for assessing LTI performance. We have selected this benchmark because it is a proxy for the whole of the market and given WHSP's diverse investment across a range of industries, our aim is to beat the whole of the market. Additionally, we have not identified a narrower set of companies that would provide an adequate comparison for assessing WHSP's TSR performance.

The LTI plan does allow for re-testing. However, this is only permissible if none of the Performance Rights vest in the initial three-year testing period. In this instance, the testing period is extended for another year and the necessary hurdles are also extended for that extra year. The rationale for this approach is to avoid short-term market factors eliminating vesting of Performance Rights issued under the LTI plan.

We operate in an environment where community expectations for remuneration are shifting. As a result, we will continue to review our remuneration structure to ensure that WHSP responds positively when necessary. For the time being, we believe we have structured our remuneration in a way that is fair, transparent and independently measured, all areas of great importance to all of our stakeholders.

Yours sincerely,



**W M Negus**

**Non-Executive Director**

Chair of the Remuneration Committee

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## Scope of Report

This Remuneration Report considers the key management personnel of the Parent Company and the Consolidated Entity. New Hope Corporation Limited (New Hope) forms part of the Consolidated Entity and the remuneration of certain key management personnel of New Hope is included in this Report.

New Hope is publicly listed and, accordingly, has its own Remuneration Committee and produces its own Remuneration Report in accordance with the Corporations Act 2001 to be voted on by its shareholders.

## Abbreviations used in this report

<b>ASX</b>	Australian Securities Exchange
<b>CAGR</b>	Compound annual growth rate
<b>EPS</b>	Earnings per share
<b>KMP</b>	Key management personnel
<b>KPI</b>	Key performance indicator
<b>LTI</b>	Long-term incentive
<b>NAPSG</b>	Net assets per share growth
<b>New Hope</b>	New Hope Corporation Limited
<b>NHRC</b>	New Hope Remuneration Committee
<b>STI</b>	Short-term incentive
<b>TSR</b>	Total shareholder return
<b>VWAP</b>	Volume weighted average price
<b>WHSPRP</b>	Washington H. Soul Pattinson and Company Limited Rights Plan

## Structure of Report

This report is structured as follows:

1. KMP included in this report
2. Remuneration policy and framework
3. Elements of remuneration
4. Performance indicators
5. Remuneration expenses for KMP (statutory remuneration)
6. KMP remuneration received or available in the financial year
7. Contractual arrangements for executive KMP
8. Share-based compensation
9. Other statutory information

## 1. KMP included in this report

### Non-executive Directors

Mr Robert D Millner	Chairman
Mrs Tiffany L Fuller	Appointed 1 December 2017
Mr Michael J Hawker	
Mr Warwick M Negus	
Mr Thomas C D Millner	
Mr Robert G Westphal	
Mr David E Wills	Retired 31 October 2017

### Executive Directors

Mr Todd J Barlow	Managing Director and Chief Executive Officer
Ms Melinda R Roderick	Finance Director and Chief Financial Officer (ceased 12 April 2018)

### Other key management personnel of the Parent Company and Consolidated Entity

Mr Ian D Bloodworth	Company Secretary
Mr David R Grbin	Chief Financial Officer (appointed 16 April 2018)

### Key management personnel of the Consolidated Entity

Mr Shane O Stephan	Managing Director, New Hope
Mr Andrew L Boyd	Chief Operating Officer, New Hope
Mr Matthew J Busch	Chief Financial Officer, New Hope

## 2. Remuneration policy and framework

### Remuneration Governance

The Remuneration Committee of WHSP consists of Non-executive Directors. The Committee's role is to make recommendations to the full Board on remuneration matters and other terms of employment for the Executive Directors, senior executives and Non-executive Directors.

The Remuneration Committee ensures that remuneration levels for Directors and senior executives are competitively set to attract and retain qualified and experienced personnel.

The Remuneration Committee is authorised by the Board to obtain independent professional advice on the appropriateness of remuneration packages if deemed necessary. Advice was received from Godfrey Remuneration Group Pty. Limited during the year. Refer to page 50 for further information.

New Hope has its own Remuneration Committee which reports to the Board of New Hope.

### Non-executive Directors

Board policy is to remunerate Non-executive Directors at comparable market rates. Remuneration levels are reviewed annually by the Remuneration Committee and are not subject to performance based incentives.

### Executive Directors and Senior Executives

#### Parent Company

Remuneration levels are reviewed annually by the Remuneration Committee to reflect individual performance, the overall performance of the Parent Company and Consolidated Entity and prevailing employment market conditions.

The Executive KMP of the Parent Company are remunerated by way of fixed remuneration, STIs and LTIs. Annual STIs are set in order to drive performance without encouraging undue risk taking. LTIs are assessed over a three and/or four year period and are designed to promote long-term stability in shareholder returns.

The Remuneration Committee attempts to benchmark remuneration against the 50th percentile for ASX listed companies with a market capitalisation between \$3.5 billion and \$7.5 billion. To the extent that an executive's remuneration is materially below the benchmark data, the Remuneration Committee will consider increases based on increasing levels of performance, responsibilities and experience.

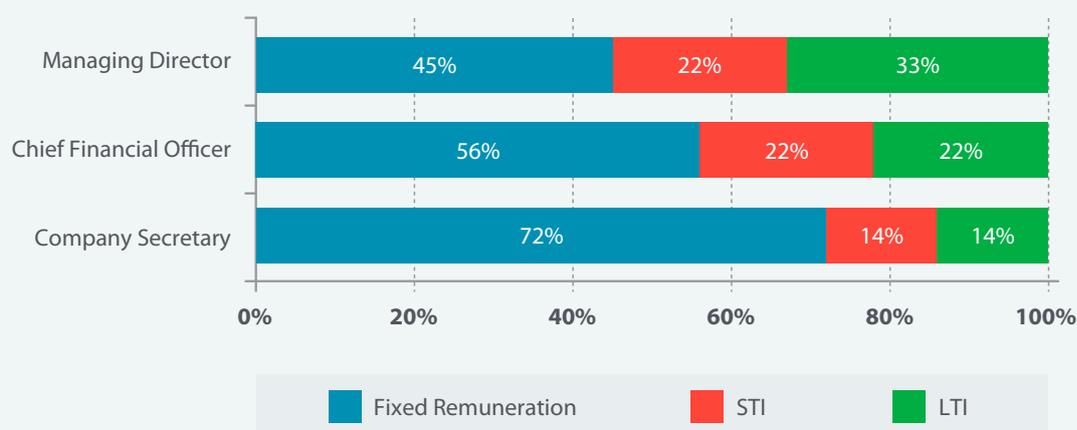
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The Remuneration Committee is responsible for assessing performance against KPIs and determining the extent to which the STI and LTI is to be paid. The STI and LTI have been designed to be payable when value has been created for shareholders. To assist in this assessment, the Committee receives detailed reports on performance from management which are based on independently verifiable data.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may cancel LTI based remuneration and recover LTI remuneration paid in previous financial years.

Target remuneration mix (based on entitlement to 100% of the target STIs and LTIs which are at risk and subject to performance hurdles) for the year ended 31 July 2018 was:

#### Target Remuneration Mix

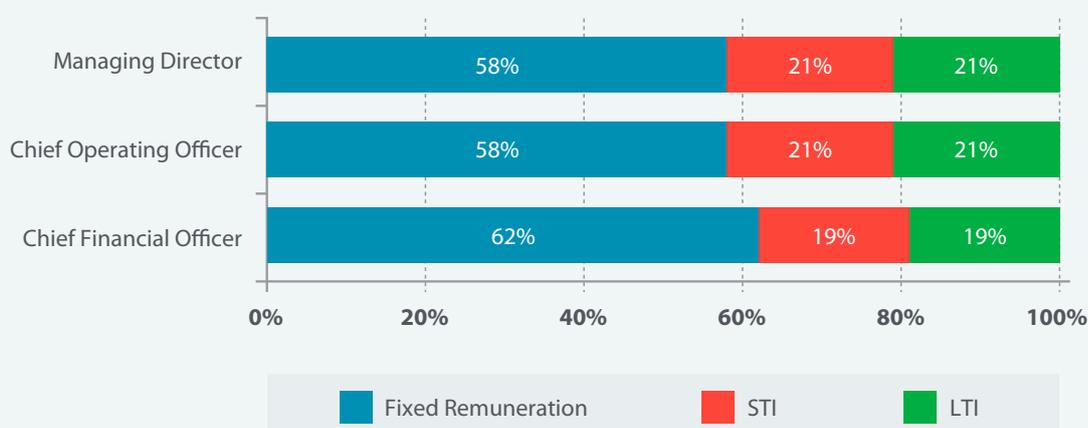


#### New Hope Corporation Limited

New Hope aims to ensure that remuneration packages properly reflect the person's duties, experience and responsibilities and are aligned so that management is rewarded in creating value for shareholders. Remuneration of senior executives is reviewed annually after taking into consideration the executives' performance, the New Hope Group's performance, market rates and level of responsibility.

Executive remuneration comprises a mix of fixed remuneration, STIs and LTIs. Target remuneration mix (based on the entitlement to 100% of the available STIs and LTIs which are at risk and subject to performance hurdles) for the year ended 31 July 2018 was:

#### New Hope Target Remuneration Mix



### 3. Elements of remuneration

#### Non-executive Directors

Non-executive Directors receive fixed remuneration based on their position on the Board and the Committees on which they sit or chair, at comparable market rates. Remuneration levels are reviewed annually by the Remuneration Committee and are not subject to performance based incentives.

The Remuneration Committee reviews market data annually to assist in setting Non-executive Director remuneration. Based on this data the remuneration received by Non-executive Directors for the year ended 31 July 2018 was in line with the 50th percentile for ASX listed Companies with a market capitalisation between \$3.5 billion and \$7.5 billion.

The aggregate amount of fees which may be paid to Non-executive Directors by the Parent Company is subject to the approval of Shareholders in general meeting and is currently set at \$2,000,000 per annum. Approval for this aggregate amount was given at the 2016 Annual General Meeting.

During the year ended 31 July 2018 remuneration of the Non-executive Directors by the Parent Company amounted to \$1,282,463.

With effect from 31 July 2004 the retiring allowance for Non-executive Directors was frozen at three times the average annual fees for the three years prior to that date. Non-executive Directors appointed after 31 July 2004 do not qualify for a retiring allowance.

#### Executive Directors and Senior Executives

##### Parent Company

##### *Total Remuneration Package*

The total value of each remuneration package is approved by the Remuneration Committee and reflects the executive's role, responsibilities and market data. Based on this data the remuneration packages of Executive KMP for the year ended 31 July 2018 were below or in line with the 50th percentile for ASX listed Companies with a market capitalisation between \$3.5 billion and \$7.5 billion.

##### *Fixed Remuneration*

Fixed remuneration for senior executives is set annually (or on promotion if applicable) by the Remuneration Committee. It is benchmarked against market data for comparable roles in companies with similar characteristics and market capitalisation. Fixed remuneration comprises a cash salary, superannuation and other non-cash benefits where taken.

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**STIs**

Structure of STIs for the KMP of the Parent Company

Feature	Description				
<b>STI pool</b>	Based on target performance	50% of Managing Director's fixed remuneration			
		40% of Chief Financial Officer's fixed remuneration			
		20% of Company Secretary's fixed remuneration			
		10% of the fixed remuneration of other participants in the plan			
The size of the pool is determined by the performance metrics below, in the event that the targets are exceeded (performance metrics exceed 100%) the pool will be increased as set out below.					
<b>Performance metrics</b>	The STI metrics align with WHSP's strategic goals to maximise shareholders' returns.				
	<b>Objective</b>	<b>Weighting</b>	<b>Threshold (80%)</b>	<b>Target (100%)</b>	<b>Outperformance</b>
	Regular cash to the parent company net of regular expenses	50%	> 0% and < 4% higher than previous year	4% to < 5% higher than previous year	5% to < 6% = 110%
					6% to < 7% = 120%
					7% to < 8% = 130%
					8% to < 9% = 140%
					9% and higher = 150%
	As dividends are paid out of parent company cash, increasing net cash inflows enable the payment of increasing dividends.				
	Adjusted net asset value (post tax) per share (adjusted by adding back dividends paid by the parent company)	50%	> 0% and < 2% higher than ASX200 Accumulation Index	2% to < 3% higher than ASX200 Accumulation Index	3% to < 4% = 110%
					4% to < 5% = 120%
5% to < 6% = 130%					
6% to < 7% = 140%					
7% and higher = 150%					
Increases in net asset value per share drive increases in the WHSP share price.					
<b>Entitlement to the STI pool</b>	Each participant's entitlement to the STI pool is determined by the Remuneration Committee based on the performance of their duties and their contribution to meeting the objectives of the parent company including performance, efficiency, risk and marketing. The total of all STIs determined by the Remuneration Committee cannot exceed the STI pool.				
<b>Delivery of STI</b>	100% of the STI awarded is paid in cash following release of the year end results.				

The STI plan is designed to motivate and reward senior executives to generate increasing net cash flow (to facilitate increasing dividends) and to grow the value of the investment portfolio (measured by net asset value) for the benefit of shareholders.

### LTI

WHSPRP (current plan) – in place for the year ended 31 July 2018

Executive KMP participate, at the Board's discretion, in the LTI plan comprising annual grants of performance rights as follows.

Structure of LTIs for the KMP of the Parent Company

Feature	Description															
<b>Opportunity/ Allocation</b>	75% of Managing Director's fixed remuneration 40% of Chief Financial Officer's fixed remuneration 20% of Company Secretary's fixed remuneration															
<b>Number of Performance Rights</b>	<p>Number of Rights = <math>\text{Stretch LTI Value} \div \text{Right Value}</math></p> <p>Where:</p> <p>Stretch LTI Value = <math>\text{Fixed Remuneration} \times \text{Target LTI \%} \div \text{Target Vesting \%}</math></p> <p>Target vesting = 50%</p> <p>Right Value = <math>\text{Share Price} - (\text{Annual Dividend} \times \text{Measurement Period in Years})</math></p> <p>Share Price = The volume weighted average share price over the 14 days prior to the fifteenth day following the announcement of 2017 financial year results of the Company.</p> <p>As 100% of Rights to be granted will only vest when stretch performance goals are achieved, it is expected that a lesser percentage will actually vest unless exceptional performance is achieved.</p>															
<b>TSR rights</b>	50% of rights issued are subject a TSR performance condition – tranche 1															
<b>NAPSG rights</b>	50% of rights issued are subject a NAPSG performance condition – tranche 2															
<b>TSR performance hurdle</b>	<p>The TSR incentive is designed to focus executives on delivering sustainable long-term Shareholder returns. The vesting of TSR Performance Rights will be determined by comparing the Company's TSR over the Measurement Period with the movement in the All Ordinaries Accumulation Index over the Measurement Period.</p> <p>If the Company's TSR is negative then nil vesting will apply to this Tranche.</p> <p>Otherwise the following vesting scale will be applied, subject to an overriding discretion held by the Board:</p> <table border="1"> <thead> <tr> <th>Performance Level</th> <th>Company's TSR Compared to the All Ordinaries Accumulation Index</th> <th>Vesting % of Tranche</th> </tr> </thead> <tbody> <tr> <td>Below Threshold</td> <td>&lt;100% of Index</td> <td>0%</td> </tr> <tr> <td><b>Target &amp; Threshold</b></td> <td><b>100% of Index</b></td> <td><b>50%</b></td> </tr> <tr> <td>Between Target and Stretch</td> <td>&gt;100% &amp; &lt; 100% of Index Plus 3% CAGR</td> <td>Pro-rata</td> </tr> <tr> <td>Stretch</td> <td>≥100% of Index Plus 3% CAGR</td> <td>100%</td> </tr> </tbody> </table> <p>TSR is the sum of Share price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period expressed as a growth percentage.</p> <p>The Board retains discretion to modify vesting in the case that the circumstances that prevailed over the Measurement Period materially differed from those expected at the time the vesting scale was determined. This discretion is intended to be used when the application of the vesting scale would lead to an outcome that may be viewed as inappropriate.</p>	Performance Level	Company's TSR Compared to the All Ordinaries Accumulation Index	Vesting % of Tranche	Below Threshold	<100% of Index	0%	<b>Target &amp; Threshold</b>	<b>100% of Index</b>	<b>50%</b>	Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata	Stretch	≥100% of Index Plus 3% CAGR	100%
Performance Level	Company's TSR Compared to the All Ordinaries Accumulation Index	Vesting % of Tranche														
Below Threshold	<100% of Index	0%														
<b>Target &amp; Threshold</b>	<b>100% of Index</b>	<b>50%</b>														
Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata														
Stretch	≥100% of Index Plus 3% CAGR	100%														

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<b>NAPSG performance hurdle</b>	This incentive is designed to focus executives on growing the value of the Company's assets which increases Shareholder wealth.	
	The vesting of Tranche 2 NAPSG Performance Rights will be determined by reference to the following scale:	
	<b>Performance Level</b>	<b>CAGR in Net Assets Per Share during the Measurement Period</b>
	Below Threshold	<3%
	Threshold	3%
	Between Threshold and Target	>3% & <5%
	<b>Target</b>	<b>5%</b>
	Between Target and Stretch	>5% & <10%
	Stretch	≥10%
	CAGR is compound annual growth rate.	
	Net Assets Per Share at the end of the Measurement Period will be calculated by adding all dividends paid during the Measurement Period to the closing Net Assets of the Company at the end of the Measurement Period and then dividing by the number of issued shares at the end of the Measurement Period.	
<b>Payable by participants</b>	Nil	No amounts are payable by the participants upon the granting or the exercising of the Rights.
<b>Vesting of Performance Rights</b>	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will be paid in Shares, cash or a combination of cash and Shares based on the then Share price.	
<b>Measurement Period</b>	The Measurement Period will be the three financial years from 1 August 2018 to 31 July 2021.	
<b>Retesting</b>	Retesting will only apply if nil vesting occurs for the Tranche at the end of the initial Measurement Period and will only occur once at the end of the Extended Measurement Period.  Retesting may only be applied to vesting conditions where the Extended Measurement Period does not empirically reduce the difficulty of achieving vesting relative to the intended difficulty at the start of the Measurement Period.	
<b>Cessation of Employment</b>	On termination of employment a portion of Performance Rights granted in the financial year in which the termination occurs will be forfeited. The proportion is that which the remainder of the financial year following the termination represents of the full financial year. This provision recognises that grants of Performance Rights are part of the remuneration for the year of grant and that if part of the year is not served then some of the Performance Rights will not have been earned.	
<b>Terms and Conditions</b>	The Board of the Company has the discretion to set the terms and conditions on which it will grant Rights under the WHSPRP, including the Vesting Conditions and modification of the terms and conditions as appropriate to ensuring the plan operates as intended. All Performance Rights granted are subject to Vesting Conditions which are intended to be challenging and linked to growth in shareholder value.  The terms and conditions of the WHSPRP include those aspects legally required as well as a method for calculating the appropriate number to vest in the circumstances of a change of control, a major return of capital to shareholders and the treatment of Rights in the circumstances of various forms of termination.	
<b>Lapse and Forfeiture of Performance Rights</b>	Performance Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed Measurement Period, subject to retesting.	

The LTI plan was designed to reward senior executives for above market performance as reflected by the hurdles set above.

## Directors' Report – Remuneration Report

*Former Plan – in place for the years ended 31 July 2016 and 31 July 2017.*

Executive KMP participated, at the Board's discretion, in the LTI plan comprising annual grants of performance rights as follows.

Structure of LTIs for the KMP of the Parent Company

Feature	Description	
<b>Opportunity/ Allocation</b>	50% of Managing Director's fixed remuneration 40% of Chief Financial Officer's fixed remuneration 20% of Company Secretary's fixed remuneration The above amounts are divided by the VWAP of WHSP shares for the 30 trading days prior to 1 August each year to determine the number of rights issued.	
<b>TSR rights</b>	50% of rights issued are subject to a TSR performance condition	
<b>EPS rights</b>	50% of rights issued are subject to an EPS performance condition	
<b>TSR performance hurdle</b>	TSR is initially assessed over a 3 year period and compared to the ASX All Ordinaries Accumulation Index (Index). Vesting will occur based on the company's positioning relative to the Index. If less than 100% of the rights vest, performance is reassessed over a 4 year period. This incentive is designed to focus executives on delivering sustainable long-term shareholder returns.	
	TSR performance per annum	
	Rights to vest	
	TSR% < Index	Nil
	TSR% = Index	50%
Index < TSR% < (Index + 3% per annum)	Progressive pro-rata from 50% to 100%	
TSR% = (Index + 3% per annum) or higher	100%	
<b>EPS performance hurdle</b>	EPS movement is initially assessed over a 3 year period and compared to the target set out below. Vesting will occur based on the company's achievement of that target. If less than 100% of the rights vest, performance is reassessed over a 4 year period applying the CAGR target over that period. This incentive is designed to align the interests of executives with shareholders.	
	Regular EPS	Regular EPS is the regular profit after tax of the consolidated WHSP Group, divided by the weighted average number of WHSP shares on issue across the measurement period. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Consolidated Financial Statements – Note 3, Segment information.
	Regular EPS CAGR over measurement period	
	Rights to vest	
	Regular EPS CAGR < 5%	Nil
Regular EPS CAGR = 5%	50%	
5% < Regular EPS CAGR < 10%	Progressive pro-rata from 50% to 100%	
Regular EPS CAGR = 10% or higher	100%	
<b>Payable by participants</b>	Nil	No amounts are payable by the participants upon the granting or the exercising of the rights.

<b>Delivery of LTI</b>	Rights vest over the 3 years following the 3 year performance period unless retesting applies.
<b>Service Condition</b>	The participant is to have been in the continuous employment of WHSP from the beginning of the financial year in which the rights are granted to the relevant vesting date.
<b>Board Discretion</b>	In the event of serious misconduct or a material misstatement in the financial statements, the Board may cancel LTI based remuneration and recover LTI remuneration paid in previous financial years. The Board may waive vesting conditions in the event of a participant leaving employment.
<b>Expiry</b>	The performance rights issued during the 2017 year expire on 30 November 2021.

The LTI plan was designed to reward senior executives for above market performance as reflected by the hurdles set above.

**New Hope Corporation Limited**

**Fixed Remuneration**

Fixed remuneration for senior executives is set annually by the NHRC. It comprises a cash salary, superannuation and other non-cash benefits such as a company vehicle. Executives may elect to take a vehicle allowance in lieu of a company vehicle and may salary sacrifice a portion of their cash salary into superannuation or other benefits.

**STIs**

Structure of STIs for the KMP of the Consolidated Entity – New Hope executives

Feature	Description	
<b>Maximum Opportunity/ Allocation</b>	36% of New Hope Managing Director's fixed remuneration	
	36% of New Hope Chief Operating Officer's fixed remuneration	
	31% of New Hope Chief Financial Officer's fixed remuneration	
<b>Performance metrics</b>	STIs are designed to motivate and reward senior executives to achieve the short-term goals of New Hope.	
	<b>Objective</b>	<b>Weighting</b>
	New Hope Group profit performance	30%
	New Hope Group sales performance	10%
	New Hope Group costs performance	10%
	Attributable to individual performance criteria associated with their role	50%
<b>Delivery of STI</b>	100% of the STI awarded is paid in cash following release of the year end results.	

At the end of each period the NHRC awards executives a percentage of their maximum allowable STI having regard to the performance of the executive and New Hope Group during the period.

### LTI's

Executive KMP participate, at the NHRC's discretion, in the LTI plan comprising annual grants of performance rights as follows.

Structure of LTIs for the KMP of the Consolidated Entity – New Hope executives

Feature	Description																
<b>Maximum Opportunity/ Allocation</b>	36% of New Hope Managing Director's fixed remuneration																
	36% of New Hope Chief Operating Officer's fixed remuneration																
	31% of New Hope Chief Financial Officer's fixed remuneration																
	Maximum allowable LTIs are provided for in senior executive employment contracts. At the end of each period the NHRC awards executives a percentage of their maximum allowable LTI having regard to the performance of the executive and New Hope during the period. The value of the executive's LTIs is converted into Performance Rights by reference to the five day volume weighted average share price of New Hope over the five days immediately preceding issue.																
<b>KPIs</b>	<table border="1"> <thead> <tr> <th>Objective</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td>Shareholder value – TSR</td> <td>75%</td> </tr> <tr> <td>Strategic plan delivery</td> <td>25%</td> </tr> </tbody> </table>	Objective	Weighting	Shareholder value – TSR	75%	Strategic plan delivery	25%										
	Objective	Weighting															
	Shareholder value – TSR	75%															
Strategic plan delivery	25%																
<b>Performance and service conditions</b>	Performance Rights are issued subject to performance and service conditions. The service condition requires that the executive remain an employee of New Hope for the duration of the three year vesting period. The performance conditions attaching to the rights are measured over three years. The NHRC will determine the percentage of rights that will vest based on the performance of the executive and New Hope during the three year period.																
	LTIs are designed to motivate and reward senior executives to achieve the strategic goals set by New Hope, align shareholder and executive objectives and to retain the services of senior executives.																
<b>TSR performance hurdle</b>	TSR of New Hope expressed as a percentage of the ASX 200 accumulation index (Index) over a 3 year period.																
	<table border="1"> <thead> <tr> <th>TSR as a % of the Index</th> <th>Rights to vest</th> </tr> </thead> <tbody> <tr> <td>&lt;100%</td> <td>Nil</td> </tr> <tr> <td>100% to &lt;105%</td> <td>25%</td> </tr> <tr> <td>105% to &lt;110%</td> <td>35%</td> </tr> <tr> <td>110% to &lt;115%</td> <td>45%</td> </tr> <tr> <td>115% to &lt;120%</td> <td>55%</td> </tr> <tr> <td>120% to &lt;125%</td> <td>65%</td> </tr> <tr> <td>&gt;125%</td> <td>75%</td> </tr> </tbody> </table>	TSR as a % of the Index	Rights to vest	<100%	Nil	100% to <105%	25%	105% to <110%	35%	110% to <115%	45%	115% to <120%	55%	120% to <125%	65%	>125%	75%
	TSR as a % of the Index	Rights to vest															
	<100%	Nil															
	100% to <105%	25%															
	105% to <110%	35%															
	110% to <115%	45%															
	115% to <120%	55%															
120% to <125%	65%																
>125%	75%																
<b>Payable by participants</b>	Nil																
	No amounts are payable by the participants upon the granting or the exercising of the rights.																
<b>Discretion</b>	The NHRC has discretion to select alternative equity instruments for the award of LTIs in the event that Performance Rights do not align to the strategic goals set by the NHRC or New Hope.																

Subject to the employee satisfying the above service and performance conditions, a percentage of the Performance Rights will vest three years after their grant date in accordance with the above table.

#### 4. Performance indicators

##### Parent Company

Performance against key measures:

Metric	Target	Performance	Impact on incentive award
<b>STI</b>			
Regular cash to the parent company net of regular expenses	4% higher than previous year	higher than last year by less than 4% Threshold performance	80% of target STI pool awarded
Adjusted net asset value (post tax) per share	2% higher than ASX200 Accumulation Index	In excess of 7% higher than ASX200 Accumulation Index Out performance	150% of target STI pool awarded
<b>LTI</b>	The first test period was for the three years ended 31 July 2018 and the testing date was 20 September 2018. The TSR and the EPS performance hurdles were met resulting in 18,900 performance rights vesting. The vesting of the rights will be reflected in the 2019 Remuneration Report.		

In its review of remuneration policies of KMP of the Parent Company, the Remuneration Committee has regard to the performance of the Consolidated Entity and Parent Company for the current and previous four financial years, taking into account the following measures:

	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Entity</b>					
Revenue from continuing activities	658,116	641,604	620,661	967,570	1,174,882
Profit after tax attributable to shareholders	131,729	83,330	149,421	333,611	266,846
<b>Parent Company</b>					
Net regular cash from operations	140,494	136,204	137,435	143,511*	143,596
Share price at year end	\$15.13	\$13.70	\$17.43	\$17.64	\$21.82
Ordinary dividends paid/declared	48 cents	50 cents	52 cents	54 cents	56 cents

\* Restatement of prior period balance for non-cash items.

## 5. Remuneration expenses for KMP (statutory remuneration)

## (i) Remuneration of the KMP of the Consolidated Entity:

			Short-term Benefits			Post-Employment Benefits	Long-term Benefits	Share-based Payments		Total
	Parent Entity	Controlled Entities	Salary & Fees	STI	Non-monetary <sup>1</sup>	Super-annuation	Long Service Leave	Termination Benefits	LTI Rights <sup>2</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors – 2018</b>										
R D Millner	340,126	372,128	641,900	–	25,406	44,948	–	–	–	712,254
T L Fuller – appointed 1 Dec 2017	126,141	–	115,197	–	–	10,944	–	–	–	126,141
M J Hawker	198,308	–	181,103	–	–	17,205	–	–	–	198,308
T C D Millner	170,809	149,980	288,234	–	5,023	27,532	–	–	–	320,789
W M Negus	199,308	–	182,016	–	–	17,292	–	–	–	199,308
R G Westphal	200,808	–	183,386	–	–	17,422	–	–	–	200,808
D E Wills – retired 31 Oct 2018	46,963	–	42,889	–	–	4,074	–	–	–	46,963
	1,282,463	522,108								
<b>Executive Directors – 2018</b>										
T J Barlow	2,896,517	204,730	1,366,915	697,522	(53,902)	37,854	19,678	–	1,033,180	3,101,247
M R Roderick – ceased 12 April 2018	1,205,461	–	468,085	–	–	18,720	–	355,243	363,413	1,205,461
<b>Other KMP – 2018</b>										
D R Grbin – commenced 16 Apr 2018	244,552	–	125,637	59,098	3,195	5,901	–	–	50,721	244,552
I D Bloodworth	518,667	–	322,247	76,792	(5,226)	24,960	5,106	–	94,788	518,667
S O Stephan	–	1,903,719	1,276,342	320,000	42,902	20,169	32,632	–	211,674	1,903,719
A L Boyd	–	959,750	670,803	140,000	42,590	20,468	20,504	–	65,385	959,750
M J Busch	–	829,082	565,970	100,900	39,425	20,325	23,084	–	79,378	829,082
<b>Total</b>	<b>6,147,660</b>	<b>4,419,389</b>	<b>6,430,724</b>	<b>1,394,312</b>	<b>99,413</b>	<b>287,814</b>	<b>101,004</b>	<b>355,243</b>	<b>1,898,539</b>	<b>10,567,049</b>

1. Non-monetary remuneration includes salary sacrificed fringe benefits and movements in annual leave provisions. When staff utilise annual leave provided for in prior years, a negative non-monetary amount will result.

2. The LTI remuneration is determined by expensing the fair value of the rights as set out in item 8 Share-based Compensation on page 47 of this report.

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			Short-term Benefits		Post-Employment Benefits	Long-term Benefits	Share-based Payments		Total	
	Parent Entity	Controlled Entities	Salary & Fees	STI	Non-monetary <sup>1</sup>	Super-annuation	Long Service Leave	Termination Benefits		LTI Rights <sup>2</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive Directors – 2017</b>										
R D Millner	336,057	367,365	630,464	–	28,937	44,021	–	–	–	703,422
M J Hawker	198,583	–	181,354	–	–	17,229	–	–	–	198,583
T C D Millner	169,000	147,825	276,533	–	13,182	27,110	–	–	–	316,825
W M Negus	186,499	–	170,319	–	–	16,180	–	–	–	186,499
R G Westphal	201,084	–	183,638	–	–	17,446	–	–	–	201,084
D E Wills	199,582	27,375	207,267	–	–	19,690	–	–	–	226,957
	1,290,805	542,565								
<b>Executive Directors – 2017</b>										
T J Barlow	1,671,731	202,575	1,282,011	343,570	6,308	37,231	47,656	–	157,530	1,874,306
M R Roderick	936,293	–	654,224	138,195	8,234	29,525	14,442	–	91,673	936,293
<b>Other KMP – 2017</b>										
I D Bloodworth	430,514	–	313,579	40,078	16,265	29,203	7,493	–	23,896	430,514
S O Stephan	–	1,612,833	1,239,240	–	118,811	19,724	31,115	–	203,943	1,612,833
A L Boyd	–	673,468	622,252	–	4,534	19,612	2,035	–	25,035	673,468
M J Busch	–	697,326	545,709	–	43,503	19,612	9,670	–	78,832	697,326
<b>Total</b>	<b>4,329,343</b>	<b>3,728,767</b>	<b>6,306,590</b>	<b>521,843</b>	<b>239,774</b>	<b>296,583</b>	<b>112,411</b>	<b>–</b>	<b>580,909</b>	<b>8,058,110</b>

1. Non-monetary remuneration includes salary sacrificed fringe benefits and movements in annual leave provisions.
2. The LTI remuneration is determined by expensing the fair value of the rights as set out in item 8 Share-based Compensation on page 47 of this report.

5. Remuneration expenses for KMP continued

(ii) Relative proportions of remuneration that are fixed and that are linked to performance

	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2018	2017	2018	2017	2018	2017
<b>Parent Company</b>						
T J Barlow	40%	70%	24%	21%	36%	9%
M R Roderick	57%	75%	0%	15%	43%	10%
D R Grbin	55%	–	24%	–	21%	–
I D Bloodworth	67%	85%	15%	9%	18%	6%
<b>New Hope Corporation Limited</b>						
S O Stephan	72%	87%	17%	0%	11%	13%
A L Boyd	79%	96%	15%	0%	6%	4%
M J Busch	78%	89%	12%	0%	10%	11%

As the LTIs are provided exclusively by way of rights, the percentages disclosed reflect the value of remuneration consisting of rights, based on the value of rights expensed during the year.

(iii) STIs granted and forfeited for the year

2018	Target STI	Awarded	Forfeited
	\$	%	%
<b>Parent Company</b>			
T J Barlow	600,000	116%	0%
M R Roderick	192,822	0%	100%
D R Grbin	52,274	113%	0%
I D Bloodworth	72,000	107%	0%
<b>New Hope Corporation Limited</b>			
S O Stephan	505,000	76%	24%
A L Boyd	273,000	78%	22%
M J Busch	190,000	74%	26%

The table above outlines the STIs awarded and forfeited with respect to the year ended 31 July 2018. The 2018 STIs awarded to WHSP's KMP are reflected in the remuneration expenses in the table on page 42. However, it is the practice of New Hope to expense and record the STIs awarded to its KMPs in the year that they are determined and paid. Consequently, the STIs outlined above to New Hope's KMP will be reflected in the remuneration expense for the 2019 financial year.

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## 6. Remuneration received by KMP of WHSP (non-statutory information)

The tables below provide summaries of the remuneration received by KMP of WHSP during the 2018 and 2017 financial years. This information differs from the statutory tables in item 5 above which present remuneration in accordance with accounting standards.

**Total Fixed Remuneration** Salary, directors' fees, superannuation and non-monetary benefits paid or provided to KMP during the year.

**STI Paid** STI paid during the year. These payments were in respect of performance in the previous year.

**LTI Vested** The value of shares received upon vesting of performance rights during the year. No rights vested in 2018 or 2017.

	Parent Entity	Controlled Entities	Total Fixed Remuneration	STI Paid	LTI Vested	Termination Payments	Total Remuneration
	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors – 2018</b>							
R D Millner	340,126	372,128	712,254	–	–	–	712,254
T L Fuller – appointed 1 Dec 2017	126,141	–	126,141	–	–	–	126,141
M J Hawker	198,308	–	198,308	–	–	–	198,308
T C D Millner	170,809	149,980	320,789	–	–	–	320,789
W M Negus	199,308	–	199,308	–	–	–	199,308
R G Westphal	200,808	–	200,808	–	–	–	200,808
D E Wills – retired 31 Oct 2018	46,963	–	46,963	–	–	–	46,963
	1,282,463	522,108					
<b>Executive Directors – 2018</b>							
T J Barlow	1,543,570	204,730	1,404,730	343,570	–	–	1,748,300
M R Roderick – ceased 12 April 2018	980,243	–	486,805	138,195	–	355,243	980,243
<b>Other KMP – 2018</b>							
D R Grbin – commenced 16 Apr 2018	131,538	–	131,538	–	–	–	131,538
I D Bloodworth	400,078	–	360,000	40,078	–	–	400,078
<b>Total</b>	<b>4,337,892</b>	<b>726,838</b>	<b>4,187,644</b>	<b>521,843</b>	<b>–</b>	<b>355,243</b>	<b>5,064,730</b>

## 6. Remuneration received by KMP of WHSP (non-statutory information) continued

	Parent Entity	Controlled Entities	Total Fixed Remuneration	STI Paid	LTI Vested	Termination Payments	Total Remuneration
	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors – 2017</b>							
R D Millner	336,057	367,365	703,422	–	–	–	703,422
M J Hawker	198,583	–	198,583	–	–	–	198,583
T C D Millner	169,000	147,825	316,825	–	–	–	316,825
W M Negus	186,499	–	186,499	–	–	–	186,499
R G Westphal	201,084	–	201,084	–	–	–	201,084
D E Wills	199,582	27,375	226,957	–	–	–	226,957
	1,290,805	542,565					
<b>Executive Directors – 2017</b>							
T J Barlow	1,466,817	202,575	1,319,242	350,150	–	–	1,669,392
M R Roderick	853,831	–	683,749	170,082	–	–	853,831
<b>Other KMP – 2017</b>							
I D Bloodworth	398,683	–	353,884	44,799	–	–	398,683
<b>Total</b>	<b>4,010,136</b>	<b>745,140</b>	<b>4,190,245</b>	<b>565,031</b>	<b>–</b>	<b>–</b>	<b>4,755,276</b>

## 7. Contractual arrangements for Executive KMP

	Term of agreement and notice period <sup>1</sup>	Base remuneration including Superannuation <sup>2</sup>	Termination Payments <sup>3</sup>
<b>Parent Company</b>			
T J Barlow	No fixed term 6 months notice period	\$1,200,000	nil
D R Grbin	No fixed term 3 months notice period	\$450,000	nil
I D Bloodworth	No fixed term 3 months notice period	\$360,000	nil
<b>New Hope Corporation Limited</b>			
S O Stephan	No fixed term 6 months notice period	\$1,365,000	6 months base remuneration
A L Boyd	No fixed term 3 months notice period	\$780,000	3 months base remuneration
M J Busch	No fixed term 3 months notice period	\$636,000	3 months base remuneration

1. This notice applies equally to either party. The employer may make a payment in lieu of notice.

2. Base remuneration including Superannuation as at 31 July 2018.

3. Base salary payable if the company terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance).

## 8. Share-based compensation

### Parent Company

Rights to deferred shares are granted under the WHSP Long Term Incentive Plan. Rights are granted for nil consideration. Rights are granted in accordance with the plan at the sole discretion of the WHSP Board. They vest and automatically convert to ordinary shares in WHSP following the satisfaction of the relevant performance and service conditions. Rights which vest during the 2019 financial year will be satisfied by purchasing shares on the market. Performance and service conditions applicable to each issue of Rights are determined by the Board at the time of grant. Rights granted under the plan carry no dividend or voting rights.

The assessed fair values of the WHSPRP (current plan) Rights are expensed in the year in which the rights are granted. The assessed fair values of Rights granted in December 2015 and December 2016 are expensed over the period from the commencement of the measurement period to vesting date. The amounts expensed are included in the remuneration of the relevant executive. The fair value of the rights issued during the year was independently determined by valuation specialists Lonergan Edwards & Associates Limited based on the market price of WHSP's shares at the grant date, with an adjustment made to take into account the vesting period, expected dividends during that period that will not be received by the participants and the probability that the market performance conditions will be met.

At each reporting date, the Company revises its estimate of the number of EPS rights that are expected to be exercised. The total value of the rights on issue is adjusted accordingly and the employee benefits expense for the period is based on this revised value.

Rights affecting the remuneration of KMP in the current or future periods:

WHSP Grant Date	Vesting Date				Grant Date Value \$
	If met over 3 years		If re-tested over 4 years		
<b>TSR Rights</b>					
December 2015	50%	September 2018	50%	September 2019	12.25
	30%	August 2019	30%	September 2019	11.08
	20%	August 2020	20%	August 2020	10.87
<b>EPS Rights</b>					
December 2015	50%	September 2018	50%	September 2019	13.86
	30%	August 2019	30%	September 2019	13.86
	20%	August 2020	20%	August 2020	13.86
<b>TSR Rights</b>					
December 2016	50%	September 2019	50%	September 2020	5.22
	30%	August 2020	30%	September 2020	3.25
	20%	August 2021	20%	August 2021	2.56
<b>EPS Rights</b>					
December 2016	50%	September 2019	50%	September 2020	13.10
	30%	August 2020	30%	September 2020	13.10
	20%	August 2021	20%	August 2021	13.10
<b>TSR Rights</b>					
December 2017	100%	September 2020	100%	September 2021	6.16
<b>NAPSG Rights</b>					
December 2017	100%	September 2020	100%	September 2021	7.70

## 8. Share-based compensation continued

Rights to deferred shares granted, vested and forfeited during the year:

WHSP	Grant Date	Balance at start of year	Granted during the year	Rights to deferred shares				Balance at end of year	Maximum value in future periods <sup>1</sup>
				Vested		Forfeited			
				Number	%	Number	%		
T J Barlow	Dec 2015	31,045	–	–	–	–	–	31,045	66,451
	Dec 2016	29,398	–	–	–	–	–	29,398	104,271
	Dec 2017	–	124,839	–	–	–	–	124,839	–
M R Roderick	Dec 2015 <sup>2</sup>	18,992	–	–	–	–	–	18,992	–
	Dec 2016 <sup>2</sup>	15,875	–	–	–	–	–	15,875	–
	Dec 2017	–	38,284	–	–	11,537	30%	26,747	–
D R Grbin	Apr 2018	–	7,319	–	–	–	–	7,319	–
I D Bloodworth	Dec 2015	4,967	–	–	–	–	–	4,967	10,632
	Dec 2016	4,116	–	–	–	–	–	4,116	14,599
	Dec 2017	–	9,987	–	–	–	–	9,987	–

1. The maximum value of the deferred rights in future periods has been determined as the fair value of the rights that is yet to be expensed.

2. The rights granted to M R Roderick in December 2015 and December 2016 lapsed in September 2018.

The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the vesting conditions are not met.

### New Hope Corporation Limited

Rights to deferred shares are granted under the New Hope Corporation Limited Employee Performance Rights Share Plan. Membership of the plan is open to those senior employees and those Directors of New Hope, its subsidiaries and associated bodies corporate whom the Directors of New Hope believe have a significant role to play in the continued development of the New Hope Group's activities.

Rights are granted for nil consideration at the sole discretion of the Directors of New Hope and in accordance with the New Hope Group's reward and retention strategy. Rights vest and automatically convert to ordinary shares in New Hope following the satisfaction of the relevant performance and service conditions. Performance and service conditions applicable to each issue of Rights are determined by the New Hope Board at the time of grant. Rights granted under the plan carry no dividend or voting rights.

The assessed fair value at grant date of Rights granted to executives is allocated equally over the period from grant date to vesting date and these amounts are included in the remuneration of the executive. The fair value of the Rights is determined based on the market price of New Hope's shares at the grant date, with an adjustment made to take into account the vesting period, expected dividends during that period that will not be received by the participants and the probability that the market performance conditions will be met.

Rights affecting the remuneration of KMP in the current or future periods.

NEW HOPE		Grant Date Value
Grant Date	Vesting Date	
December 2014	August 2017	1.58
November 2015	August 2017	0.96
November 2015	August 2018	1.08
December 2016	August 2019	0.80
March 2018	August 2020	1.23

Rights to deferred shares granted, vested and forfeited during the year.

NEW HOPE			Rights to deferred shares						Balance at end of year	Maximum value in future periods <sup>1</sup>
Grant Date	Vesting Date	Balance at start of year	Granted during the year	Vested		Forfeited				
				Number	Number	Number	%	Number		
S O Stephan	Nov 2015	Aug 2017	134,228	–	59,060	44%	75,168	56%	–	–
	Nov 2015	Aug 2018	204,082	–	–	–	–	–	204,082	–
	Dec 2016	Aug 2019	250,000	–	–	–	–	–	250,000	75,408
	Mar 2018	Aug 2020	–	263,158	–	–	–	–	263,158	268,280
A L Boyd	Dec 2016	Aug 2019	124,497	124,497	–	–	–	–	124,497	37,552
	Mar 2018	Aug 2020	–	131,049	–	–	–	–	131,049	133,599
M J Busch	Dec 2014	Aug 2017	50,336	–	22,148	44%	28,188	56%	–	–
	Nov 2015	Aug 2018	76,531	–	–	–	–	–	76,531	–
	Dec 2016	Aug 2019	93,750	–	–	–	–	–	93,750	28,279
	Mar 2018	Aug 2020	–	98,684	–	–	–	–	98,684	100,604

1. The maximum value of the deferred rights in future periods has been determined as the fair value of the rights that is yet to be expensed.

The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the vesting conditions are not met.

## 9. Other statutory information

### Shareholdings of KMP

The following tables show the number of:

- shares in WHSP;
- shares in New Hope; and
- preference shares in Pitt Capital Partners Limited

that were held during the financial year by key management personnel of the Group, including their personally related parties.

Shares in Washington H. Soul Pattinson and Company Limited	Balance at start of year	Purchased/(sold)	Received on the vesting of rights	Other changes during the Year	Balance at end of year
<b>Directors of Washington H. Soul Pattinson and Company Limited</b>					
R D Millner	19,805,441	55,000	–	(420,348) <sup>1</sup>	19,440,093
T J Barlow	5,000	–	–	–	5,000
T L Fuller <sup>2</sup> – appointed December 2017	n/a	–	–	–	1,800
M J Hawker	35,300	–	–	–	35,300
T C D Millner	18,682,977	55,000	–	–	18,737,977
W M Negus	47,000	–	–	–	47,000
M R Roderick – ceased April 2018	5,000	–	–	–	n/a
R G Westphal	22,739	6,000	–	–	28,739
D E Wills – retired October 2017	905,015	–	–	–	n/a

1. Distributions by an estate of which Mr R Millner was a trustee

2. Mrs Fuller held 1,800 shares at the date of her appointment

## 9. Other statutory information continued

Shares in New Hope Corporation Limited	Balance at start of year	Purchased/ (sold)	Received on the vesting of rights	Other changes during the Year	Balance at end of year
<b>Directors of Washington H. Soul Pattinson and Company Limited</b>					
R D Millner	3,925,829	11,945	–	–	3,937,774
T J Barlow	19,900	–	–	–	19,900
T C D Millner	3,774,368	–	–	–	3,774,368
R G Westphal	40,000	–	–	–	40,000
D E Wills – retired 31 October 2017	90,670	–	–	–	n/a
<b>Other key management personnel</b>					
S O Stephan	252,231	26,400	59,060	–	337,691
A L Boyd	15,438	–	–	–	15,438
M J Busch	719,732	–	22,148	–	741,880
<b>Pitt Capital Partners Limited Class RP01 Preference Shares</b>					
<b>Directors of Washington H. Soul Pattinson and Company Limited</b>					
T J Barlow	1	–	–	–	1

None of the shares above are held nominally by the Directors or any of the other KMP.

#### Loans to KMP

No loans have been made to the Directors of WHSP or other KMP of the Consolidated Entity.

#### Other transactions with KMP

The KMP and their related entities received dividends during the year in respect of their shareholdings in Group companies consistent with other shareholders.

#### Reliance on external remuneration consultants

During the year the Remuneration Committee engaged Godfrey Remuneration Group Pty. Limited (GRG) to provide recommendations for the improvement of the Company's long-term incentive plan for senior management. GRG also drafted the documentation necessary for the new plan. GRG was paid \$31,000 (excluding GST) for these services.

The following arrangements were made to ensure that the remuneration advice was free from undue influence:

- GRG was engaged by, and reported directly to, the Chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board; and
- The report containing the remuneration advice was provided directly to the Chair of the Remuneration Committee by GRG.

As a consequence, the Board is satisfied that the advice was made free from undue influence from any members of the Executive KMP.

#### Voting on the 2017 Remuneration Report

The Parent Company's Remuneration Report for the 2017 financial year was adopted at its 2017 Annual General Meeting on a show of hands with no votes cast against.

*This is the end of the Remuneration Report*

## Directors' Report

### Options

The Parent Company did not issue any options over its unissued shares during the financial year or in the period to the date of this report. There are no such options on issue at the date of this report.

### Indemnification of Officers and Auditors

#### Indemnification

The Parent Company's constitution provides for an indemnity of Directors, Secretaries and Executive Officers (as defined in the Corporations Act 2001) where liability is incurred in the performance of their duties in those roles, other than conduct involving a wilful breach of duty in relation to the Company. The Constitution further provides for an indemnity in respect of any costs and expenses incurred in defending proceedings in which judgement is given in their favour, they are acquitted, or the Court grants them relief under the Corporations Act 2001.

#### Insurance

In accordance with the provisions of the Corporations Act, the Parent Company has a Directors' and Officers' Liability policy covering Directors and Officers of the Parent Company and some of its controlled entities. The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

#### Auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year in respect of any person who is or has been an auditor of the Parent Company or its controlled entities.

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Parent Company or to intervene in any proceedings to which the Parent Company is a party for the purpose of taking responsibility on behalf of the Parent Company for all or any part of those proceedings. The Parent Company was not a party to any such proceedings during the year.

### Non Audit Services

During the year, Pitcher Partners Sydney, the Parent Company's auditor, performed certain other services in addition to their statutory duties. An entity associated with Pitcher Partners Sydney was paid \$122,479 for providing tax compliance and other services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 37 of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Parent Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement APES 110: Code of Ethics for Professional Accountants, as they did not involve: reviewing or auditing the auditor's own work; acting in a management or decision making capacity for the Parent Company; acting as an advocate for the Parent Company; or jointly sharing risks and rewards.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 July 2018 has been received and is included on page 53.

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**Rounding of Amounts**

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument, amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors:



**R D Millner**  
Director – Chairman



**T J Barlow**  
Managing Director

Dated this 23rd day of October 2018.



# Auditor's Independence Declaration



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

In relation to the independent audit for the year ended 31 July 2018, to the best of my knowledge and belief there have been:

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

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

J Gavljak  
Partner

Pitcher Partners  
Sydney

22 October 2018

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# Financial Report

for the year ended 31 July 2018

## About this report

This financial report is for the Consolidated Entity consisting of Washington H. Soul Pattinson and Company Limited and its controlled entities for the year ending 31 July 2018. Throughout the report, the Consolidated Entity is also referred to as the 'Group'.

The notes to the financial statements are ordered so as to focus on the drivers of the Group's performance. Please refer to the contents page for how the notes are structured and ordered. In addition to the relevant financial information, the notes include a description of the accounting policies applied, and where applicable key judgements and estimates used by management in applying these policies.

## Consolidated Entity perspective

This consolidated financial report combines the operating results, financial positions and cash flows of Washington H. Soul Pattinson and Company Limited (the Parent Entity) and each entity that it controls (subsidiaries), into a single set of financial statements.

A controlling stake in a subsidiary often occurs where the Parent Entity owns less than 100% of the subsidiary. The term 'non-controlling interest' is used to describe that portion not owned by the Parent Entity. The non-controlling interest's share of the consolidated profit and net assets is disclosed separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of changes in equity.

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

## Parent Entity perspective

Financial information for Washington H. Soul Pattinson and Company Limited, the 'Parent Entity' has also been provided. In contrast to the consolidated financial report, the Parent Entity information reflects Washington H. Soul Pattinson and Company Limited's activities as an 'investor' and provides details of its investments (subsidiaries, associate entities and other investments), together with the cash flows generated by them (largely dividend income).

Washington H. Soul Pattinson and Company Limited (the Company, the Parent Entity or WHSP) is a for profit company limited by shares, incorporated and domiciled in Australia. The shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is as follows:

Washington H. Soul Pattinson and Company Limited Level 1, 160 Pitt Street, SYDNEY NSW 2000

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report, which is not part of this financial report.

This financial report was authorised for issue in accordance with a resolution of the Directors on 22 October 2018.

# Contents

## Financial Statements

Consolidated income statement	56
Consolidated statement of comprehensive income	57
Consolidated statement of financial position	58
Consolidated statement of changes in equity	59
Consolidated statement of cash flows	60

## Notes to the Financial Statements

Basis of preparation	61
Basis of consolidation	62

## Parent Entity information

1 Parent Entity financial information:	
• statement of financial position;	64
• income statement;	64
• source of shareholder dividends;	65
• market value of listed investments; and	65
• related cash flows	65
2 Payment of dividends to shareholders	67

## Group structure and performance

3 Segment information:	
• how the Group is organised and managed	68
• business performance	70
4 Accounting movements in value that are not reflected in profit: Reserves	74
5 Share capital and capital management	76
6 Business combinations	77
7 Events after the reporting date	80

## Accounting for our Investments

8 Investments in controlled entities (subsidiaries)	81
9 Investments in jointly controlled entities	82
10 Investments in Associates	83
11 Other equity investments	88
12 Investment properties	90
13 Term deposits	92
14 Cash and cash equivalents	93

## Revenue and expenses

15 Revenue	94
16 Other income	95
17 Expenses	96

## Taxation

18 Income tax expense	99
19 Deferred tax assets and deferred tax liabilities	101

## Risk management

20 Financial risk management	103
21 Fair value estimation	107
22 Derivative financial instruments	109
23 Interest bearing liabilities	111
24 Contingent liabilities	114

## Fixed assets

25 Assets classified as held for sale	114
26 Property plant and equipment	115
27 Exploration and evaluation assets	121
28 Intangible assets	123

## Other operating assets and liabilities

29 Trade and other receivables	126
30 Inventories	127
31 Trade and other payables	127
32 Provisions	128

## Other notes

33 Share-based payments	130
34 Related parties	132
35 Commitments for expenditure	134
36 Other accounting policies	135
37 Remuneration of auditors	139
38 Deed of cross guarantee	140

**Directors' declaration** **142**

**Independent auditor's report** **143**

# Consolidated Income Statement

for the year ended 31 July 2018

	Notes	2018 \$'000	2017 \$'000
<b>Revenue from continuing operations</b>	15	1,174,882	967,570
Other income	16	98,588	164,345
Cost of sales		(565,845)	(543,256)
Selling and distribution expenses		(180,247)	(172,992)
Administration expenses		(44,587)	(37,376)
Acquisition costs expensed		(5,662)	–
Other expenses		(22,372)	(7,019)
Impairment expense	17	(154,436)	(18,423)
Finance costs	17	(2,162)	(3,577)
Share of results from equity accounted associates	10	161,661	162,067
<b>Profit before income tax</b>		<b>459,820</b>	<b>511,339</b>
Income tax expense	18a	(124,520)	(119,985)
<b>Profit after tax for the year</b>		<b>335,300</b>	<b>391,354</b>
Profit after tax attributable to non-controlling interests		(68,454)	(57,743)
<b>Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited</b>		<b>266,846</b>	<b>333,611</b>
		<b>2018 cents</b>	<b>2017 cents</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share attributable to ordinary equity holders of Washington H. Soul Pattinson and Company Limited			
<b>Earnings per share from all operations</b>		<b>111.47</b>	<b>139.36</b>
		No. of shares	No. of shares
Weighted average number of shares used in calculating basic and diluted earnings per share		239,395,320	239,395,320

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

# Consolidated Statement of Comprehensive Income

for the year ended 31 July 2018

	2018 \$'000	2017 \$'000
<b>Profit after tax for the year</b>	<b>335,300</b>	<b>391,354</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to the income statement</b>		
Net movement in the fair value of long term equity investments, net of tax	9,065	1,808
Transfer to profit and loss on disposal of long term equity investments, net of tax	(7,107)	(25,397)
Net movement in hedge reserve, net of tax	(14,649)	10,666
Net movement in foreign currency translation reserve, net of tax	1,897	88
Net movement in equity reserve, net of tax	238	3,654
<b>Total other comprehensive expense for the year, net of tax</b>	<b>(10,556)</b>	<b>(9,181)</b>
<b>Total comprehensive income for the year</b>	<b>324,744</b>	<b>382,173</b>
Total comprehensive profit attributable to non-controlling interests	(61,533)	(62,559)
<b>Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited</b>	<b>263,211</b>	<b>319,614</b>

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

# Consolidated Statement of Financial Position

as at 31 July 2018

	Notes	31 July 2018 \$'000	31 July 2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	14	337,933	301,275
Term deposits	13	206,044	1,044
Trade and other receivables	29	131,723	94,770
Inventories	30	93,236	79,968
Assets classified as held for sale	25	1,407	–
Trading equities	11	69,930	46,993
Derivative financial instruments	22	–	18,075
Current tax asset		–	13,024
<b>Total current assets</b>		<b>840,273</b>	<b>555,149</b>
<b>Non-current assets</b>			
Trade and other receivables	29	53,525	3,563
Equity accounted associates	10	1,517,125	1,415,973
Long term equity investments	11	732,298	648,105
Other financial assets	11	17,571	4,984
Investment properties	12	158,254	165,016
Property, plant and equipment	26	1,520,573	1,370,420
Exploration and evaluation assets	27	310,798	418,582
Deferred tax assets	19	71,567	106,576
Intangible assets	28	73,553	60,026
<b>Total non-current assets</b>		<b>4,455,264</b>	<b>4,193,245</b>
<b>Total assets</b>		<b>5,295,537</b>	<b>4,748,394</b>
<b>Current liabilities</b>			
Trade and other payables	31	131,521	80,866
Interest bearing liabilities	23	25,267	42,356
Derivative financial instruments	22	3,353	69
Current tax liabilities		81,091	736
Provisions	32	71,219	45,345
<b>Total current liabilities</b>		<b>312,451</b>	<b>169,372</b>
<b>Non-current liabilities</b>			
Trade and other payables	31	30,033	–
Interest bearing liabilities	23	19,790	33,057
Deferred tax liabilities	19	405,270	394,882
Provisions	32	186,388	112,773
<b>Total non-current liabilities</b>		<b>641,481</b>	<b>540,712</b>
<b>Total liabilities</b>		<b>953,932</b>	<b>710,084</b>
<b>Net assets</b>		<b>4,341,605</b>	<b>4,038,310</b>
<b>Equity</b>			
Share capital	5	43,232	43,232
Reserves	4	605,865	611,226
Retained profits		2,718,057	2,603,186
<b>Parent entity interest</b>		<b>3,367,154</b>	<b>3,257,644</b>
Non-controlling interest		974,451	780,666
<b>Total equity</b>		<b>4,341,605</b>	<b>4,038,310</b>

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

# Consolidated Statement of Changes in Equity

for the year ended 31 July 2017

	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total Parent Entity interest \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Year ended 31 July 2018</b>						
<b>Total equity at the beginning of the year – 1 August 2017</b>	<b>43,232</b>	<b>2,603,186</b>	<b>611,226</b>	<b>3,257,644</b>	<b>780,666</b>	<b>4,038,310</b>
<b>Net profit for the year after tax</b>	<b>–</b>	<b>266,846</b>	<b>–</b>	<b>266,846</b>	<b>68,454</b>	<b>335,300</b>
<b>Other comprehensive income for the year</b>						
Net movement in asset revaluation reserve, net of tax	–	–	2,006	2,006	(48)	1,958
Net movement in hedge reserve, net of tax	–	–	(7,776)	(7,776)	(6,873)	(14,649)
Net movement in foreign currency translation reserve, net of tax	–	–	1,897	1,897	–	1,897
Net movement in equity reserve, net of tax	–	–	238	238	–	238
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>266,846</b>	<b>(3,635)</b>	<b>263,211</b>	<b>61,533</b>	<b>324,744</b>
<b>Transactions with owners</b>						
Dividends declared and paid	–	(106,943)	–	(106,943)	(46,933)	(153,876)
Net movement in share-based payments reserve	–	74	1,781	1,855	41	1,896
Return of capital	–	–	–	–	(5,968)	(5,968)
Transactions with non-controlling interests	–	(1,238)	(3,507)	(4,745)	180,457	175,712
Tax on partial disposal of controlling entity to non-controlling interests	–	(43,868)	–	(43,868)	–	(43,868)
Equity transfer from members on issue of share capital in controlled entity	–	–	–	–	4,655	4,655
<b>Total equity at the end of the year – 31 July 2018</b>	<b>43,232</b>	<b>2,718,057</b>	<b>605,865</b>	<b>3,367,154</b>	<b>974,451</b>	<b>4,341,605</b>
<b>Year ended 31 July 2017</b>						
<b>Total equity at the beginning of the year – 1 August 2016</b>	<b>43,232</b>	<b>2,372,467</b>	<b>623,684</b>	<b>3,039,383</b>	<b>707,268</b>	<b>3,746,651</b>
<b>Net profit for the year after tax</b>	<b>–</b>	<b>333,611</b>	<b>–</b>	<b>333,611</b>	<b>57,743</b>	<b>391,354</b>
<b>Other comprehensive income for the year</b>						
Net movement in asset revaluation reserve, net of tax	–	–	(23,849)	(23,849)	260	(23,589)
Net movement in hedge reserve, net of tax	–	–	6,185	6,185	4,481	10,666
Net movement in foreign currency translation reserve, net of tax	–	–	13	13	75	88
Net movement in equity reserve, net of tax	–	–	3,654	3,654	–	3,654
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>333,611</b>	<b>(13,997)</b>	<b>319,614</b>	<b>62,559</b>	<b>382,173</b>
<b>Transactions with owners</b>						
Dividends declared and paid	–	(102,993)	–	(102,993)	(22,045)	(125,038)
Net movement in share-based payments reserve	–	101	1,539	1,640	(9)	1,631
Non-controlling interests share of subsidiaries	–	–	–	–	16	16
Equity transfer from members on issue of share capital in controlled entity	–	–	–	–	32,877	32,877
<b>Total equity at the end of the year – 31 July 2017</b>	<b>43,232</b>	<b>2,603,186</b>	<b>611,226</b>	<b>3,257,644</b>	<b>780,666</b>	<b>4,038,310</b>

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

# Consolidated Statement of Cash Flows

for the year ended 31 July 2018

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers inclusive of GST		1,171,513	1,012,326
Payments to suppliers and employees inclusive of GST		(725,384)	(696,002)
		<b>446,129</b>	<b>316,324</b>
Dividends received		76,325	106,541
Interest received		9,465	8,705
Acquisition costs expensed	6	(5,662)	–
Finance costs		(1,452)	(2,317)
Income taxes paid		(17,245)	(29,861)
<b>Net cash inflow from operating activities</b>	14	<b>507,560</b>	<b>399,392</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment and intangibles		(110,863)	(77,913)
Proceeds from sale of property, plant and equipment		3,159	11,022
Payments for capitalised exploration and evaluation activities		(38,294)	(18,255)
Net (payments to)/proceeds from term deposits		(205,629)	46,368
Payments for acquisition and development of investment properties		(16,088)	(63,906)
Proceeds from sale of investment properties		29,059	–
Payments for equity investments		(94,941)	(80,482)
Proceeds from sale of equity investments		88,485	145,707
Proceeds from part sale of a controlled entity		175,736	–
Proceeds from sale of an equity accounted associate		–	81,708
Payments to acquire equity accounted associates		(1,430)	(167,849)
Payments for acquisition of businesses, net of cash acquired	6	(48,349)	(800)
Loans advanced		(58,218)	(12,682)
Loan repayments		7,697	47,269
Proceeds on Bengalla acquisition settlement adjustment		–	1,669
<b>Net cash outflow from investing activities</b>		<b>(269,676)</b>	<b>(88,144)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to WHSP shareholders		(131,667)	(126,880)
Dividends paid by subsidiaries to non-controlling interests		(47,119)	(22,045)
Proceeds from interest bearing liabilities		–	46,971
Repayments of interest bearing liabilities		–	(97,554)
Proceeds from external borrowings		12,017	95,000
Repayments of external borrowings		(42,356)	(57,400)
Proceeds from issue of equity		4,524	–
Payments for return of capital		(5,968)	–
Transaction with subsidiary's non-controlling interests		–	32,797
<b>Net cash outflow from financing activities</b>		<b>(210,569)</b>	<b>(129,111)</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		301,275	126,709
Effects of exchange rate changes on cash and cash equivalents		9,343	(7,571)
<b>Cash and cash equivalents at the end of the year</b>	14	<b>337,933</b>	<b>301,275</b>

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



# Notes to the Financial Statements

## Basis of preparation

This financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a for profit basis;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$'000), or in certain cases, to the nearest dollar, unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 August 2017;
- does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective such as *AASB 15 Revenue from Contracts with Customers*; *AASB 9 Financial Instruments (December 2010) as amended by 2013-9*, *AASB 16 Leases* and *IFRS 2 Classification and Measurement of Share-based Payment Transactions*. Refer to Note 36 – Other accounting policies for more information;
- has been prepared on a historical cost basis except for the following items, which are measured on an alternative basis.

Item	Measurement basis
Trading equities	Fair value
Long term equity investments	Fair value
Investment properties	Fair value
Inventories	Lower of cost and net realisable value

- where Parent Entity information is disclosed, relevant accounting policies are described when different to the Group accounting policies.

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### Basis of consolidation

The consolidated financial statements of the Group incorporates the financial statements of Washington H. Soul Pattinson and Company Limited and its subsidiaries, and its equity accounted associates. A diagram is set out in note 3, listing the main subsidiaries and associates.

#### i. Controlled entities (Subsidiaries)

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

#### ii. Joint arrangements

A joint arrangement is an arrangement where two or more parties share control. Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure.

##### Joint operations

A joint operation is a joint arrangement in which the parties that share joint control, have rights to the assets, and obligations for the liabilities relating to the arrangement. The Group recognises its direct right to the assets, liabilities; revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated into the Group's financial statements under the appropriate headings.

##### Joint ventures

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost.

#### iii. Associates

Associates are all entities over which the Group has significant influence and are neither subsidiaries nor jointly controlled. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received/receivable from associates are recognised in the consolidated financial statements by reducing the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Accounting policy

Key judgements and estimates

**iv. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with an associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Where practical, accounting policies of the associates have been changed to ensure consistency with the policies adopted by the Group.

**Other accounting policies**

Significant and other accounting policies relevant to gaining an understanding of the financial statements have been grouped with the relevant notes to the financial statements.

**Key judgements and estimates**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the following notes:

Note reference	Key judgements and estimates	Page
Note 6	Business combinations – acquisition fair value	80
Note 9	Classification of joint arrangements as a joint operation	82
Note 10	Recoverable value of investments in Associates	86
Note 11	Impairment of financial assets	89
Note 17	Recoverable value and impairment	97
Note 18	Petroleum resource rent tax (PRRT)	100
Note 19	Deferred tax assets	102
Note 26	Impairment of non-current assets <ul style="list-style-type: none"> <li>• New Hope Corporation Limited – Queensland Mining Operations</li> <li>• Determination of recoverable value – copper processing plant, equipment and capitalised mine development costs</li> </ul>	118
Note 27	Exploration and evaluation expenditure	122
Note 28	Impairment of goodwill	125
Note 32	Mining restoration and site rehabilitation	129

## Parent Entity Information

1

### NOTE 1 PARENT ENTITY FINANCIAL INFORMATION

#### Source of shareholder dividends

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

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.

#### Accounting policies

##### Parent Entity

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

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

*continued on page 66 >>>*

Statement of Financial Position	As at 31 July 2018 \$'000	As at 31 July 2017 \$'000
<b>Current assets</b>		
Cash and term deposits	41,946	55,876
Assets held for sale	1,407	–
Other current assets	98,525	55,253
<b>Total current assets</b>	<b>141,878</b>	<b>111,129</b>
<b>Non-current assets</b>		
Long term equity investments – measured at market value	688,576	662,628
<b>Other financial assets</b>		
– Listed controlled and associated entities – measured at the lower of cost or impaired value	552,950	567,684
– Unlisted entities – measured at the lower of cost or impaired value	381,363	269,355
Other non-current assets	108,202	113,327
<b>Total non-current assets</b>	<b>1,731,091</b>	<b>1,612,994</b>
<b>Total assets</b>	<b>1,872,969</b>	<b>1,724,123</b>
<b>Total current liabilities</b>	<b>2,495</b>	<b>43,288</b>
<b>Total non-current liabilities</b>	<b>92,662</b>	<b>76,956</b>
<b>Total liabilities</b>	<b>95,157</b>	<b>120,244</b>
<b>Net assets</b>	<b>1,777,812</b>	<b>1,603,879</b>
<b>Equity</b>		
Share capital	43,232	43,232
Reserves	620,952	588,739
Retained profits	1,113,628	971,908
<b>Total equity</b>	<b>1,777,812</b>	<b>1,603,879</b>
<b>Income Statement</b>		
<b>Profit after tax</b>	<b>272,979</b>	<b>172,842</b>
<b>Less: Non-regular items after tax</b>		
Net gain on disposal of investments	(140,278)	(45,305)
Net impairment expense on investments	3,413	12,506
Other	2,737	1,353
<b>Regular profit after tax</b>	<b>138,851</b>	<b>141,396</b>
<b>Other comprehensive income</b>		
Net movement in the fair value of the listed investment portfolio	1,881	12,501

## Regular Profit after Tax and Regular Operating Cash Flows

For the year ended 31 July 2018

**Year ended  
31 Jul 2018**

\$'000

**Interest income** (from cash and loans) **4,730**

### Dividend and distribution income

Milton Corporation Limited	4,988
BKI Investment Company Limited	4,285
Commonwealth Bank of Australia	3,593
Pengana International Equities Limited	1,705
Woolworths Limited	828
Macquarie Group Limited	1,124
Wesfarmers Limited	1,118
National Australia Bank Limited	1,726
Lindsay Australia Limited	888
Other listed entities	9,003

TPG Telecom Limited	9,321
New Hope Corporation Limited	54,684
Brickworks Limited	34,135
Australian Pharmaceutical Industries Ltd	6,655
Pengana Capital Group Limited	4,381
Apex Healthcare Berhad	1,350
Other controlled and associates	9,010

**Total dividend and distribution income** **148,794**

**Net pharmacy profit** **260**

**Other revenue** **1,206**

**Realised and fair value (losses)/gains on equities** **(1,003)**

**Other expenses** **(11,575)**

**Finance costs** **(205)**

**Regular profit before tax** **142,207**

**Income tax (expense)** **(3,356)**

**Regular profit after tax** **138,851**

**Non-cash fair value (gains)/loss on equities** **1,291**

**Net movements in working capital** **3,454**

**Regular operating cash flows** **143,596**

The Board declares dividends having regard to the Parent Entity's regular operating cash flows.

### Dividends paid/payable

Interim of 23 cents per share paid 10 May 2018	55,061
Final of 33 cents per share payable 10 Dec 2018	79,000

**Total dividends paid/payable** **134,061**

### Payout ratio

Dividends as a percentage of regular operating cash flows **93.36%**

### Market value of listed entities as at 31 July 2018

(based on ASX closing prices 31 July 2018)

#### Long term equity investments

	\$'000
Milton Corporation Limited	119,020
BKI Investment Company Limited	99,848
Commonwealth Bank of Australia	58,868
Clover Corporation Limited	58,363
Pengana International Equities Limited	28,392
Woolworths Limited	26,777
Macquarie Group Limited	26,285
Wesfarmers Limited	24,794
National Australia Bank Limited	24,697
Lindsay Australia Limited	23,043
Bailador Technology Investments Limited	19,320
Other listed entities	179,169

**Market value of long term equity investments** **688,576**

#### Listed controlled and associated entities

	Holding	
TPG Telecom Limited	25.3%	1,350,122
New Hope Corporation Limited	50.0%	1,326,072
Brickworks Limited	43.9%	1,022,751
Australian Pharmaceutical Industries Ltd	19.3%	160,666
Pengana Capital Group Limited	39.2%	133,025
Apex Healthcare Berhad	30.3%	83,469
TPI Enterprises Limited	19.9%	20,705
Verdant Minerals Limited	33.4%	6,272

**Market value of listed controlled and associated entities** **4,103,082**

**Total value of WHSP's listed investments** **4,791,658**

### 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 listed investments on 31 July 2018, a capital gains tax liability of approximately \$1,100.8 million would have arisen based on market values as at 31 July 2018. Of this amount, only \$79.7 million has been recognised in the Parent Entity accounts at 31 July 2018.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 July 2018 and are therefore subject to price fluctuations.

## Parent Entity Information

1

### NOTE 1

#### PARENT ENTITY FINANCIAL INFORMATION (continued)

##### Accounting policies

##### Parent Entity

>>> continued from page 64

As at 31 July 2018 the Parent Entity has derecognised an equity accounted associate and now accounts for this investment as a long term equity investment. To be consistent with the Group, the Parent Entity has reclassified this investment from other financial assets to long term equity investments.

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.

##### a) Interest bearing liabilities of the Parent Entity

At year end the balance of interest bearing liabilities owed by the Parent Entity was \$nil (2017: \$40,000 million). During the current year, the Parent Entity repaid in full the equity finance loan. Upon repayment of the loan, the ownership of certain long term equities (previously transferred to the bank as security for the equity finance loan) were transferred back to the Parent Entity.

The Parent Entity is not subject to any externally imposed capital requirements by financial institutions.

##### b) Guarantees entered into by the Parent Entity

The Parent Entity provides cash backed guarantees for environmental bonds that are required by the 100% owned subsidiary, Round Oak Minerals Pty Ltd (formerly CopperChem Limited). As at 31 July 2018 these guarantees totalled \$16.413 million (2017: \$5.279 million).

##### c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 31 July 2018 or 31 July 2017.

##### d) Contractual commitments made by the Parent Entity, for the acquisition of property, plant or equipment

The Parent Entity did not have any contractual commitments for property, plant or equipment as at 31 July 2018 or 31 July 2017.

##### e) Contractual commitments made by the Parent Entity on non-cancellable operating lease

The Parent Entity entered into a seven year non-cancellable operating lease for its new office premise at Barrack Place, Sydney. The lease commences on the 1 April 2019 or upon occupancy, whichever is earlier.

	2018	2017
	\$'000	\$'000
<b>Operating Leases</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
– Within one year	399	–
– Later than one year but not later than five years	5,177	–
– Later than five years	3,953	–
	<b>9,529</b>	<b>–</b>

# 2

## NOTE 2 PAYMENT OF DIVIDENDS TO SHAREHOLDERS

### Accounting policy

A liability is recognised for the amount of any dividend declared on or before the end of the financial year but not distributed at reporting date. As the final dividend was declared by Directors after year end, the final dividend has not been recognised as a liability.

	2018 \$'000	2017 \$'000
<b>a) Dividends paid during the year</b>		
Final dividend for the year ended 31 July 2017 of 32 cents (2016: 31 cents) per fully paid ordinary share paid on 11 December 2017 (2016: 12 December 2016) fully franked based on tax paid at 30%	76,606	74,213
Interim dividend for the year ended 31 July 2018 of 23 cents (2017: 22 cents) per fully paid ordinary share paid on 10 May 2018 (2017: 11 May 2017) fully franked based on tax paid at 30%	55,061	52,667
<b>Total dividends paid</b>	<b>131,667</b>	<b>126,880</b>
<b>b) Dividends not recognised at year end</b>		
In addition to the above dividends, since year end the Directors have declared the payment of: A final dividend of 33 cents per fully paid ordinary share, (2017: 32 cents) fully franked based on tax paid at 30%	79,000	76,607
This dividend is due to be paid on 10 December 2018 (2017: 11 December 2017) out of retained profits as at 31 July 2018, and has not been recognised as a liability at year end.		
<b>c) Franking of dividends</b>		
The final dividend for 31 July 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2018.		
<b>Franking credits available for future dividend payments</b>		
Franking credits available for subsequent financial years based on an Australian company tax rate of 30% (2017: 30%).	547,947	544,915
The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.		
Subsequent to year end, the franking account will be reduced by the final dividend to be paid on 10 December 2018 (2017: 11 December 2017).	(33,857)	(32,831)
<b>Balance of franking credits available after payment of the final dividend</b>	<b>514,090</b>	<b>512,084</b>

## Group Structure and Performance

### 3

#### NOTE 3

#### SEGMENT INFORMATION – HOW THE GROUP IS ORGANISED AND MANAGED

##### How the Group is organised – Corporate structure

The Parent Entity invests in a diversified range of entities. Larger holdings in a single entity are classified as follows:

<b>Controlled entities: (subsidiaries)</b>	The Parent Entity is able to control the activities of the organisation.
<b>Associates:</b>	The Parent Entity has significant influence but does not control the activities of the organisation.

On 2 February 2018, a subsidiary of the Parent Entity, WHSP Aquatic Achievers Pty Ltd acquired a 100% interest in the Aquatic Achievers business, a swimming pool owner and operator providing swimming programs. Refer to note 6 for details of the acquisition.

On 31 May 2018, a subsidiary, Round Oak Minerals Pty Ltd (formerly CopperChem Limited), acquired 100% of the shares in Independence Jaguar Pty Limited, a copper and zinc mine located in Western Australia. Refer to note 6 for details of the acquisition.

During the year ended 31 July 2018, the Parent Entity disposed 9.64% (to 50.01%) of New Hope Corporation Limited, a subsidiary of the Group.

For changes in ownership of associates, refer to note 10.

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

The Parent Entity, its subsidiaries and associates operate within four segments. Segments are based on product and service types and are predominately based in Australia.

The level of ownership determines the extent to which the Parent Entity is able to manage the underlying operations of its investment.

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

As the Chief Operating Decision Maker is not regularly provided with the operating results from the listed associates (material contributors to reported profit) these associates are included within the Investing activities segment. Results for listed associates are sourced from publicly available information. Results from unlisted associates are sourced from the investees.

The Group's operating segments are described as:

##### **Investing activities**

The Group invests in cash, term deposits, corporate debts and diversified equity investments portfolio.

##### **Energy**

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

##### **Copper, Gold and Zinc operations**

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

##### **Property**

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



# WHSP CONSOLIDATED GROUP

## CONTROLLED ENTITIES (SUBSIDIARIES)

WHSP group percentage ownership of subsidiaries

\* Refer to Note 8

**NEW HOPE GROUP**  
New Hope Corporation Limited  
WHSP: 50.0%

**Property Trusts**

**Round Oak MINERALS**  
Round Oak Minerals Pty Limited\*  
WHSP: 100%

## SEGMENTS

### INVESTING ACTIVITIES

### ENERGY OPERATIONS

### PROPERTY ACTIVITIES

### COPPER, ZINC AND GOLD OPERATIONS

**ACTIVITIES**

WHSP Equities Portfolios	WHSP 100%
WHSP Cash, Term Deposits and Loans	WHSP 100%

**ACTIVITIES**

- Coal Production and Exploration
- Brisbane Port Coal Loading
- Oil and Gas Operations

## ASSOCIATES (SIGNIFICANT INFLUENCE)

WHSP group percentage ownership of associates

**api**  
Australian Pharmaceutical Industries Limited  
WHSP: 19.3%

**BRICKWORKS**  
Brickworks Limited  
WHSP: 43.9%

**CLOVER CORPORATION**  
Clover Corporation Limited^  
WHSP: 22.6%

**PENGANA CAPITAL**  
Pengana Capital Group Limited  
WHSP: 39.2%

**TPG TELECOM**  
TPG Telecom Limited  
WHSP: 25.3%

**SYNDICATED METALS**  
Syndicated Metals Limited^  
WHSP: 28.7%

**NOVONIX**  
Novonix Limited^  
WHSP: 13%

**AMPCONTROL**  
Amcontrol Pty Limited  
WHSP: 43.3%

**Apex Healthcare**  
Apex Healthcare Berhad  
WHSP: 30.3%

**TPI**  
TPI Enterprises Limited  
WHSP: 19.9%

**VERDANT MINERALS**  
Verdant Minerals Limited  
WHSP: 33.4%

**Various unlisted associates**

^ Derecognised as an associate as at 31 July 2018. Share of net profit has been recognised in the consolidated income statement for the period from 1 August 2017 up until the date of derecognition.

## Group Structure and Performance

### 3

#### NOTE 3 SEGMENT INFORMATION – HOW THE GROUP IS ORGANISED AND MANAGED (continued)

##### Business performance – measurement of segment results

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

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

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

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.

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

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

	2018 \$'000	2017 \$'000
<b>Regular profit after tax attributable to members</b>	331,143	282,019
<b>Non-regular items – net of tax</b>		
Gain on disposal of equity investments	18,748	25,103
Gain on disposal of equity accounted associates	–	24,059
Gain on initial recognition of equity accounted associate	–	43,049
Gain/(loss) on deemed disposal of equity accounted associates	190	(201)
Gain on derecognition as equity accounted associates	50,641	7,169
Share of non-regular items from associates entities	(16,617)	(10,915)
Deferred tax recognised on associate entities	(39,198)	(32,535)
Impairment expense on equity accounted associates	(16,545)	–
Impairment expense on equity investments	(4,206)	(5,126)
Impairment expense on exploration assets	(46,310)	–
Impairment reversal/(expense) on other assets	14	(7,258)
Handling charges on future obligations	(5,243)	–
Acquisition costs expensed	(3,963)	–
Recovery of prior period rail access charges	–	8,313
Recovery of legal fees	–	1,575
Other items	(1,808)	(1,641)
<b>Total non-regular (losses)/profits after tax attributable to members</b>	<b>(64,297)</b>	<b>51,592</b>
<b>Profit after tax attributable to members</b>	<b>266,846</b>	<b>333,611</b>

a) Reporting segments

	Investing activities	Energy	Copper, Gold and Zinc operations	Property	Intersegment/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 31 July 2018</b>						
<b>Revenue from external customers</b>	<b>36,171</b>	<b>1,078,573</b>	<b>33,945</b>	<b>10,262</b>	<b>15,931</b>	<b>1,174,882</b>
Intersegment revenue	60,605	–	–	1,486	(62,091)	–
<b>Total revenue</b>	<b>96,776</b>	<b>1,078,573</b>	<b>33,945</b>	<b>11,748</b>	<b>(46,160)</b>	<b>1,174,882</b>
<b>Regular profit/(loss) before income tax</b>	<b>263,227</b>	<b>360,790</b>	<b>(13,804)</b>	<b>5,750</b>	<b>(57,076)</b>	<b>558,887</b>
Non-regular items before tax (note 3b)	51,856	(146,978)	(4,064)	–	119	(99,067)
<b>Profit/(loss) before income tax</b>	<b>315,083</b>	<b>213,812</b>	<b>(17,868)</b>	<b>5,750</b>	<b>(56,957)</b>	<b>459,820</b>
Less income tax (expense)/benefit	(62,182)	(64,314)	5,281	(1,754)	(1,551)	(124,520)
<b>Profit/(loss) after tax</b>	<b>252,901</b>	<b>149,498</b>	<b>(12,587)</b>	<b>3,996</b>	<b>(58,508)</b>	<b>335,300</b>
Less profit attributable to non-controlling interests	–	(68,033)	–	(212)	(209)	(68,454)
<b>Profit/(loss) after tax attributable to members</b>	<b>252,901</b>	<b>81,465</b>	<b>(12,587)</b>	<b>3,784</b>	<b>(58,717)</b>	<b>266,846</b>
<b>Profit/(loss) after tax attributable to members (as above)</b>	<b>252,901</b>	<b>81,465</b>	<b>(12,587)</b>	<b>3,784</b>	<b>(58,717)</b>	<b>266,846</b>
Non-regular loss/(profit) after tax attributable to members (note 3b)	9,986	51,539	2,856	(84)	–	64,297
<b>Regular profit/(loss) after tax attributable to members</b>	<b>262,887</b>	<b>133,004</b>	<b>(9,731)</b>	<b>3,700</b>	<b>(58,717)</b>	<b>331,143</b>
<b>Profit/(loss) before income tax includes the following items:</b>						
Interest revenue	3,798	5,977	46	49	44	9,914
Interest expense	(206)	(101)	(849)	(1,006)	–	(2,162)
Depreciation and amortisation expense	(250)	(92,176)	(5,814)	(270)	(184)	(98,694)
Impairment expense	(22,433)	(132,003)	–	–	–	(154,436)
Share of results from equity accounted associates	162,619	–	(958)	–	–	161,661

## Group Structure and Performance

# 3

### NOTE 3

#### SEGMENT INFORMATION – HOW THE GROUP IS ORGANISED AND MANAGED (continued)

##### a) Reporting segments (continued)

	Investing activities	Energy	Copper and Gold operations	Property	Intersegment/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 31 July 2017</b>						
Revenue from external customers	63,501	844,077	18,394	28,309	13,289	967,570
Intersegment revenue	38,711	–	–	935	(39,646)	–
<b>Total revenue</b>	<b>102,212</b>	<b>844,077</b>	<b>18,394</b>	<b>29,244</b>	<b>(26,357)</b>	<b>967,570</b>
Regular profit/(loss) before income tax	235,868	182,215	(5,445)	15,839	(34,428)	394,049
Non-regular items before tax (note 3b)	97,445	19,908	(63)	–	–	117,290
<b>Profit/(loss) before income tax</b>	<b>333,313</b>	<b>202,123</b>	<b>(5,508)</b>	<b>15,839</b>	<b>(34,428)</b>	<b>511,339</b>
Less income tax (expense)/benefit	(54,817)	(61,594)	2,740	(5,172)	(1,142)	(119,985)
<b>Profit/(loss) after tax</b>	<b>278,496</b>	<b>140,529</b>	<b>(2,768)</b>	<b>10,667</b>	<b>(35,570)</b>	<b>391,354</b>
Less profit attributable to non-controlling interests	(819)	(56,085)	–	(282)	(557)	(57,743)
<b>Profit/(loss) after tax attributable to members</b>	<b>277,677</b>	<b>84,444</b>	<b>(2,768)</b>	<b>10,385</b>	<b>(36,127)</b>	<b>333,611</b>
<b>Profit/(loss) after tax attributable to members (as above)</b>	<b>277,677</b>	<b>84,444</b>	<b>(2,768)</b>	<b>10,385</b>	<b>(36,127)</b>	<b>333,611</b>
Non-regular (profit)/loss after tax attributable to members (note 3b)	(43,492)	(8,313)	213	–	–	(51,592)
<b>Regular profit/(loss) after tax attributable to members</b>	<b>234,185</b>	<b>76,131</b>	<b>(2,555)</b>	<b>10,385</b>	<b>(36,127)</b>	<b>282,019</b>
<b>Profit/(loss) before income tax includes the following items:</b>						
Interest revenue	7,042	2,089	41	18	58	9,248
Interest expense	(1,458)	(903)	(411)	(805)	–	(3,577)
Depreciation and amortisation expense	(1,770)	(97,880)	(1,806)	(133)	(14)	(101,603)
Impairment expense	(18,413)	–	(10)	–	–	(18,423)
Share of results from equity accounted associates	162,181	–	(146)	–	32	162,067

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

	Before tax \$'000	Tax \$'000	After tax \$'000	Attributable to:	
				Non-controlling interest \$'000	Members \$'000
<b>Year ended 31 July 2018</b>					
Gain on disposal of equity investments	22,687	(3,939)	18,748	–	18,748
Gain on deemed disposals of equity accounted associates	272	(82)	190	–	190
Gain on derecognition as equity accounted associates	72,247	(21,606)	50,641	–	50,641
Share of non-regular items from associate entities	(16,617)	–	(16,617)	–	(16,617)
Deferred tax recognised on associate entities	–	(39,198)	(39,198)	–	(39,198)
Net impairment expense of assets	(154,436)	41,112	(113,324)	(46,277)	(67,047)
Handling charges on future obligations	(14,976)	4,493	(10,483)	(5,240)	(5,243)
Acquisition costs expensed	(5,662)	1,699	(3,963)	–	(3,963)
Other items	(2,582)	774	(1,808)	–	(1,808)
<b>Total non-regular items</b>	<b>(99,067)</b>	<b>(16,747)</b>	<b>(115,814)</b>	<b>(51,517)</b>	<b>(64,297)</b>
<b>Year ended 31 July 2017</b>					
Gain on disposal of equity investments	33,291	(8,188)	25,103	–	25,103
Gain on disposal of equity accounted associates	21,538	2,521	24,059	–	24,059
Gain on initial recognition of equity accounted associates	61,499	(18,450)	43,049	–	43,049
Loss on deemed disposal of equity accounted associates	132	(333)	(201)	–	(201)
Gain on derecognition as equity accounted associates	10,507	(3,338)	7,169	–	7,169
Share of non-regular items from associate entities	(10,915)	–	(10,915)	–	(10,915)
Deferred tax recognised on associate entities	–	(32,535)	(32,535)	–	(32,535)
Impairment expense of assets	(18,423)	5,220	(13,203)	(819)	(12,384)
Recovery of prior period rail access charges	19,908	(5,972)	13,936	5,623	8,313
Recovery of legal fees	2,250	(675)	1,575	–	1,575
Other items	(2,497)	856	(1,641)	–	(1,641)
<b>Total non-regular items</b>	<b>117,290</b>	<b>(60,894)</b>	<b>56,396</b>	<b>4,804</b>	<b>51,592</b>

## Group Structure and Performance

### 4

#### NOTE 4 ACCOUNTING MOVEMENTS IN VALUE THAT ARE NOT REFLECTED IN PROFIT: RESERVES

##### Accounting policies – Reserves

Reserves represent the portion of the Consolidated Entity's reserves that are attributable to our shareholders. Certain changes in the value of assets and liabilities are not recognised in the income statement but are instead included in other comprehensive income.

Also included in reserves is the Group's share of the reserves of equity accounted associates.

##### Asset Revaluation Reserve

Changes in the fair value of certain assets including long term equity investments are not recognised in the income statement but instead are recognised in other comprehensive income and accumulated in the asset revaluation reserve within equity. Amounts are reclassified to the profit or loss when investments are sold or impaired. Refer note 11.

##### Capital Profits Reserve

This reserve represents amounts allocated from retained profits that were profits of a capital nature.

##### Hedge Reserve

The hedge reserve records the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, as described in note 22. The gain or loss relating to the ineffective portion is recognised in the income statement.

	2018 \$'000	2017 \$'000
<b>a) Reserves attributable to members</b>		
General reserve	404,548	404,548
Asset revaluation reserve	198,260	196,254
Capital profits reserve	7,861	11,368
Hedge reserve	(1,347)	6,429
Share-based payments reserve	4,997	3,216
Foreign currency translation reserve	1,783	(114)
Equity reserve	(10,237)	(10,475)
<b>Balance 31 July</b>	<b>605,865</b>	<b>611,226</b>
<b>b) Major movements in reserves consist of:</b>		
<b>Asset revaluation reserve</b>		
<b>Balance 1 August</b>	<b>196,254</b>	<b>220,103</b>
Revaluation of long term equity investments, gross	4,679	18,454
Revaluation of long term equity investments, deferred tax	(25)	(5,963)
Transfer on sale of long term equity investments to profit, gross	(10,711)	(34,463)
Transfer on sale of long term equity investments to profit, deferred tax	3,449	9,066
Transfer of long term equity investment to associate, gross	–	(7,486)
Transfer of long term equity investment to associate, deferred tax	–	2,227
Transfer on impairment of long term equity investments to profit, gross	5,889	6,023
Transfer on impairment of long term equity investments to profit, deferred tax	(1,683)	(1,733)
Share of associates – increments/(decrements)	408	(9,974)
<b>Balance 31 July</b>	<b>198,260</b>	<b>196,254</b>

**Asset revaluation reserve**

At balance date, the asset revaluation reserve predominately relates to the net unrealised gains of Washington H. Soul Pattinson and Company Limited's long term equity investments.

	2018 \$'000	2017 \$'000
<b>Capital profits reserve</b>		
<b>Balance 1 August</b>	11,368	11,368
Transactions with non-controlling interests	(3,507)	–
<b>Balance 31 July</b>	<b>7,861</b>	<b>11,368</b>

**Capital Profit Reserve**

Movements in the capital profit reserve relates to the decrease in the Parent Entity share of this reserve. This decrease was due to the Parent Entity disposing of 9.64% of New Hope Corporation Limited's to non-controlling interests during the year.

	2018 \$'000	2017 \$'000
<b>Hedge reserve</b>		
<b>Balance 1 August</b>	6,429	244
Revaluation, gross	(4,185)	15,018
Revaluation, deferred tax	1,274	(4,476)
Transfer to profit, gross	(7,356)	(5,456)
Transfer to profit, deferred tax	2,207	1,637
Share of associates increments/(decrements)	284	(538)
<b>Balance 31 July</b>	<b>(1,347)</b>	<b>6,429</b>

**Hedge reserve**

Movements in the hedge reserve predominately relate to New Hope Corporation Limited's derivative financial instruments which are used to hedge exposures to foreign currency exchange rates. Refer to note 22 for further details.

**c) Nature and purpose of other reserves**

**General reserve**

The general reserve records funds set aside for future requirements of the Group and relate to Washington H. Soul Pattinson and Company Limited (the Parent Entity).

**Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of options and rights issued to employees, but not yet exercised.

**Foreign currency translation reserve**

The foreign currency translation reserve records the foreign currency differences which arise from the translation of self-sustaining foreign operations, and foreign exchange movements.

**Equity reserve**

This reserve includes the tax effect of movements in the carrying value of equity accounted associates where this movement has been recognised directly in equity.

## Group Structure and Performance

### 5

#### NOTE 5 SHARE CAPITAL AND CAPITAL MANAGEMENT

##### Accounting policy – Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds. The amounts of any capital return are applied against share capital.

	Group and Parent Entity		Group and Parent Entity	
	2018	2018	2017	2017
	No of shares	\$'000	No of shares	\$'000
Fully paid ordinary shares	239,395,320	43,232	239,395,320	43,232

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value.

##### Capital Management

The Group's capital management approach is conservative with the objective to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the Consolidated Entity.

There were no changes to the Group's approach to capital management during the year.

The Group's capital consists of total shareholders' equity, borrowings and other interest bearing liabilities. The movement in shareholders equity is shown in the statement of changes in equity. Refer to page 59.

In the current year, the Parent Entity utilised short term bank finance which was repaid during the year. As at 31 July 2018 the balance was \$nil (2017: \$40.000 million). In addition, non-recourse debt of \$34.825 million has been utilised to finance investment properties held within controlled entities. Refer to note 23a.

The Parent Entity is not subject to any externally imposed capital requirements by financial institutions.

The Board declares dividends having regard to the Parent Entity's regular operating cash flows, refer to note 1.

# 6

## NOTE 6 BUSINESS COMBINATIONS

### Accounting policy – Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred is the sum of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree.

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 investment. 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 initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing 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 the income statement.

If the Group recognises previous 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.

### Acquisitions during the year

The Consolidated Entity has engaged external valuation consultants to assist with the calculations of the purchase consideration allocation and deferred consideration. This includes the post-tax discount rates used. The Consolidated Entity has adopted the discount rates determined by the external valuation consultants and assessed these rates to be appropriate for each transaction.

### Acquisitions during the year

#### WHSP Aquatic Achievers Pty Ltd acquisition of Aquatic Achievers Pty Ltd

On 2 February 2018, a subsidiary of the Parent Entity, WHSP Aquatic Achievers Pty Ltd, acquired 100% interest in the Aquatic Achievers business, a swimming pool owner and operator providing swimming programs.

	2018 \$'000
<b>i) Purchase Consideration</b>	
Cash paid	22,408
Contingent consideration	1,590
<b>Total Purchase consideration</b>	<b>23,998</b>

Contingent consideration is based on an earn-out clause in the Business Sale and Purchase Deed which requires the Group to pay the vendor amounts in excess of the base EBITDA for FY2020 and for FY2021.

The fair value of the deferred contingent consideration of \$1.59 million was calculated using the present value of the future expected cash flows at the post-tax discount rate of 13.2% per annum and the probability of meeting performance targets.

## Group Structure and Performance

### 6

#### NOTE 6 BUSINESS COMBINATIONS (continued)

	2018 \$'000
<b>ii) The provisional assessment of fair value of assets and liabilities acquired:</b>	
Cash	2
Prepayments and other assets	198
Inventories	32
Property	7,000
Plant and equipment	2,712
Brand	1,429
Curriculum	5,357
Goodwill	7,921
Accounts payables and accruals	(402)
Provisions	(251)
<b>Net assets acquired</b>	<b>23,998</b>

	2018 \$'000
<b>iii) Net cash outflow to acquire Aquatic Achievers business</b>	
Total cash consideration	22,408
Less: Cash balance acquired	(2)
Outflow of cash – investing activities	22,406
Stamp duty expensed	1,261
Other acquisition costs expensed	373
<b>Total net outflow of cash</b>	<b>24,040</b>

Intangible assets comprising the Aquatic Achievers brand, curriculum and goodwill are all considered to have indefinite lives with no amortisation applied. The brand and curriculum were valued on royalty-based valuation method by applying royalty rates, based on observable transactions, to the swimming lesson revenue used on the profit forecasts to support the acquisition. The resulting income stream was used in discounted cash flow model over a 5.5 year period at the post-tax discount rate of 13.2% per annum.

From the date of the acquisition, the Aquatic Achievers business contributed \$4.82 million of revenues and \$1.38 million to net profit before tax of the group. If the acquisition had occurred on 1 August 2017, revenue and before-tax profit from continuing operations would have been \$9.44 million and \$2.58 million respectively.

#### Round Oak Minerals Pty Ltd acquisition of the Jaguar copper-zinc operation

Round Oak Minerals Pty Ltd (formerly CopperChem Limited), a subsidiary of the Parent Entity acquired 100% of the shares in Independence Jaguar Pty Limited, a copper and zinc mine located in Western Australia on 31 May 2018. Consideration is payable by instalments over the next three years:

	<b>2018</b> \$'000
<b>i) Purchase Consideration</b>	
Cash paid at acquisition – current year	25,948
First deferred payment – payable on 31 May 2019	14,875
Second deferred payment – payable on 31 May 2020	14,747
Third deferred payment – payable on 31 May 2021	14,114
<b>Total Purchase Consideration</b>	<b>69,684</b>

The fair value of the deferred consideration was estimated calculating the present value of the future expected cash flows at the post-tax discount rate of 4.49% per annum.

The fair value of net assets recognised in this report are based on a provisional assessment while the Group is seeking an independent valuation of certain assets.

	<b>2018</b> \$'000
<b>ii) The provisional assessment of fair value of assets and liabilities acquired:</b>	
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	5
Trade and other receivables	5,659
Inventories	21,174
Property, plant and equipment	25,238
Mining right acquired	39,150
Deferred tax assets	3,738
Trade and other payables	(11,084)
Employee provisions	(1,534)
Provision for rehabilitation	(12,662)
<b>Net assets acquired</b>	<b>69,684</b>

An intangible asset representing the implied value of the mining right was recognised on acquisition. This represents the value of natural resources to be extracted over the Jaguar mine's useful life using a post-tax discount rate of 17.0% per annum. The discounted cash flow model was calculated using the key assumptions of projected resource and reserves, commodity forecasts and weighted average cost of capital. The mining right is amortised over the mine's useful life in proportion to the production schedule.

	<b>2018</b> \$'000
<b>iii) Net cash outflow to acquire Jaguar mine</b>	
Total cash consideration	25,948
Less: Cash balance acquired	(5)
Outflow of cash – investing activities	25,943
Stamp duty expensed	3,650
Other acquisition costs expensed	378
<b>Total net outflow of cash</b>	<b>29,971</b>

From the date of the acquisition, the Jaguar mine contributed \$15.2 million of revenues and \$2.6 million to net loss before tax of the group. If the acquisition had occurred on 1 August 2017, revenue and before-tax profit from continuing operations would have been \$126.3 million and \$10.1 million respectively.

## Group Structure and Performance

### 6

#### **NOTE 6** **BUSINESS COMBINATIONS (continued)**

##### **Acquisitions during the prior year**

##### **New Hope Corporation Limited acquisition of Oil producing assets**

During the prior year, the Group acquired a business constituting the Greater Kenmore and Bodalla Area (GKBA) oil producing and exploration fields. This transaction constitutes a business combination. The Group acquired 100% of the interests in the Kenmore (PL32), Bodalla South (PL31) and Blackstump (PL47) oil producing assets. The acquisition also included two joint ventures: ATP 269 (Coolum/Byrock) JV (93.21%) and ATP 269 (Glenvale/Bargie) JV (93.9%).

The Group acquired oil producing assets of \$13.3 million and assumed rehabilitation related provisions of \$12.5 million, resulting in a net cash outflow of \$800,000. There were \$248,000 of acquisition costs expensed in relation to this acquisition during the year ended 31 July 2017.

##### **Key judgements and estimates**

##### **Acquisition fair value**

The determination of the fair values of net identifiable assets acquired, and of any goodwill, involves significant judgement. The allocation of fair value between intangible assets, and the tangible assets with which they are used, is also judgemental. The Group engages third-party valuers to advise on the purchase price allocation for significant acquisitions.

### 7

#### **NOTE 7** **EVENTS AFTER THE REPORTING DATE**

On 7 August 2018, New Hope Corporation Limited (a controlled entity) reached a binding commitment with Wesfarmers Limited to acquire a further 40% interest in the Bengalla Joint Venture for \$860.00 million. Following completion of the transaction, New Hope Corporation will own up to an 80% interest (subject to pre-emptive rights) in the Bengalla Joint Venture. Settlement is expected to occur in early 2019.

On 22 August 2018, the Parent Entity completed the sale of its property at 160 Pitt Street, Sydney. The proceeds received from the sale of the property was \$95.00 million and an after tax gain of approximately \$67.95 million will be recognised in the 2019 financial statement.

On 30 August 2018, TPG Telecom Limited (TPG), an associate of the Parent Entity, announced the proposed merger between Vodafone Hutchison Australia and TPG to establish a fully integrated telecommunication operator in Australia. The Parent Entity is currently assessing the impact of the proposed merger on the Group.

Other than the above, the Directors are not aware of any other events subsequent to balance date that would significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

## Accounting for Our Investments

The Group invests in equities (subsidiaries, joint arrangements, associated entities, and other equity investments), investment properties, term deposits, loans and cash. This section describes how each of these investments are recognised and measured in the consolidated financial statements.

### 8

#### NOTE 8 INVESTMENTS IN CONTROLLED ENTITIES (SUBSIDIARIES)

##### Accounting policy – Investments in controlled entities

Investments in controlled entities such as New Hope Corporation Limited, the PSRE Urban Regeneration Trust, Round Oak Minerals Pty Ltd (formerly CopperChem Limited) (refer to segment note for a detailed listing of subsidiaries) are not recognised as individual investments in the consolidated financial statements. The assets and liabilities of each controlled entity are instead recognised in the statement of financial position. Dividends from controlled entities are not recognised in the consolidated income statement, instead the results from each controlled entity are included in profit and loss.

Washington H. Soul Pattinson and Company Limited, the Parent Entity has a 50.01% (2017: 59.65%) shareholding in its subsidiary, New Hope Corporation Limited. New Hope Corporation Limited is a diversified energy company, with operations covering coal mining and production, coal port operations and oil and gas production and exploration. Operations are mainly based in South East Queensland and in the Hunter Valley region, NSW with the Bengalla Joint Venture. The remaining 49.99% (2017: 40.35%) shareholding in New Hope Corporation Limited (non-controlling interests) has a proportional share in the results and equity of New Hope Corporation Limited.

The Group consolidates the net assets and results of subsidiaries in full, and discloses separately for each, the amounts not controlled by the Group (non-controlling interests). The following provides a summary of the financial information of New Hope Corporation Limited:

- Total assets \$2.338 billion (2017: \$2.182 billion); Total liabilities \$449.967 million (2017: \$328.217 million);
- Net assets \$1.888 billion (2017: \$1.853 billion);
- Net increase in cash and cash equivalents \$28.747 million (2017: increase \$153.294 million);
- Non-controlling interest share of net assets \$944.011 million (2017: \$747.850 million); and
- Non-controlling interest share of profit after income tax for the year \$68.033 million (2017: \$56.085 million).

##### Changes in Group Structure

On 31 July 2018, the Parent Entity transferred 100% of shares in Exco Resources Pty Limited, a controlled entity at book value to Round Oak Minerals Pty Ltd (formerly CopperChem Limited).

## Accounting for Our Investments

### 9

#### NOTE 9 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (JOINT OPERATIONS AND JOINT VENTURES)

##### Accounting policy – Investments in Joint arrangements

A joint arrangement is an arrangement where two or more parties share control. Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure.

##### Joint operations

A joint operation is a joint arrangement in which the parties that share joint control, have rights to the assets, and obligations for the liabilities relating to the arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated into the Group's financial statements under the appropriate headings.

##### Joint ventures

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost.

Through New Hope Corporation Limited and its subsidiaries, the Group holds interests in the following Joint arrangements, each of which have been accounted for as a joint operation as described in the accounting policy above.

Name	Accounted for as:	Group's interest	Segment allocated to:
Bengalla Joint Venture	Joint operation	40%	Energy operations
Lenton Joint Venture	Joint operation	90%	Energy operations

##### **Bengalla Joint Venture**

On 7 August 2018, New Hope Corporation Limited reached a binding commitment with Wesfarmers Limited to acquire a further 40% interest in the Bengalla Joint Venture for \$860.00 million (subject to pre-emptive rights). Following completion of the transaction, New Hope Corporation will own up to an 80% interest in the Bengalla Joint Venture. Settlement is expected to occur in early 2019.

##### **Key judgement**

##### **Classification of joint arrangements as a joint operation**

The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds with respect to the work programme and budget approval, investment decision approval, voting rights in joint operating committees and changes to the joint arrangement participant holdings. Where the Group has control, judgement is also required to assess whether the arrangement is a joint operation or a joint venture.

# 10

## NOTE 10 INVESTMENTS IN ASSOCIATES

### Accounting policy – Investments in associates

Associates are equity accounted, with the initial investment being increased/(decreased) by the Group's share of the associate's profits/(losses) as recognised in the income statement, movements in their reserves (other comprehensive income) and decreased by dividends received. Dividends from associates are not recognised in the consolidated income statement.

As the accounting policy for Investments in associates is considered key to understanding the Group's results and financial position, the detailed accounting policy is set out in the basis of consolidation at the beginning of this financial report (refer to page 62).

	2018 \$'000	2017 \$'000
<b>Non-Current Assets</b>		
Equity accounted associates	1,517,125	1,415,973

The equity accounted carrying amount of an associate does not reflect the fair value of the Group's investment in the associate. Details of the fair value of investments in listed associates are provided in note 10b.

### a) Movements in equity accounted carrying values

Carrying amount at 1 August	1,415,973	1,265,214
New investments during the period	10,751	176,495
Reclassification of long term equity investment to equity accounted associate	–	(123,498)
Reclassification of equity accounted associate to long term equity investment	(25,940)	–
Fair value gain on initial recognition as an equity accounted associate	–	61,499
Gain on deemed disposal of equity accounted associates	272	132
Disposal of equity accounted associate	–	(60,182)
Share of profits after income tax, before write downs	161,661	162,067
Impairment expense of equity accounted associates	(16,545)	–
Dividends received/receivable	(57,051)	(81,467)
Add back share of dividends received by associate	24,721	23,880
Share of associates increment/(decrement) in reserves	3,283	(8,167)
<b>Equity accounted carrying amount at 31 July</b>	<b>1,517,125</b>	<b>1,415,973</b>

## Accounting for Our Investments

# 10

### NOTE 10 INVESTMENTS IN ASSOCIATES

#### b) Details of investments and results in associates

Name of associated entity	Group's percentage of holding at balance date*		
	July 2018	July 2017	
Balance date	%	%	
<b>Associates – held by WHSP</b>			
<b>Apex Healthcare Berhad</b> Pharmaceutical manufacturer and distributor	31 Dec	30.3	30.3
<b>Australian Pharmaceutical Industries Limited<sup>(i)</sup></b> Pharmaceutical wholesaler	31 Aug	19.3	19.4
<b>BKI Investment Company Limited<sup>(ii)</sup></b> Listed investment company	30 June	–	9.5
<b>Brickworks Limited<sup>(i)</sup></b> Manufacturer of building products and investor	31 July	43.9	44.0
<b>Clover Corporation Limited<sup>(iii)</sup></b> Refinement and processing of natural oil	31 July	22.6	22.7
<b>Pengana Capital Group Limited</b> Funds management	30 June	39.2	39.2
<b>Ruralco Holdings Limited<sup>(iv)</sup></b> Rural supplies and services	30 Sept	–	–
<b>TPG Telecom Limited<sup>(v)</sup></b> Telecommunications and internet provider	31 July	25.3	25.2
<b>TPI Enterprises Limited<sup>(vi)</sup></b> Manufacturer of narcotic concentrate from poppy straw	31 Dec	19.9	18.9
<b>Verdant Minerals Limited<sup>(viii)</sup></b> Phosphate and potash explorer	30 June	33.4	38.3
<b>Associates – held by controlled entities<sup>(vii)</sup></b>	various	various	various
<b>Share of results from equity accounted associates</b>			
Gain on disposal of equity accounted associates, net of tax			
Gain on initial recognition of an equity accounted associate, net of tax			
Gain on derecognition of an equity accounted associate, net of tax			
Net gain/(loss) on deemed disposal of equity accounted associates, net of tax			
Deferred tax expense recognised on equity accounted associates			
Impairment expense of associates			
<b>Total non-regular items from equity accounted associates</b>			
<b>Net contribution from equity accounted associates</b>			

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

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

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Contribution to Group net profit for the year**						Fair value of listed investments***	
2018			2017			July 2018	July 2017
Regular	Non-Regular#	Total	Regular	Non-regular#	Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
5,019	(28)	4,991	3,757	(441)	3,316	83,469	49,108
9,669	(355)	9,314	13,560	659	14,219	160,666	166,845
-	-	-	4,599	(1,034)	3,565	-	100,336
44,518	(4,012)	40,506	41,212	(4,883)	36,329	1,022,751	866,516
1,718	-	1,718	876	-	876	58,363	17,209
4,799	(2,061)	2,738	467	(1,250)	(783)	133,025	123,467
-	-	-	2,930	(1,949)	981	-	-
109,033	(8,998)	100,035	104,956	(880)	104,076	1,350,122	1,304,750
(1,431)	(807)	(2,238)	(2,599)	(332)	(2,931)	20,705	40,338
(609)	(393)	(1,002)	(702)	(479)	(1,181)	6,272	11,437
5,562	37	5,599	3,926	(326)	3,600	n/a	n/a
<b>178,278</b>	<b>(16,617)</b>	<b>161,661</b>	<b>172,982</b>	<b>(10,915)</b>	<b>162,067</b>		
-	-	-	-	24,059	24,059		
-	-	-	-	43,049	43,049		
-	50,641	50,641	-	7,169	7,169		
-	190	190	-	(201)	(201)		
-	(39,198)	(39,198)	-	(32,535)	(32,535)		
-	(16,545)	(16,545)	-	-	-		
-	<b>(4,912)</b>	<b>(4,912)</b>	-	<b>41,541</b>	<b>41,541</b>		
<b>178,278</b>	<b>(21,529)</b>	<b>156,749</b>	<b>172,982</b>	<b>30,626</b>	<b>203,608</b>		

\*\*\* Fair value of listed investments represents the last sale price of listed associates at balance date. These are subject to capital gains tax and other transaction costs. Fair value of listed associates is classified as level 1 in the fair value hierarchy.

# Non-regular items defined in note 3.

All associates are incorporated in Australia except for Apex Healthcare Berhad (incorporated in Malaysia).

## Accounting for Our Investments

# 10

### NOTE 10 INVESTMENTS IN ASSOCIATES

#### b) Details of investments and results in associates (continued)

- (i) During the year, Australian Pharmaceutical Industries Limited and Brickworks Limited issued shares by way of employee share scheme. The Parent Entity did not participate in the share issues. As a result, there has been a change in the Group's shareholding in each of these investments.
- (ii) During the prior year, BKI Investment Company Limited was derecognised from being an equity accounted associate to a long term equity investment, resulting in an after tax profit of \$7.79 million.
- (iii) As at 31 July 2018, Clover Corporation Limited was derecognised from being an equity accounted associate to a long term equity investment, resulting in an after tax profit of \$33.26 million.
- (iv) During the prior year, the Parent Entity disposed of all its shareholding in Ruralco Holding Limited resulting in an after tax loss of \$1.86 million.
- (v) During the year, the Parent Entity participated in TPG Telecom Limited Dividend Reinvestment Plan. As a result, the Parent Entity's shareholding increased to 25.3% (an increase in shareholding of 0.1%).
- (vi) During the year, the Parent Entity purchased additional shares in TPI Enterprises Limited for \$1.4 million. This resulted in the Group's shareholding increasing to 19.9% (an increase in shareholding of 1.0%).
- (vii) As at 31 July 2018, controlled entities derecognised Heritage Brands Limited, Novonix Limited, Seven Miles Coffee Roasters Limited, Specialist Oncology Property Limited and Syndicated Metals Limited from being equity accounted associates, resulting in an after tax profit of \$17.31 million.
- (viii) During the year, the Parent Entity's interest in Verdant Minerals Limited decreased by 4.9% to 33.4% as a consequence of the Parent Entity's non participation in the issuance of ordinary shares to fund their Ammaroo Phosphate project.

#### Key estimate and judgements

##### *Recoverable value of investments in associates*

The recoverable amount of investments in equity accounted associates is reviewed at each reporting date after taking into consideration any applicable impairment indicators. Significant judgement is used when assessing impairment and the reversal of previously recognised impairment for equity accounted associates.

	2018 \$'000	2017 \$'000
<b>c) Group's share of associates' expenditure commitments</b>		
Capital commitments	49,641	386,199
Lease commitments	117,332	126,145
<b>d) Group's share of associates' contingent liabilities</b>		
Share of contingent liabilities incurred jointly with other investors of the associate	19,182	15,122

	<b>2018</b> \$'000	<b>2017</b> \$'000
<b>e) Summarised Group's share of associates financial information</b>		
Assets	3,095,207	2,735,115
Liabilities	(1,238,513)	(981,139)
<b>Net assets</b>	<b>1,856,694</b>	<b>1,753,976</b>
Revenue	1,995,301	2,652,935
Profit before income tax	227,051	228,857
Income tax expense	(65,390)	(66,790)
<b>Profit after income tax</b>	<b>161,661</b>	<b>162,067</b>

**f) Extract of financial information as reported by associates that are material to the Group**

The information disclosed reflects the total amounts reported in the financial statements of Brickworks Limited and TPG Telecom Limited amended to reflect adjustments made by the Group in applying the equity method.

	<b>Brickworks Limited</b>		<b>TPG Telecom Limited</b>	
	<b>2018</b> \$'000	<b>2017</b> \$'000	<b>2018</b> \$'000	<b>2017</b> \$'000
Current assets	368,473	356,979	231,800	211,200
Non-current assets	1,236,615	1,129,735	5,158,500	3,699,800
Current liabilities	(177,655)	(160,215)	(885,300)	(567,600)
Non-current liabilities	(417,482)	(393,321)	(1,720,800)	(944,100)
<b>Net assets</b>	<b>1,009,951</b>	<b>933,178</b>	<b>2,784,200</b>	<b>2,399,300</b>
<b>Group's percentage holding</b>	<b>43.94%</b>	<b>44.03%</b>	<b>25.26%</b>	<b>25.15%</b>
Group's share of total net assets	443,772	410,878	703,289	603,424
Goodwill	16,160	16,552	3,022	358
<b>Equity accounted carrying value</b>	<b>459,932</b>	<b>427,430</b>	<b>706,311</b>	<b>603,782</b>
Revenue	821,084	841,816	2,495,200	2,490,700
Profit after tax attributable to members	175,442	186,210	396,900	413,800
Other comprehensive income	(530)	(1,816)	7,300	(59,800)
<b>Total comprehensive income</b>	<b>174,912</b>	<b>184,394</b>	<b>404,200</b>	<b>354,000</b>
<b>Dividends received by Washington H. Soul Pattinson and Company Limited from the associate</b>	<b>34,135</b>	<b>32,166</b>	<b>*9,321</b>	<b>33,077</b>

\* WHSP participated in TPG Telecom's dividend reinvestment plan (non-cash transaction) during the year. This resulted in an increase in shareholding of 0.1% to 25.3.

Refer to note 10b for associates profit contributions to the Group.

## Accounting for Our Investments

# 11

### NOTE 11 OTHER EQUITY INVESTMENTS

**Accounting policies – Other equity investments (excluding controlled entities, jointly controlled entities and associates)**

**Recognition**

Purchases of equity investments are recognised on trade date being the date on which the Group commits to purchase the asset.

**Classification**

The Group classifies its equity investments into the following categories: long term equity investments, trading equities and held for sale equities. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition.

**Trading equities**

Trading equities are initially recognised at fair value and any transaction costs are immediately expensed.

The portfolio consists of equities that are principally held for the purpose of selling in the short to medium term. Trading equities are included in current assets.

**Long term equity investments**

Long term equity investments are initially recognised at fair value plus any transaction costs. These investments are intended to be held for the long term for capital growth and dividend income. These investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date at which time they are transferred to and disclosed as held for sale equities.

**Subsequent measurement**

At each balance date, trading equities and long term equity investments are remeasured to fair value. Gains or losses arising from changes in the fair value of trading equities are recognised in the income statement within other income in the period in which they arise. Changes in the fair value of long term equity investments are recognised in equity through the asset revaluation reserve after allowing for deferred capital gains tax. All long term equities are subject to capital gains tax.

**Impairment**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as long term equity investments, a significant or prolonged decline in the value of a security below its cost is considered an indicator that the security may be impaired. Impairment losses are recognised in the income statement unless the asset has previously been revalued through the asset revaluation reserve, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the income statement. An impairment recognised for a long term equity investment is prohibited from being reversed through profit and loss. Any future increments in the fair value of these investments will be recognised as a fair value increment in the asset revaluation reserve.

**Dividend income**

Dividend income is recognised as revenue when the right to receive the dividend is established, and is generally the ex-dividend date.

**Derecognition**

Equity investments are derecognised when the rights to receive cash flows from the equity investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as long term equity investments are sold, the accumulated fair value adjustments previously recognised in equity, are transferred to the income statement.

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	<b>2018</b> \$'000	<b>2017</b> \$'000
<b>Current Assets</b>		
Trading equities – Listed	60,902	32,509
Trading equities – Unlisted	9,028	14,484
Total trading equities	69,930	46,993
<b>Non-Current Assets</b>		
Long term equity investments – Listed (refer to note 11a)	720,297	648,102
Long term equity investments – Unlisted	11,971	3
Total long term equity investments	732,268	648,105
Other financial assets – unlisted equity investments	17,571	4,984

#### a) Long term equity investments pledged as security for short term finance

During the current year, the Parent Entity repaid its \$40.000 million equity finance loan. Upon repayment of the finance loan, the ownership of these long term equities was transferred back to the Parent Entity. In the prior year, long term equities with a fair value of \$48.957 million were transferred to the bank as security for the \$40.000 million equity finance loan.

#### b) Fair value and price risk

Information regarding the Group's exposure to price risk is set out in note 20 and fair value classification is set out in note 21.

The fair value of these investments is based on quoted market prices being the last sale price, at the reporting date. Listed equities are traded in an active market, with the majority of the Group's investments being publicly traded on the Australian Securities Exchange. Unlisted securities do not trade in an active market. The fair value measurement of other financial assets is approximated by the lower of cost price or impaired value.

#### Long term equity investments – Listed

At 31 July 2018, Washington H. Soul Pattinson and Company Limited (the Parent Entity) held \$688.576 million (2017: \$645.419 million) of the consolidated balance.

#### Listed and unlisted trading equities

Represents equities held by Washington H. Soul Pattinson and Company Limited (the Parent Entity).

#### Key estimate and judgements

##### *Impairment of financial assets*

The Group has made significant judgements about the impairment of a number of its long term equity investments and its unlisted other financial assets.

Where there was a decrease in the share price below the cost of a long term equity investments judgement was made as to whether the decrease was 'significant and prolonged', and if so the investment was considered to be impaired.

## Accounting for Our Investments

# 12

### NOTE 12 INVESTMENT PROPERTIES

#### Accounting policy – Investment properties

Investment properties consist of properties held for long term rentals and/or capital appreciation and properties being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost including transaction costs. Other costs capitalised into the carrying value of investment properties include development, construction, redevelopment, refurbishment (other than repairs and maintenance) and interest (until the property is ready for its intended use).

Investment properties are subsequently stated at fair value. Changes in fair value are recognised as gains or losses in the Income Statement as part of 'Other income'.

Valuations are obtained periodically, and at least every three years from independent Registered Property Valuers who hold recognised and relevant qualifications and have recent valuation experience in the location and categories of each property held.

At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking account of the most recent independent valuations.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight line basis. The amortisation is applied to reduce gross rental income. Rental income is recognised on a straight line basis within revenue.

On disposal of an investment property, a gain or loss is recognised in the income statement in the year of disposal. It is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds received.

	2018 \$'000	2017 \$'000
<b>Non-Current Assets</b>		
<b>Investment properties</b>		
Industrial property	33,716	46,889
Commercial property	72,428	95,689
Property under development	52,110	22,438
<b>Total investment properties</b>	<b>158,254</b>	<b>165,016</b>
<b>Reconciliation</b>		
Opening net book amount	165,016	92,932
Acquisitions	–	63,883
Disposals	(25,454)	–
Capitalised costs	13,007	178
Property transferred from property, plant and equipment	3,757	–
Property transferred to property, plant and equipment	(669)	–
Variation of a lease	2,650	–
Movement in tenant incentives, 'make good' contributions, contracted rent uplift balances and leasing fee asset	(53)	(871)
Net fair value gain on investment properties	–	8,894
<b>Closing net book amount</b>	<b>158,254</b>	<b>165,016</b>

In the current year, a 100% owned Sydney metropolitan commercial property was disposed of for \$29.06m. In the prior year, the Group acquired three investment properties for a total of \$63.88 million. WHSP holds a 50.1% interest in these properties, with URB Investments Limited (ASX:URB) holding 49.9%. These properties are all located within the greater Sydney area.

**a) Amounts recognised in the income statement for investment properties**

	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
Rental income	7,058	6,929
Direct operating expenses from property that generated rental income	4,588	3,701
Direct operating expenses from property that did not generate income	1,102	287

Operating expenses for property that generated income includes finance costs of \$1,006,000 (2017: \$804,000).

**b) Measuring investment properties at fair value**

The basis of valuations for investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

In determining fair value, appropriate valuation techniques may be used, including the discounted cashflow and capitalisation methods. Discount rates and capitalisation rates are determined based on industry experience and knowledge and where possible, a direct comparison to third party rates for similar assets in comparable locations. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are reflected in fair value.

In relation to properties under development, fair value is determined based on the market value of the property on the assumption it has already been completed at the valuation date less costs to complete the project, including an appropriate adjustment for profit and risk.

The fair value hierarchy, as discussed in note 21 to this report, provides an indication about the reliability of the inputs used in determining fair value. All investment properties have been categorised within the Level 3 fair value basis as some of the inputs required to value property are not based on 'observable market data'.

**c) Non-current assets pledged as security**

As at 31 July 2018, \$72.427 million (2017: \$45.705 million) of the Group's investment property was pledged as security. Refer to note 23 for information on non-current assets pledged as security by the Group.

**d) Leasing arrangements**

	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
The Group is entitled to receive rental income from non-cancellable operating leases on investment properties. The amounts have not been recognised in the financial statements and are receivable as follows:		
Within one year	6,160	5,947
Later than one year but not later than five years	8,992	13,625
Later than five years	3,677	1,859
	<b>18,829</b>	<b>21,431</b>

## Accounting for Our Investments

# 13

### NOTE 13 TERM DEPOSITS

#### Accounting policy – Term deposits

Term deposit investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Term deposit financial assets are included in current assets, except those with maturities of more than 12 months from the reporting date, which are classified as non-current assets.

#### Recognition and derecognition

A term deposit is recognised on the date when the cash funds are deposited with the bank. The term deposit is derecognised on the term maturity date of the deposit.

#### Subsequent measurement

Term deposits are carried at amortised cost using the effective interest method.

	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
Term deposits	206,044	1,044

Term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 2.55% per annum (2017: 2.62%).

Term deposits in the statement of financial position at reporting date include term deposits held by the Parent Entity and its controlled entities.

At 31 July 2018, New Hope Corporation Limited held \$205.000 million (2017: \$nil); and Round Oak Minerals Pty Ltd (formerly CopperChem Limited) held \$1.044 million (2017: \$1.044 million) of the consolidated balance.

# 14

## NOTE 14 CASH AND CASH EQUIVALENTS

### Accounting policy – Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank, and deposits held with financial institutions for which there is a short-term identified use in the operating cash flows of the Group. Bank overdrafts, should they occur, are shown within borrowings in current liabilities in the statement of financial position.

	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
Cash at bank and on deposit	337,933	301,275

Cash at bank and on deposit attracts interest at rates between 0% and 1.85% per annum (2017: 0% and 1.50%).

Cash at bank in the statement of financial position at reporting date includes cash held by the Parent Entity and its controlled entities. At 31 July 2018, Washington H. Soul Pattinson and Company Limited (the Parent Entity) held \$41.946 million (2017: \$55.876 million); New Hope Corporation Limited, a controlled entity of Washington H. Soul Pattinson and Company Limited held \$274.975 million (2017: \$236.885 million) of the consolidated balance.

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

	2018 \$'000	2017 \$'000
<b>Profit after tax for the year</b>	<b>335,300</b>	<b>391,354</b>
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	98,694	101,603
Impairment charges	154,436	18,423
Gain on sale of long term equity investments	(22,687)	(33,291)
Loss/(gain) on trading equities fair valued through profit and loss	1,003	(1,240)
Recovery of prior year rail access charges	–	(19,908)
Net loss/(gain) on sale of non-current assets	769	(1,470)
Gain on revaluation of investment property	–	(8,894)
Share of profits of associates not received as dividends or distributions	(105,326)	(80,601)
Net foreign exchange (gain)/loss	(9,343)	7,571
Gain on initial recognition of an equity accounted associate	–	(61,499)
Gain on derecognition of equity accounted associates	(72,247)	(10,507)
Gain on deemed disposal of equity accounted associates	(272)	(132)
Gain on sale of equity accounted associate	–	(21,538)
Gain on sale of investment property	(3,195)	–
Non-cash share based payments	1,880	591
Other non-cash items	2,462	(803)
<b>Changes in operating assets and liabilities, net of effects from purchase and sales of businesses:</b>		
(Increase)/decrease in trade debtors, other debtors and prepayments	(28,598)	12,600
Decrease/(increase) in inventory	5,325	(927)
Increase in trade creditors and accruals	18,178	5,035
Increase in employee entitlements, other liabilities and provisions	36,036	11,160
Decrease/(increase) in current tax asset	13,024	(11,538)
Increase/(decrease) in current tax payable	52,267	(941)
(Decrease)/increase in deferred tax liability	(8,893)	110,024
Decrease/(increase) in deferred tax asset	38,747	(5,680)
<b>Net cash inflow from operating activities</b>	<b>507,560</b>	<b>399,392</b>

## Revenue and Expenses

# 15

### NOTE 15 REVENUE

#### Accounting policy – Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

- Coal sales revenue is recognised at the time the risks and benefits of ownership have been transferred to the customer in accordance with the sale terms. For export sales this is normally at the time of loading the shipment, and for domestic sales this is generally at the time the coal is delivered to the customer.
- Revenue from the sale of goods (net of returns, discounts and allowances) is recognised when title has transferred to the customer in accordance with the sales terms. Where a sale is settled through instalments, interest revenue is recognised over the contract term, using the effective interest rate method.
- Service fee income, including consulting and management fee income, is recognised as the services are performed.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is taken into revenue when the right to receive payment is established. As earnings from controlled entities and associates are included in consolidated profit, dividends from controlled entities and associates are not included in consolidated revenue.
- Rental income is recognised on a straight-line basis over the lease term.

	2018 \$'000	2017 \$'000
<b>From continuing operating activities</b>		
<b>Sales revenue</b>		
Sale of goods	1,097,941	899,612
Services	22,222	22,161
<b>Total Sales revenue</b>	<b>1,120,163</b>	<b>921,773</b>
<b>Other revenue</b>		
Dividends received – Other corporations	28,789	25,144
Interest received – Other corporations	9,914	9,248
Rental income	8,904	8,181
Other	7,112	3,224
Total other revenue	54,719	45,797
<b>Total revenue</b>	<b>1,174,882</b>	<b>967,570</b>

#### Revenue composition

A significant portion of the Group's sales revenue is derived from New Hope Corporation Limited \$1,053.241 million (2017: \$824.570 million) through the sale of:

- Coal, both internationally and domestically; and
- Oil and gas, domestically.

Sales revenue also includes the sale of:

- Pharmaceutical products sold through Washington H. Soul Pattinson and Company Limited's Pitt Street chemist; and
- Copper and zinc concentrate, copper sulphate and gold sold domestically and internationally through Round Oak Minerals Pty Ltd (formerly CopperChem Limited).

# 16

## NOTE 16 OTHER INCOME

### Accounting policies – Other income

Other income represents gains or losses made on:

- changes in fair value for certain assets including trading equities, unlisted investments, investment property and where a previously held equity investment becomes an equity accounted associate.
- the sale of an asset including the sale of equity investments, investment property and equity accounted associates. With the exception of the long term equity investments, the gain or loss is calculated as the difference between the proceeds received and the carrying value of the asset. For the sale of long term equity investments, whilst the gain is calculated in the same manner, it also includes any fair value changes that have previously been recognised in equity (through reserves). As these amounts have not previously been recognised in the profit and loss, they are included in the gain when the long term equity investment is sold; and
- deemed disposals of equity accounted associates. This occurs when the Group's percentage holding in an associate decreases but there has not been a loss of significant influence. The Group continues to equity account the associate.

	2018 \$'000	2017 \$'000
Gain on derecognition of equity accounted associates	72,247	10,507
Gain on sale of equity accounted associate	–	21,538
Gain on initial recognition of an equity accounted associate	–	61,499
Gain on deemed disposals of equity accounted associates	272	132
Gain on sale of long term equity investments	22,687	33,291
(Loss)/gain on trading equities fair valued through profit and loss	(1,003)	1,240
Gain on revaluation of investment property	–	8,894
Gain on sale of investment property	3,195	–
Recovery of prior period rail access charges	–	19,908
Recovery of legal costs	–	2,250
Insurance recovery	298	2,000
Other items	892	3,086
<b>Total other income</b>	<b>98,588</b>	<b>164,345</b>

## Revenue and Expenses

17

### NOTE 17 EXPENSES

#### Accounting policies – Expenses

##### **Depreciation and amortisation**

Depreciation and amortisation expenses are non-cash expenses and represent the allocation of the cost of certain fixed assets such as buildings, plant and equipment and mining reserves and development, over the time that the asset is expected to generate revenue for the Group.

Different depreciation rates apply to each asset and are included in the notes for each asset.

##### **Impairment**

Impairment charges are non-cash expenses and are recognised when the carrying value of an asset or group of assets is no longer recoverable either through the use or sale of the asset. Recoverable value assessment for each asset class is discussed within the notes for each asset.

Impairment losses are expensed to the income statement unless the asset has been previously revalued. Where the asset has been previously revalued, the reduction in value is recognised as a reversal to the extent of the previous revaluation, and any residual is recognised as an impairment expense.

An impairment expense recognised on goodwill or a long term equity investment is permanent and is prohibited from being reversed.

For all other assets, an assessment is made at each reporting date as to whether an impairment loss recognised in a prior period no longer exists or has decreased. If it is determined that the impairment is no longer required, the carrying value of the asset is increased and the previously recognised impairment expense is reversed in the income statement.

##### **Employee benefits expense**

Employee benefits expense includes the payment of salary and wages (including the value of non-cash benefits such as share based payments), sick leave and accruals for annual leave and long service leave.

##### **Finance costs**

Finance costs are expensed when incurred, except for interest incurred on borrowings that relate to the construction of Investment properties. This interest was included in the cost of the properties.

##### **Exploration costs expensed**

Exploration costs that do not satisfy the criteria to be capitalised are expensed. Refer Note 27 for discussion on the criteria.

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	Notes	2018 \$'000	2017 \$'000
<b>Profit before income tax expense includes the following specific expenses:</b>			
<b>Depreciation</b>			
Buildings		1,555	1,235
Plant and equipment		51,079	56,946
<b>Total depreciation</b>		<b>52,634</b>	<b>58,181</b>
<b>Amortisation</b>			
Mining reserves and mine development		35,664	34,236
Intangible assets		2,360	2,284
Oil producing assets		7,961	6,769
Lease incentive and leasing fee assets		75	133
<b>Total amortisation</b>		<b>46,060</b>	<b>43,422</b>
<b>Impairment charges/(reversals)</b>			
Equity accounted associates <sup>(i)</sup>		16,545	–
Long term equity investments <sup>(ii)</sup>		5,889	8,052
Coal exploration assets <sup>(iii)</sup>		132,289	–
Property, plant and equipment		570	–
Other assets <sup>(iv)</sup>		(857)	10,371
<b>Total impairment charges/(reversals)</b>		<b>154,436</b>	<b>18,423</b>
<b>Impairment is allocated to asset classes:</b>			
Equity accounted associates	10	16,545	–
Long term equity investments	11	5,889	8,052
Property, plant and equipment	26	570	(2,075)
Exploration and evaluation assets	27	132,289	–
Other operating assets		(857)	12,446
<b>Total impairment charges/(reversals)</b>		<b>154,436</b>	<b>18,423</b>
<b>Employee benefits expense <sup>(v)</sup></b>		<b>148,732</b>	<b>144,672</b>
<b>Finance costs <sup>(vi)</sup></b>		<b>2,162</b>	<b>3,577</b>
<b>Operating lease costs expensed</b>		<b>14,706</b>	<b>12,943</b>
<b>Exploration costs expensed <sup>(vii)</sup></b>		<b>13,561</b>	<b>14,735</b>
<b>Handling charges future obligations <sup>(viii)</sup></b>		<b>14,976</b>	<b>–</b>

### Key Estimate

#### **Recoverable value and impairment**

The assessments of the recoverable value of non-current assets involves significant areas of estimation and judgement by management. Valuations have an element of uncertainty and therefore may not reflect the actual values of these assets in the future.

## Revenue and Expenses

# 17

### NOTE 17 EXPENSES (continued)

#### **i) Impairment of equity accounted associates**

The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2018. Where the carrying value of an investment exceeds the recoverable amount, the investment has been impaired. At each reporting date, an assessment is made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through the income statement. In the current year, an impairment expense of \$16.55 million was recognised on the investment in TPI Enterprises Limited (2017: \$nil).

#### **ii) Impairment of long term equity investments**

In accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment'. Where a long term equity investment's last sale price is lower than the original cost, and the investment is considered to be 'impaired', the Group has recognised an impairment expense in respect of these investments. An impairment recognised for a long term equity investment is prohibited from being reversed through profit and loss. Any future increments in the last sale price of these investments will be recognised as a fair value increment in the asset revaluation reserve. Impairments were recognised by the Group of \$5.89 million (2017: \$8.05 million). The impairment loss after tax and non-controlling interest was \$4.21 million (2017: \$5.13 million).

#### **iii) Impairment of coal exploration assets**

In the current financial year, New Hope Corporation Limited (a controlled entity) determined that an indicator of impairment existed as at balance date in respect of the Colton Coal exploration project. The indicator arises from recently increased charges associated with access to the Wiggins Island Coal Export Terminal (WICET) which was materially higher than those previously forecast and ongoing work regarding the assessment of Joint Ore Reserves Committee (JORC) reserves position of this asset. As a result an impairment assessment has been undertaken and an impairment loss has been recognised for the year ended 31 July 2018.

For the purpose of assessing impairment of the Colton Coal exploration project, New Hope Corporation Limited has utilised the fair value less cost to dispose (FVLCD) method underpinned by a resource multiple. A resource multiple is considered the most appropriate valuation methodology for an exploration asset of this type.

Given the significant costs associated with access to WICET (which have increased significantly since the terminal commenced operations), New Hope Corporation Limited has determined that it is appropriate to discount recent transaction multiples to account for the onerous nature of the obligations to WICET. At the prevailing WICET costs, New Hope Corporation Limited has determined that it is inappropriate to ascribe any value to the JORC resources and as a result a full impairment for the carrying value of the Colton assets of \$132.29 million has been recognised. The impairment loss after tax and non-controlling interest was \$46.31 million. Refer to notes 26 and 27.

#### **iv) Impairment of other assets**

In the current financial year, New Hope Corporation Limited reversed previous impairments of coal to liquids facility assets. The impairment gain after tax and non-controlling interest was \$300,000. In the prior financial year, the Parent Entity impaired the carrying value of certain unlisted trading equities and loans receivable that exceeded their recoverable amount. The impairment losses after tax and non-controlling interest was \$7.26 million.

#### **v) Employee benefits expense**

Employee benefits expense represents expenses paid to all employees within the Group. This amount includes \$132.82 million (2017: \$126.41 million) paid to employees of New Hope Corporation Limited.

#### **vi) Finance costs**

In the prior financial year, the Parent Entity paid interest of \$775,682 to Directors and their related parties.

#### **vii) Exploration costs expensed**

These amounts relate to New Hope Corporation Limited exploration costs expensed.

#### **viii) Handling charges future obligations**

These amounts relate to New Hope Corporation Limited future handling charges arising from an onerous contract.

## 18

## Taxation

**NOTE 18**  
INCOME TAX EXPENSE**Accounting policy – Income tax expense**

The income tax expense or benefit for the period represents the tax payable on the current period's taxable income based on the Australian corporate income tax rate (30%) adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

**Tax consolidation legislation**

Some of the entities within the Consolidated Entity have formed tax consolidated groups under the tax consolidation regime. The Australian Tax Office has been notified on these decisions.

Controlled entities within the relevant tax consolidated groups, continue to be responsible under tax funding agreements, for funding their share of tax payments that are required to be made by the head entity in their tax consolidation group. These tax amounts are measured as if each entity within the tax consolidated group, continues to be a stand-alone tax payer in their own right.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
<b>a) Income tax expense comprises:</b>		
<b>Current income tax expense</b>		
Current year	95,888	13,246
Adjustments in respect of prior years	17,735	2,051
<b>Deferred income tax expense</b>		
– Relating to the origination and reversal of temporary differences	10,897	104,688
<b>Income tax expense recognised in the income statement</b>	<b>124,520</b>	<b>119,985</b>
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	(1,716)	10,556
Increase/(decrease) in deferred tax liabilities	12,613	94,132
	<b>10,897</b>	<b>104,688</b>

## Taxation

18

**NOTE 18**  
INCOME TAX EXPENSE (continued)

	2018 \$'000	2017 \$'000
<b>b) Reconciliation of prima facie tax expense to income tax expense:</b>		
<b>Profit before income tax</b>	<b>459,820</b>	<b>511,339</b>
Tax at the Australian tax rate of 30% (2017: 30%)	137,946	153,402
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sale of long term equity investments	(2,204)	(10,596)
Net impairment expense	5,219	307
Franking credits received (excluding controlled and associate entities)	(7,337)	(7,419)
Tax benefit on the carrying value of equity accounted associates	(9,302)	(16,379)
Other	198	670
<b>Total income tax expense</b>	<b>124,520</b>	<b>119,985</b>
The effective tax rates are as follows:	27.1%	23.5%
<b>c) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly charged or credited to equity		
Decrease/(increase) to deferred tax assets	44,371	4,838
(Decrease)/increase to deferred tax liabilities	(6,133)	(5,182)
<b>Net deferred tax – charged/(credited) directly to equity</b>	<b>38,238</b>	<b>(344)</b>
<b>d) Unrecognised deferred tax assets</b>		
Relating to the tax consolidated groups of		
Washington H. Soul Pattinson and Company Limited	45,810	42,453
New Hope Corporation Limited	178,008	160,423
<b>Total unrecognised deferred tax assets</b>	<b>223,818</b>	<b>202,876</b>
<b>Potential tax benefit at 30%</b>	<b>67,145</b>	<b>60,863</b>

**Key Estimates:****Petroleum resource rent tax (PRRT)- New Hope Corporation Limited**

As a result of the 100% acquisition of Bridgeport Energy Limited during 2013, the Group is subject to Petroleum resource rent tax (PRRT) effective 1 July 2012 being the date of the extension of the PRRT to onshore petroleum projects. The Group has accounted for the current and deferred tax impact of PRRT in accordance with the requirements outlined in the income tax expense policy. As such, the Group has recorded current and deferred tax assets and liabilities relating to PRRT at the prevailing PRRT rate at 31 July 2018 and 31 July 2017.

A subsidiary of the Group, New Hope Corporation Limited (New Hope), as head company of the New Hope income tax consolidated group, has made a PRRT consolidation election and as such the New Hope tax consolidated group includes three PRRT consolidated groups at 31 July 2018 and 31 July 2017. New Hope has accounted for its PRRT tax balances in accordance with the stand alone taxpayer method in alignment with the tax funding arrangements.

# 19

## NOTE 19 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

### Accounting policy – Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are calculated on the differences (temporary differences) between the carrying amount of assets and liabilities as recognised in the consolidated financial statements and their tax cost base multiplied by the tax rate expected to apply when these assets are recovered or liabilities are settled. The current Australian corporate tax rate applicable to the Group is 30%.

Deferred tax asset or liabilities are provided in full, using the liability method. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

	2018 \$'000	2017 \$'000
<b>Deferred tax assets temporary differences attributed to:</b>		
<b>Amounts recognised in the income statement</b>		
Provisions	58,612	47,883
Accrued expenses	3,544	1,024
Impairment losses	16,331	18,409
Capitalised exploration	9,192	9,515
Property, plant and equipment	6,264	5,509
Tax value of losses carried-forward	23,732	70,904
Other	10,721	11,034
	<b>128,396</b>	<b>164,278</b>
<b>Amounts recognised directly in equity</b>		
Long term equity investments	1,306	717
Share issue costs	10	10
	<b>1,316</b>	<b>727</b>
<b>Total deferred tax assets</b>	<b>129,712</b>	<b>165,005</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(58,145)	(58,429)
<b>Net deferred tax assets</b>	<b>71,567</b>	<b>106,576</b>
<b>Movements:</b>		
Opening balance at 1 August	165,005	176,638
Credited/(charged) to the income statement	1,716	(10,556)
Charged to equity (note 18c)	(44,371)	(4,838)
Amounts recognised on acquisition of businesses	7,362	3,761
<b>Closing balance at 31 July</b>	<b>129,712</b>	<b>165,005</b>

## Taxation

19

**NOTE 19****DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)****Key Estimate****Deferred tax assets**

Deferred tax assets have been recognised relating to carried forward capital losses, income losses and temporary differences, based on current tax rates. Utilisation of capital tax losses and income losses requires the realisation of capital gains and taxable income respectfully, in subsequent years and the ability to satisfy certain tests at the time the losses are recouped. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognised.

	2018 \$'000	2017 \$'000
<b>Deferred tax liabilities temporary differences attributed to:</b>		
<b>Amounts recognised in the income statement</b>		
Property, plant and equipment	793	3,675
Capitalised exploration	60,949	93,979
Inventories	5,475	6,502
Investments	280,886	219,896
Other	1,049	6,012
	<b>349,152</b>	<b>330,064</b>
<b>Amounts recognised directly in equity</b>		
Long term equity investments	67,909	69,060
Property, plant and equipment	42,484	45,729
Cash flow hedges	–	5,423
Other investments	3,870	3,035
	<b>114,263</b>	<b>123,247</b>
<b>Total deferred tax liabilities</b>	<b>463,415</b>	<b>453,311</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(58,145)	(58,429)
<b>Net deferred tax liabilities</b>	<b>405,270</b>	<b>394,882</b>
<b>Movements:</b>		
Opening balance 1 August	453,311	360,600
Charged to the income statement	12,613	94,132
Credited to equity (note 18c)	(6,133)	(5,182)
Amounts recognised on acquisition of businesses	3,624	3,761
<b>Closing balance at 31 July</b>	<b>463,415</b>	<b>453,311</b>

It is important to note, that the deferred tax liability recognised above does not represent the total tax that would be incurred if all assets of the Group were to be sold. This is predominately due to subsidiaries and the associate entities not being carried at their market value in the consolidated financial statements. The market values of the listed investments together with the estimate of capital gains tax payable thereon is set out in note 1, Parent Entity financial information.

## Risk Management

### NOTE 20 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, price risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Entities within the Group use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of interest rate, foreign exchange and other price risks and ageing analyses for credit risk.

Risk management policies cover specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of forward exchange contracts and investment of excess liquidity.

	2018 \$'000	2017 \$'000
<b>The Group holds the following financial instruments:</b>		
<b>Financial assets</b>		
Cash and cash equivalents	337,933	301,275
Term deposits	206,044	1,044
Loans and receivables	185,248	98,333
Trading equities	69,930	46,993
Derivative financial instruments	–	18,075
Long term equity investments	732,298	648,105
Equity accounted associates	1,517,125	1,415,973
Other financial assets	17,571	4,984
<b>Total financial assets</b>	<b>3,066,149</b>	<b>2,534,782</b>
<b>Financial liabilities</b>		
Trade and other payables	161,554	80,866
Derivative financial instruments	3,353	69
Borrowings	34,825	62,825
Lease liabilities	10,232	12,588
<b>Total financial liabilities</b>	<b>209,964</b>	<b>156,348</b>

#### a) Market Risk

##### i. Foreign exchange risk

Foreign exchange risk arises when in local currency terms the value of a financial commitment or a recognised asset or liability, fluctuates due to changes in foreign currency exchange rates. The Group is exposed to foreign exchange risk arising from currency exposures to the US dollar through its subsidiaries, New Hope Corporation Limited and Round Oak Minerals Pty Ltd (formerly CopperChem Limited).

Forward contracts are used to manage foreign exchange risk. Senior management is responsible for managing exposures in each foreign currency by using forward currency contracts. Contracts are designated as cash flow hedges. Foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific future transactions.

The Group's export coal sales risk management policy is to hedge up to 65% of anticipated transactions in US dollars for the subsequent year, up to 57% of anticipated revenue beyond a year but less than two years and up to 50% for revenue beyond two years but less than three years. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

## Risk Management

# 20

### NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

#### a) Market Risk

##### i. Foreign exchange risk (continued)

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2018 USD \$'000	2017 USD \$'000
<b>US dollar exposure</b>		
Cash and cash equivalents	6,127	90,848
Trade receivables	52,391	26,521
Trade payables	1,363	538
Forward exchange contracts – sell foreign currency (cash flow hedge)	201,600	162,000

##### ii. Commodity hedge risk

Commodity hedge contracts are used to manage price risk. Senior management is responsible for managing exposures in pricing by using commodity hedge contracts. Contracts are designated as cash flow hedges. Commodity price contracts are designated at Group level as hedges of price risk on specific future transactions. Refer to note 22 on forward commodity price hedge contracts.

##### Sensitivity analysis

Based on the trade receivables, cash and trade payables held at 31 July 2018, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by \$4.957 million/(\$5.919 million) (2017: \$11.377 million/(\$9.309 million)), mainly as a result of foreign exchange gains/(losses) on translation of US dollar receivables and cash balances as detailed in the above table. The Group's equity as at balance date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2018, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's equity would have increased/(decreased) by \$24.406 million/(\$29.821 million) (2017: \$22.493 million/(\$18.400 million). There is no effect on post-tax profits.

Based on the commodity hedge contracts held at 31 July 2018, had the commodity priced strengthened /weakened by 10%, the Group's equity would have increased/(decreased) by \$5.260 million/(\$3.626 million) (2017: \$nil). There is no effect on post-tax profits.

##### iii. Price Risk

The Group is an investment company and is exposed to equity securities price risk. The majority of the Group's investments are publicly traded on the Australian Securities Exchange.

Investments held for the long-term are classified in the statement of financial position as long term equity investments. As the market value of individual companies fluctuate, the fair value of the portfolio changes with the movement being recognised directly to equity. Where an investment's value falls below its cost, management may consider the investment to be impaired. An impairment expense is recognised in the income statement.

Investments held for the short to medium term are classified in the statement of financial position as trading equities. As the market value of individual companies fluctuate, the fair value of this portfolio changes with the movement being recognised through the income statement.

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

### Sensitivity analysis

The following table summarises the financial impacts of a hypothetical 5% decrease in the market value of those investments (trading equities and long term equity investments) that are carried at fair value as at reporting date. Where this decrease results in an individual security being valued below its cost, the reduction below cost may be recognised in the income statement where Directors consider the investment to be impaired. For long term equity investments, a 5% increase in market values would have no impact on the income statement as all increases are recognised directly in equity.

	Impact to post-tax profit		Impact on reserves	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trading equities	(2,132)	(1,625)	–	–
Long term equity investments	–	–	(17,474)	(22,677)
<b>Total</b>	<b>(2,132)</b>	<b>(1,625)</b>	<b>(17,474)</b>	<b>(22,677)</b>

#### iv. Fair value interest rate risk

Refer to note 20e below.

#### b) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, long term equity investments provided to the bank as security for short term debt, as well as credit exposure to export and domestic customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk.

The Group's derivative counterparties and term deposits are limited to financial institutions with a rating of at least BBB. The Group has policies that limit the maximum amount of credit exposure to any one financial institution.

Credit risk further arises in relation to financial guarantees given to certain parties (refer note 23c). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

The credit quality of financial assets that are neither past due nor impaired, can be assessed by reference to historical information about counterparty defaults. To mitigate credit risk, management within each of the Group entities apply policies to assess and monitor the credit worthiness of customers and set appropriate credit limits for each customer, taking into account their financial positions, past experience and other factors pertaining to each industry segment.

The maximum exposure to credit risk at the reporting date is the carrying amount of assets as stated in the statement of financial position. The following table summarises these assets:

	2018 \$'000	2017 \$'000
Cash and cash equivalents	337,933	301,275
Term deposits	206,044	1,044
Loans and receivables	185,248	98,333
Long term equity investments	–	48,957
Derivative financial instruments	–	18,075
	<b>729,225</b>	<b>467,684</b>

The loans and receivables balances as stated above reflect the recoverable value and are net of any impairments or provisions. Refer note 29 for further description on the impairment of receivables.

The long term equity investments balance as stated above represents amounts that bank holds as security against short term debt. Refer note 23.

## Risk Management

20

### NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

#### c) Liquidity risk

Liquidity risk is the risk that an entity is unable to meet its financial obligations as they fall due.

Prudent liquidity risk management is adopted by the Group through maintaining sufficient cash and marketable securities, the ability to borrow funds from credit providers and to close-out market positions.

The Group entities manage liquidity risk by continually monitoring forecast and actual cashflows and matching maturity profiles of financial assets and liabilities. Surplus funds are only invested in conservative financial instruments such as term deposits with major banks.

#### Financing arrangements

Details of existing financial arrangements are set out in note 23.

#### d) Maturity of financial liabilities

The Group has trade and other payables that are payable within 12 month and greater than 12 months. Trade and other payables classified as non-current relate to the purchase consideration for business acquisitions during the year. This non-current balance is calculated using the present value of the future expected cash flows. Details of non-current trade payables are set out in note 31.

The Group's interest bearing liabilities comprising finance leases payable is set out in note 23b. The Group's maturity analysis for derivative financial instruments is set out in note 22.

#### e) Cash flow and fair value interest rate risk

The Group may from time to time have significant interest-bearing assets which are placed with reputable financial institutions for up to 12 months. The Group has treasury investment policies approved by each of the relevant entity's Board which stipulates the maximum exposure to each financial institution. Significant changes in market interest rates may have an effect on the Group's income and operating cash flows. Cash flow interest rate risk is managed by placing excess funds in at call deposits, term deposits and other fixed interest bearing assets. Refer to notes 13 and 14 for details.

Based on the deposits held at reporting date, the sensitivity to a hypothetical 1% per annum increase or decrease in interest rates would increase/(decrease) after tax profit by \$3.808 million (2017: \$2.116 million). This scenario assumes all cash and term deposits at balance date continue to remain invested for the whole year.

Investment properties are partly funded by borrowings. The long term borrowings incur interest at variable rates. The Group partially hedges its exposure to interest rate risk by using a derivative financial instrument, an interest rate swap, to effectively convert the variable interest rate facility into a fixed interest rate facility. Refer to note 23a for further details.

The Parent Entity utilises short term bank financing. The balance at year-end was \$nil (2017:\$40.000 million). The debt is exposed to variable interest rates. Interest rate risk is minimised as the outstanding debt can be repaid by providing 30 day notice.

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# 21

## NOTE 21 FAIR VALUE ESTIMATION

### Accounting policy – Fair value estimation

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 Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less estimated credit adjustments and impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group 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 Group categories each asset and liability into one of the following three levels as prescribed by accounting standards:

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

### Fair value measurements

The following table presents the Group's assets measured and recognised at fair value as at 31 July 2018 and 31 July 2017.

## Risk Management

21

NOTE 21  
FAIR VALUE ESTIMATION (continued)

<b>As at 31 July 2018</b>	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>					
Trading equities	11	60,902	–	9,028	69,930
Long term equity investments	11	720,327	–	11,971	732,298
Other financial assets – equity investments	11	–	–	17,571	17,571
<b>Non-financial assets</b>					
Investment properties	12	–	–	158,254	158,254
<b>Total assets</b>		<b>781,229</b>	<b>–</b>	<b>196,824</b>	<b>978,053</b>
<b>Financial liabilities</b>					
Derivatives – Interest rate swaps		–	3,353	–	3,353
<b>Total liabilities</b>		<b>–</b>	<b>3,353</b>	<b>–</b>	<b>3,353</b>
<b>As at 31 July 2017</b>					
<b>Financial assets</b>					
Trading equities	11	32,509	–	14,484	46,993
Long term equity investments	11	648,102	–	3	648,105
Other financial assets – equity investments	11	–	–	4,984	4,984
Derivatives – Foreign exchange hedge	22	–	18,075	–	18,075
<b>Non-financial assets</b>					
Investment properties	12	–	–	165,016	165,016
<b>Total assets</b>		<b>680,611</b>	<b>18,075</b>	<b>184,487</b>	<b>883,173</b>
<b>Financial liabilities</b>					
Derivatives – Foreign exchange hedge	22	–	69	–	69
<b>Total liabilities</b>		<b>–</b>	<b>69</b>	<b>–</b>	<b>69</b>

**Level 3 Non-financial asset**

Refer to note 12b for further details on the valuation techniques used for investment properties.

# 22

## NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS

### Accounting policy – Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

At reporting date the outstanding contractual receivables/payables at fair value are (AUD Equivalents):

	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
– Forward exchange contracts	–	18,075
<b>Current Liabilities</b>		
– Interest rate swaps	9	69
– Forward foreign exchange contracts	1,827	–
– Forward commodity price hedge contracts	1,517	–
	<b>3,353</b>	<b>69</b>

### Fair value measurement

The fair value measurement of forward exchange contracts are determined using forward exchange market rates at the reporting date.

The fair value measurement of forward commodity price hedge contracts are determined using forward commodity pricing at the reporting date.

The fair value of interest rate swaps is determined using forward interest rates at the reporting date.

New Hope Corporation Limited and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates and commodity pricing.

These instruments are used in accordance with the Group's financial risk management policies.

## Risk Management

# 22

### NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

#### Credit risk exposures of derivative financial instruments

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the Group is exposed to losses in the event that counterparties fail to deliver the contracted amount. At balance date \$269.101 million (2017: \$221.183 million) was receivable relating to forward foreign exchange contracts and \$44.114 million (2017: \$nil) relating to forward price hedge contracts (AUD equivalents). Refer to note 20 for additional information.

At balance date the details of outstanding forward foreign exchange contracts are:

	Sell US dollars Buy Australian dollars		Average exchange rate	
	2018 \$'000	2017 \$'000	2018 USD:AUD	2017 USD:AUD
<b>Maturity</b>				
0 to 6 months	183,219	221,183	0.75100	0.73243
6 to 12 months	85,882	–	0.74520	–
	<b>269,101</b>	<b>221,183</b>		

At balance date the details of outstanding forward commodity price hedge contracts are:

	US dollars Revenue		US dollars per tonne	
	2018 \$'000	2017 \$'000	2018 USD/t	2017 USD/t
<b>Maturity</b>				
0 to 6 months	24,827	–	103.44	–
6 to 12 months	8,188	–	102.35	–
	<b>33,015</b>	<b>–</b>		

# 23

## NOTE 23 INTEREST BEARING LIABILITIES

### Accounting policy – Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of any transactions costs incurred. These balances are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the liability using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Lease liabilities

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

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

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

	2018 \$'000	2017 \$'000
<b>Current Liabilities</b>		
Equity finance loan (refer to note 23a)	–	40,000
Short term borrowings (refer to note 23a)	22,825	–
Lease liabilities (refer to note 23b)	2,442	2,356
	<b>25,267</b>	<b>42,356</b>
<b>Non-Current Liabilities</b>		
Long term borrowings (refer to note 23a)	12,000	22,825
Lease liabilities (refer to note 23b)	7,790	10,232
	<b>19,790</b>	<b>33,057</b>

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## Risk Management

# 23

### NOTE 23 INTEREST BEARING LIABILITIES (continued)

#### Fair value disclosures

The carrying value of financial liabilities as disclosed approximates their fair values.

#### a) Borrowings

##### Secured by assets pledged as security

The total borrowings secured are as follows:

	2018 \$'000	2017 \$'000
Equity finance loan <sup>(i)</sup>	–	40,000
Short term borrowings <sup>(iii)</sup>	22,825	–
Long term borrowings <sup>(ii)</sup>	12,000	22,825
	<b>34,825</b>	<b>62,825</b>

(i) During the year, the Parent Entity repaid its \$40.000 million short term bank finance loan. Upon repayment of the bank finance loan, the ownership of certain long term equities (previously transferred to the bank as security for the \$40.000 million bank finance loan) was transferred back to the Parent Entity.

(ii) During the year, a subsidiary entered into a bank loan facility agreement for \$12.00 million for a commercial property acquired in the prior year at Penrith. This loan was fully drawn from the first day of the loan. The loan is for a period of three years and has a variable market rate facility. The interest rate on this loan facility agreement is based on the bank bill swap bid rate, plus a line fee rate of 2.00% and an annual reset fee rate of 0.21%. The bank loan facility is secured by a first mortgage over this commercial property.

(iii) On 23 October 2015, a subsidiary entered into a bank loan facility agreement for \$22.825 million for the purpose of acquiring a commercial property at Pennant Hills. The loan was fully drawn from the first day of the loan. The loan was for a period of three years and is a variable rate facility. A three year interest rate swap agreement has also been established to manage the fluctuations in interest rates over the term of the facility. The interest rate for 50% of the loan facility is effectively fixed at 3.42% per annum. The variable rate at balance date was 1.970% per annum. The bank loan facility is secured by a first mortgage over this commercial property (refer note 12). The bank loan facility has expired and the Group repaid the bank loan. The Group reclassified the bank loan facility from long term borrowings to short term borrowings at 31 July 2018.

#### b) Secured – finance lease liabilities

	2018 \$'000	2017 \$'000
<b>Commitments in relation to finance leases are payable as follows:</b>		
Within one year	2,767	2,767
Later than one year but not later than five years	8,120	10,876
Minimum finance lease	10,887	13,643
Future finance charges	(655)	(1,055)
	<b>10,232</b>	<b>12,588</b>
<b>The present value of finance lease liabilities is as follows:</b>		
Current	2,442	2,356
Non-current	7,790	10,232
<b>Recognised as a liability</b>	<b>10,232</b>	<b>12,588</b>

#### Secured liability

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

### c) Other financing arrangements

The Consolidated Entity has access to bank overdraft and bank guarantee facilities as follows:

	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
<b>Bank overdraft</b>		
Total facility	1,000	1,000
Used at balance date	–	–
<b>Unused at balance date</b>	<b>1,000</b>	<b>1,000</b>
<b>Bank guarantees</b>		
Total facilities	214,510	146,703
Used at balance date	(194,972)	(145,928)
<b>Unused at balance date</b>	<b>19,538</b>	<b>775</b>
<i>Bank guarantees include:</i>		
<i>Unsecured facilities, for no fixed term and bear variable rates:</i>		
i. Mining restoration and rehabilitation	153,457	111,360
The liability has been recognised by New Hope Corporation Limited in relation to its rehabilitation obligations.		
ii. Statutory Body suppliers	30,803	34,651
No liability was recognised by New Hope Corporation Limited in relation to these guarantees as no losses are foreseen on these contingent liabilities with the exception of those identified in note 32 relating to the take or pay contracts of the Colton exploration project which have been recognised as onerous contract provisions.		
<i>Secured, for no fixed term and bear variable rates:</i>		
iii. Environmental bond	16,413	5,279
The net present value of this liability has been recognised by Round Oak Minerals Pty Ltd (formerly CopperChem Limited) in relation to this guarantee. The guarantee has been provided by Washington H. Soul Pattinson and Company Limited (the Parent Entity).		
	<b>200,673</b>	<b>151,290</b>

## Risk Management

24

### NOTE 24 CONTINGENT LIABILITIES

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

	2018 \$'000	2017 \$'000
i. Undertakings and guarantees issued by a Controlled Entity's bankers to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities	26,708	20,949
ii. Undertakings and guarantees issued by a Controlled Entity's bankers for stage 1 of the Wiggins Island Coal Export Terminal expansion project and expansion of rail facilities	–	12,194
iii. Undertakings and guarantees issued by the bankers of the Bengalla Joint Venture (of which a Controlled Entity is a party) for rail and port suppliers	6,391	6,786
	<b>33,099</b>	<b>39,929</b>

The contingent liabilities as described above are not secured by any charges on the Consolidated Entity's assets. For contingent liabilities of the Parent Entity, refer to note 1c, page 66. For contingent liabilities relating to associates refer to note 10d, page 86.

## Fixed Assets

25

### NOTE 25 ASSETS CLASSIFIED AS HELD FOR SALE

#### Accounting policy – Assets classified as held for sale

Buildings classified as held for sale during the financial year was measured at the lower of its carrying amount and fair value less cost to sell at the time of the reclassification.

The two properties were previously included as part of property, plant and equipment.

	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
Assets classified as held for sale at carrying amount	1,407	–

On 22 August 2018, the Parent Entity completed the sale of its property at 160 Pitt Street, Sydney. The proceeds received from the sale of the property was \$95.00 million and an after tax gain of approximately \$67.95 million will be recognised in the 2019 financial year.

# 26

## NOTE 26 PROPERTY, PLANT AND EQUIPMENT

### **Accounting policy – Property, plant and equipment**

Freehold land is carried at the lower of cost and recoverable amount.

Property, plant and equipment, (excluding investment properties, refer to note 12), are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Cost may also include transfers from equity relating to any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate where relevant, of the cost of dismantling and removing the items and restoring the site under which they are located and an appropriate portion of production overhead.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated commencing from the time the asset is held ready for use.

Depreciation is calculated so as to write off the cost of each item of property, plant and equipment during its expected economic life to the Consolidated Entity. Each item's useful life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources (when related to mining activities). Estimates of residual values and remaining useful lives are made on an annual basis. The straight line method is predominately used (Copper float and solvent extraction plants are depreciated on the units of production method). The expected useful life of plant and equipment is 4 to 20 years, buildings is 25 to 40 years and motor vehicles is 4 to 8 years. Land is not depreciated.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### **Accounting policy – Mine development costs, mining reserves and leases and oil producing assets**

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable mineral and oil resources have been identified to the satisfaction of the Directors. Direct development expenditure, pre-operating mine start-up costs, and an appropriate portion of related overhead expenditure are capitalised as mine development costs up until the relevant mine is in commercial production.

Mining reserves, leases and mine development costs are amortised over the estimated productive life of each applicable mine on either a unit of production basis or years of operation basis, as appropriate. Amortisation commences when a mine commences commercial production.

The cost of acquiring mineral reserves and mineral resources are capitalised in the statement of financial position as incurred.

Oil producing assets are amortised on a unit of production basis. The method uses the actual costs of the asset to date plus all its projected future costs. Amortisation commences when an area of interest is ready for use.

### **Impairment of non-current assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes 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). Annual assessments of impairments reversals are undertaken.

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

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## Fixed Assets

26

NOTE 26  
PROPERTY, PLANT AND EQUIPMENT (continued)Non-current assets  
2018

## At 1 August 2017

	Land \$'000	Buildings \$'000	Plant, fixtures, motor vehicles \$'000	Oil producing assets \$'000	Mining reserves and leases \$'000	Mine develop- ment \$'000	Total \$'000
Cost	163,915	51,820	972,075	149,537	663,841	163,348	2,164,536
Accumulated depreciation/ amortisation and impairment	–	(23,840)	(506,984)	(82,879)	(65,086)	(115,327)	(794,116)
<b>Net book amount</b>	<b>163,915</b>	<b>27,980</b>	<b>465,091</b>	<b>66,658</b>	<b>598,755</b>	<b>48,021</b>	<b>1,370,420</b>

## Year ended 31 July 2018

Opening net book amount	163,915	27,980	465,091	66,658	598,755	48,021	1,370,420
Acquisition of businesses	1,217	7,288	26,445	–	–	39,150	74,100
Additions	4,341	6,988	108,174	5,217	–	4,531	129,251
Mining restoration and rehabilitation	–	–	–	–	–	45,869	45,869
Transfers (out)/in	(3,319)	7,344	(15,195)	5,873	–	5,807	510
Disposal of assets	(40)	(20)	(2,688)	–	–	–	(2,748)
Impairment of assets	(567)	–	(3)	–	–	–	(570)
Depreciation/amortisation charge	–	(1,555)	(51,079)	(7,961)	(28,239)	(7,425)	(96,259)
<b>Closing net book amount</b>	<b>165,547</b>	<b>48,025</b>	<b>530,745</b>	<b>69,787</b>	<b>570,516</b>	<b>135,953</b>	<b>1,520,573</b>

## At 31 July 2018

Cost	166,114	73,420	1,088,811	160,627	663,841	258,705	2,411,518
Accumulated depreciation/ amortisation and impairment	(567)	(25,395)	(558,066)	(90,840)	(93,325)	(122,752)	(890,945)
<b>Net book amount</b>	<b>165,547</b>	<b>48,025</b>	<b>530,745</b>	<b>69,787</b>	<b>570,516</b>	<b>135,953</b>	<b>1,520,573</b>

## Pledged assets

Plant, fixtures and motor vehicles includes assets with a net book value of \$10.232 million, which the Group is a lessee under a finance lease. Refer note 23 for details.

## Non-current assets 2017

### At 1 August 2016

	Land \$'000	Buildings \$'000	Plant, fixtures, motor vehicles \$'000	Oil producing assets \$'000	Mining reserves and leases \$'000	Mine develop- ment \$'000	Total \$'000
Cost	167,955	48,779	972,612	120,782	663,841	143,234	2,117,203
Accumulated depreciation/ amortisation and impairment	–	(20,359)	(489,019)	(76,110)	(39,529)	(103,451)	(728,468)
<b>Net book amount</b>	<b>167,955</b>	<b>28,420</b>	<b>483,593</b>	<b>44,672</b>	<b>624,312</b>	<b>39,783</b>	<b>1,388,735</b>

### Year ended 31 July 2017

Opening net book amount	167,955	28,420	483,593	44,672	624,312	39,783	1,388,735
Acquisition of businesses (refer Note 6)	–	–	–	13,337	–	–	13,337
Additions	1,786	343	58,597	12,446	–	780	73,952
Transfers (out)/in	(2,304)	2,372	(17,977)	2,972	–	16,137	1,200
Disposal of assets	(3,522)	(2,445)	(3,726)	–	–	–	(9,693)
Reversal of Impairment of assets	–	525	1,550	–	–	–	2,075
Depreciation/amortisation charge	–	(1,235)	(56,946)	(6,769)	(25,557)	(8,679)	(99,186)
<b>Closing net book amount</b>	<b>163,915</b>	<b>27,980</b>	<b>465,091</b>	<b>66,658</b>	<b>598,755</b>	<b>48,021</b>	<b>1,370,420</b>

### At 31 July 2017

Cost	163,915	51,820	972,075	149,537	663,841	163,348	2,164,536
Accumulated depreciation/ amortisation and impairment	–	(23,840)	(506,984)	(82,879)	(65,086)	(115,327)	(794,116)
<b>Net book amount</b>	<b>163,915</b>	<b>27,980</b>	<b>465,091</b>	<b>66,658</b>	<b>598,755</b>	<b>48,021</b>	<b>1,370,420</b>

### Pledged assets

Plant, fixtures and motor vehicles includes assets with a net book value of \$12.588 million, which the Group is a lessee under a finance lease. Refer note 23 for details.

### Impairments of property plant and equipment

During the year ended 31 July 2018, the impairment charges to property, plant and equipment was \$0.570 million. In the prior year, there is an impairment reversal of \$2.075 million.

## Fixed Assets

# 26

### NOTE 26 PROPERTY, PLANT AND EQUIPMENT (continued)

#### Key estimates – impairment of non-current assets

##### *New Hope Corporation Limited – Queensland Mining Operations*

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

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

#### (a) Impairment assessment

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

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

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

#### (b) Estimates of reserves and resources – Coal

New Hope Corporation Limited estimates its coal reserves and resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC code, which is produced by the Australasian Joint Ore Reserves Committee). The oil reserves and resources are equivalently calculated by appropriately qualified persons in accordance with the SPE Petroleum Reserves Management System (SPE-PRMS) published by the Society of Petroleum Engineers (updated June 2018).

The estimation of reserves and resources requires judgment to interpret available geological data and then to select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licences. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in coal reserves could have an impact on: the calculation of depreciation, amortisation and impairment charges; the timing of the payment of closedown and restoration costs; and the recovery of deferred tax assets. Changes in coal resources could have an impact on the recoverability of Exploration and evaluation costs capitalised.

#### (c) New Acland Coal Stage 3 approvals

A number of uncertainties associated with the approvals timeline and conditionality of the New Acland Coal Stage 3 project (NAC03) remain at 31 July 2018. Consistent with the position outlined in the financial report for the previous year ended 31 July 2017, and the half-year financial report for the period ended 31 January 2018, the significant delays in the approval process, which have the potential to delay the commencement of NAC03, have been assessed to be an indicator of potential impairment of the QLD coal mining operations CGU assets.

In the financial report for the previous year ended 31 July 2017 it was disclosed that the Land Court hearing in relation to NAC03 was completed on 31 May 2017 with recommendations being made to the State Minister for Natural Resources and Mines (the Minister) to not grant the mining licences ("ML's") and the Department of Environment and Heritage Protection ("DEHP") to not grant the amendment to the existing Environmental Authority (EA). Both the ML's and the EA are required for the project to proceed.

Subsequent to 31 July 2017, the following matters are relevant:

- Following the original decision of the Land Court to not recommend the granting of a mining lease for NAC03, on 14 February 2018, the Chief Executive of DEHP made a decision to refuse the application for amendment of the EA.
- New Hope Corporation commenced a Judicial Review process in respect to the Land Court recommendations. The Judicial Review sought to address a number of concerns that New Hope Corporation Limited had about the Land Court process and resultant recommendations. The Judicial Review hearing commenced on 19 March 2018.
- The outcome of the Judicial Review was handed down by the Supreme Court of Queensland on 28 May 2018 in favour of New Acland. The key aspects of the Judicial Review orders were:
  - The decisions made by the Land Court on 31 May 2017 recommending rejection of the ML applications for NAC03, and for the refusal of the application for amendment of the EA, were set aside with effect from 31 May 2017;
  - The decision of the Chief Executive of DEHP to refuse the application for an amendment of the EA was set aside with effect from 14 February 2018; and
  - The recommendations of the Land Court in respect of water and intergenerational equity (as it relates to water) 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.
- The resultant Land Court hearing is scheduled for 2 October 2018.
- The upcoming Land Court recommendation on noise may ultimately result in the Land Court recommending grant of the MLs and EA. It is noted that an appeal of the Judicial Review decision has been commenced in the Supreme Court of Queensland.

New Hope Corporation Limited has undertaken a thorough assessment regarding impairment as required under AASB 136 for the year ended 31 July 2018. New Hope Corporation Limited carefully considered the potential impact that recent developments in the legal and regulatory environment and the possibility of further delays in the approvals process would have on future cash flows.

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

*(i) Extensions of approvals timeline*

The assessments assume that project approvals will be received in 2019 in the earliest instance, or in 2024 at the latest instance.

*(ii) Coal price assumptions*

Short term coal prices have improved since 31 July 2017. As a result the coal price range for assessments at 31 July 2018 is US\$80 – US\$124 per tonne (nominal basis). The long term pricing assumptions are in line with previous impairment assessments.

Having due regard to all relevant information, New Hope has concluded that none of these matters, either individually or in aggregate, result in the recoverable amount for the CGU being below its carrying value. As a result of the impairment assessment undertaken there are no impairments required in relation to the assets of the Queensland mining operations CGU as at 31 July 2018.

The carrying value of the Queensland Mining Operations CGU's assets is set out below:

	2018 \$'000	2017 \$'000
<b>Property, plant and equipment</b>		
Land and buildings – mining	55,509	47,697
Plant and equipment	107,981	123,849
Mining reserves, leases and development assets	3,977	8,513
Plant under construction	50,978	55,571
<b>Intangibles</b>		
Software	1,207	1,487
<b>Exploration and evaluation</b>		
Exploration and evaluation at cost	37,873	35,816
<b>Total carrying value</b>	<b>257,525</b>	<b>272,933</b>

## Fixed Assets

# 26

### NOTE 26 PROPERTY, PLANT AND EQUIPMENT (continued)

The Queensland coal mining CGU has taken 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. These arrangements are not of a sufficient amount to constitute a material impact on value unless approval delays extend beyond those currently foreseeable.

The QLD coal mining CGU is a customer of the Port operations CGU of the Group. As such in the event that there are circumstances which further impact the coal mining operations this may be relevant to the value of those operations and will be a factor in any future impairment considerations.

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

	2018 \$'000	2017 \$'000
<b>Property, plant and equipment</b>		
Land and buildings	1,694	1,790
Plant and equipment	84,477	92,654
Port development	11,872	7,384
Plant under construction	284	929
<b>Intangibles</b>		
Software	142	115
Goodwill	5,596	5,596
<b>Total carrying value</b>	<b>104,065</b>	<b>108,468</b>

The financial statements have been prepared on the basis that approvals are granted within a reasonable time period, and as a result, there is no significant impact on the value recoverable from the project and therefore the QLD coal mining CGU at 31 July 2018. Future events, such as the outcome of the Judicial Review appeal process, may impact upon this assumption and the recoverable value of the QLD coal mining operations CGU. In the event that future events have a negative impact on the recoverable value of the QLD coal mining operations CGU, the assets of that CGU may be subject to impairment.

#### ***Determination of recoverable value – copper processing plant, equipment and capitalised mine development costs***

The assessment of recoverable value includes key estimates in relation to quantities of economically recoverable reserves and resources, resource grades and mine plans. These are based upon interpretations of geological models and other matters. It also requires key assumptions to be made regarding a number of factors including short and long-term exchange rates, short and long-term copper prices, future capital expenditure and working capital. Estimates are also required to be made in relation to the economic life of the plant and its residual value. Changes in these estimates and applying different assumptions may impact significantly the assessment of the recoverable value of the plant, equipment and capitalised mine development costs, as well as the amount of depreciation and amortisation charged to the income statement. The directors are satisfied that the estimates and assumptions made are based on observable and other supportable inputs and therefore that the impaired carrying value of the copper processing plant, equipment and capitalised mine development costs at 31 July 2018 is appropriate.

# 27

## NOTE 27 EXPLORATION AND EVALUATION ASSETS

### Accounting policy – Exploration and evaluation assets

Exploration, evaluation and relevant acquisition costs are accumulated separately for each area of interest for which a mining tenement is current. They are initially recognised at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching, sampling and an appropriate portion of related overhead expenditure.

Costs are carried forward only if they relate to an area of interest for which rights of tenure are current and such costs are expected to be recouped through successful development and exploitation or from sale of the area.

Exploration and evaluation expenditure which does not satisfy these criteria is written off.

Where a decision is made to proceed to the development of a mine, the relevant exploration and evaluation costs for that area of interest are transferred to mine development (disclosed within Note 26 – Property, plant and equipment).

	2018 \$'000	2017 \$'000
<b>Non-Current Assets</b>		
Exploration and evaluation at cost	310,798	418,582
<b>Reconciliation</b>		
Opening net book amount	418,582	402,298
Additions	30,378	17,583
Impairment <sup>(a)</sup>	(132,289)	–
Transfers out	(5,873)	(1,299)
<b>Closing net book amount</b>	<b>310,798</b>	<b>418,582</b>

(a) An impairment expense of \$132.289 million relates to coal exploration assets, which are allocated to the energy cash generating unit for the purpose of assessing recoverable value. Refer to Note 26 for details of impairment testing.

Exploration and evaluation assets includes New Hope Corporation Limited of \$280.301 million (2017: \$392.569 million) and Round Oak Minerals Pty Ltd (formerly CopperChem Limited) of \$30.497 million (2017: \$26.013 million).

## Fixed Assets

# 27

### NOTE 27

#### EXPLORATION AND EVALUATION ASSETS (continued)

##### Key Estimate

##### **Exploration and evaluation expenditure**

During the year, the controlled entities New Hope Corporation Limited and Round Oak Minerals Pty Ltd (formerly CopperChem Limited), capitalised various items of expenditure to exploration and evaluation assets. The relevant items of expenditure were deemed to be part of the capital cost of developing future mining operations, which would then be amortised over the useful life of the mine.

The key judgement applied in considering whether the costs should be capitalised, is that costs are expected to be recovered through either successful development (through mining operations) or sale of the relevant mining interest.

Factors that could impact the exploration and evaluation costs being transferred to future mine operations include the level of reserves and resources, changes in commodity prices and foreign exchange rates, future legal changes and any future technology changes.

New Hope Corporation Limited (controlled entity) determined that an indicator of impairment existed as at balance date in respect of the Colton coal exploration project. The indicator arises from recently increased charges associated with access to WICET which were materially higher than those previously forecast and ongoing work regarding the assessment of JORC reserves position of this asset. As a result an impairment test has been undertaken and an impairment has been recognised for the year ended 31 July 2018.

For the purposes of assessing impairment of the Colton exploration project, New Hope Corporation Limited has utilised the FVLCD method underpinned by a resource multiple. A resource multiple is considered the appropriate valuation methodology for an exploration asset of this type. The fair value methodology adopted is considered level 3 in the hierarchy due to the judgemental nature of the discounts applied to the resource multiples.

Given the significant costs associated with access to WICET (which have increased significantly since the terminal commenced operations) New Hope Corporation Limited has determined that it is appropriate to discount recent transaction multiples to account for the onerous nature of the obligations to WICET. At the prevailing WICET costs New Hope Corporation Limited has determined that it is inappropriate to ascribe any value to the JORC resources and as a result a full impairment for the carrying value of the Colton assets of \$132.860 million has been recognised as outlined below:

	Note	Carrying value \$'000	Recoverable value \$'000	Impairment loss \$'000
Exploration and evaluation	27	132,289	–	(132,289)
Property, plant and equipment	26	571	–	(571)
		<b>132,860</b>	<b>–</b>	<b>(132,860)</b>

# 28

## NOTE 28 INTANGIBLE ASSETS

### Accounting policy – Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in the carrying amount of investments in associates.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it may be impaired, and is carried at cost less accumulated impairment losses. Goodwill acquired is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Cash generating units are discussed in the impairment section below.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### Water rights and mining information

The Group benefits from water rights associated with its mining operations through the efficient and cost effective operations of the mine. The value of exploration, pre-feasibility and feasibility costs necessary for regulatory, reporting and internal control purposes have been recognised as a mining information intangible asset.

#### Software

Software is stated at historical cost less applicable amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of software. Amortisation is calculated so as to write off the cost of each item of software during its expected economic life to the Group.

#### Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

#### Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### Amortisation of intangible assets

Amortisation is charged to the income statement on a straight line basis, unless otherwise stated, over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives of intangibles are as follows:

Class of intangible	Useful life
Goodwill, curriculum and brands	Indefinite life
Water rights and mining information	Estimated life of mine
Software	3 – 5 years
Other intangible (includes brands and curriculum)	Indefinite life

#### Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if changes or circumstances indicate that they may be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Refer to Note 26 for details on impairment testing.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Goodwill impairments are not reversible.

Impairment losses for intangible assets are recognised in the income statement.

## Fixed Assets

28

NOTE 28  
INTANGIBLE ASSETS (continued)

<b>Non-Current Assets</b>	<b>Goodwill</b>	<b>Water rights</b>	<b>Mining information</b>	<b>Other intangibles</b>	<b>Software</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 August 2016</b>						
Cost	22,830	6,560	34,900	–	15,323	79,613
Accumulated amortisation and impairment	(4,157)	(110)	(585)	–	(14,283)	(19,135)
<b>Net book amount</b>	<b>18,673</b>	<b>6,450</b>	<b>34,315</b>	<b>–</b>	<b>1,040</b>	<b>60,478</b>
<b>Year ended 31 July 2017</b>						
Opening net book amount	18,673	6,450	34,315	–	1,040	60,478
Additions	–	–	–	–	1,733	1,733
Amortisation charged to the income statement (refer note 17)	–	(262)	(1,396)	–	(626)	(2,284)
Transfers in	–	–	–	–	99	99
<b>Closing net book amount</b>	<b>18,673</b>	<b>6,188</b>	<b>32,919</b>	<b>–</b>	<b>2,246</b>	<b>60,026</b>
<b>At 31 July 2017</b>						
Cost	22,830	6,560	34,900	–	17,155	81,445
Accumulated amortisation and impairment	(4,157)	(372)	(1,981)	–	(14,909)	(21,419)
<b>Net book amount</b>	<b>18,673</b>	<b>6,188</b>	<b>32,919</b>	<b>–</b>	<b>2,246</b>	<b>60,026</b>
<b>Year ended 31 July 2018</b>						
Opening net book amount	18,673	6,188	32,919	–	2,246	60,026
Additions	–	–	909	–	326	1,235
Asset acquired by purchase of businesses	7,921	–	–	6,786	–	14,707
Amortisation charged to the income statement (refer note 17)	–	(262)	(1,396)	–	(702)	(2,360)
Transfers in	–	–	–	–	(55)	(55)
<b>Closing net book amount</b>	<b>26,594</b>	<b>5,926</b>	<b>32,432</b>	<b>6,786</b>	<b>1,815</b>	<b>73,553</b>
<b>At 31 July 2018</b>						
Cost	30,751	6,560	35,809	6,786	17,426	97,332
Accumulated amortisation and impairment	(4,157)	(634)	(3,377)	–	(15,611)	(23,779)
<b>Net book amount</b>	<b>26,594</b>	<b>5,926</b>	<b>32,432</b>	<b>6,786</b>	<b>1,815</b>	<b>73,553</b>

## a) Recoverable amount of goodwill

Intangible assets, which have indefinite lives are allocated to the Group's cash generating units (CGU's) identified according to business segment and country of operation.

A segment-level summary of the goodwill allocation is presented below:

	<b>Country of operation</b>	<b>2018</b> \$'000	<b>2017</b> \$'000
<b>Energy <sup>(i)</sup></b>			
Carrying amount of Goodwill	Australia	18,098	18,098
<b>Swimming pool owner and operator <sup>(iii)</sup></b>			
Goodwill acquired as part of business acquisition	Australia	7,921	–
<b>Consulting <sup>(ii)</sup></b>			
Carrying amount of Goodwill	Australia	575	575
<b>Closing net book value</b>		<b>26,594</b>	<b>18,673</b>

The recoverable amount of the cash generating units for which goodwill has been allocated is determined based on the fair value less cost of disposal method. Assumptions and methodology applied to each cash-generating unit are as follows:

**(i) Energy**

The brought forward balance of goodwill relates to acquisitions by New Hope Corporation Limited, primarily Queensland Bulk Handling Pty Limited (goodwill of \$5.596 million) and Northern Energy Corporation Limited (goodwill of \$12.271 million).

The recoverable amount of the cash-generating unit to which the Northern Energy Corporation Limited goodwill is attributable has been based on the fair value less cost of disposal method using a comparable resource transaction multiple multiplied by the resources attributable to this cash generating unit. This assessment is determined under Level 2 of the fair value hierarchy based on observable external market data for reserve and resources transaction multiples, rather than quoted prices (refer note 21 for an explanation on fair value hierarchy). Observable transactions included in the assessment of an appropriate multiple are comparable transactions in the last 4 years for Australian coal exploration projects with the same coal type as the cash-generating unit assets. The estimation of the resources used to determine the recoverable amount requires judgement and assumptions as detailed in Note 26.

The recoverable amount of Queensland Bulk Handling Pty Limited cash generating units has been based on value in use calculations using discounted cash flow model. The future cash flows have been discounted using a post-tax rate of 9% (2017: 9%).

**(ii) Consulting**

Brought forward goodwill relates to obtaining control of Pitt Street Real Estate Partners Pty Limited.

**(iii) Swimming pool owner and operator**

On 2 February 2018, a subsidiary of the Parent Entity, WHSP Aquatic Achievers Pty Ltd, acquired 100% interest in the Aquatic Achievers business, a swimming pool owner and operator providing swimming programs. As a result of this acquisition, \$7.921 million of goodwill has been recognised.

In addition intangible assets comprising Aquatic Achievers brand of \$1.429 million and curriculum of \$5.357 million have been recognised. These intangible assets are all considered to have indefinite lives with no amortisation applied.

The recoverable amount of the brand and curriculum were valued on royalty-based valuation method by applying royalty rates, based on observable transactions, to the swimming lesson revenue used on the profit forecasts to support the acquisition. The resulting income stream was used in the discounted cash flow model over a 5.5 year period at the post-tax discount rate of 13.2% per annum.

**Key Estimates**

***Impairment of goodwill***

At each reporting date the Group considers the recoverable value of goodwill. Goodwill is allocated to cash-generating units for which the recoverable value is determined. The recoverable value may be determined based on fair value less costs to sell and is estimated based on recent market transaction information. These calculations require the use of assumptions.

## Other Operating Assets and Liabilities

### 29

#### NOTE 29 TRADE AND OTHER RECEIVABLES

##### Accounting policy – Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, using the effective interest rate method, less provision for impairment. Trade receivables are due for settlement between 30 and 45 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 to 45 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

##### Measurement

Loans and receivables are carried at amortised cost using the effective interest method.

	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
Trade receivables	87,551	52,170
Less impairment of receivables	–	(5)
	87,551	52,165
Loans to other parties – secured	6,051	5,000
Other receivables	31,310	30,673
Prepayments	6,811	6,932
<b>Total current receivables</b>	<b>131,723</b>	<b>94,770</b>
<b>Non-current Assets</b>		
Loans to others – secured	48,200	203
Other receivables and prepayments	5,325	3,360
<b>Total non-current receivables</b>	<b>53,525</b>	<b>3,563</b>

#### Credit, foreign exchange, fair value and interest rate risk

Information about the Group's exposure to these risks in relation to trade and other receivables is provided in note 20. The carrying value less impairment provisions of trade receivables are assumed to approximate their fair value.

##### Trade receivables

The balance at 31 July 2018 includes \$77.763 million (2017: \$39.502 million) relating to New Hope Corporation Limited. As at reporting date, trade receivables past due but not impaired were nil (2017: \$nil).

##### Loans to others – secured

During the year, the Parent Entity, provided loans to external parties on commercial rates. The total balance of loans at 31 July 2018 was \$54.251 million (2017: \$5.203 million). These loans are secured under the terms of General Security Deeds.

## 30

**NOTE 30**  
**INVENTORIES****Accounting policy – Inventory**

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overheads, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
<b>Current Assets</b>		
Raw materials and stores – at cost	26,041	27,115
Work in progress – at cost	4,184	14,314
Finished goods – at cost	65,623	38,539
Provision for obsolescence	(2,612)	–
	<b>93,236</b>	<b>79,968</b>

**Inventory expense**

Inventories recognised as an expense during the year ended 31 July 2018 amounted to \$652.089 million (2017: \$593.691 million).

In the current year, write-down of inventory to net realisable value recognised as an expense during the year amounted \$2.010 million (2017:\$nil).

## 31

**NOTE 31**  
**TRADE AND OTHER PAYABLES****Accounting policy – Trade and other payables**

Trade and other payables are stated at their amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 to 45 days of recognition.

Non-current trade and other payables are stated at the present value of the future expected cash flows. These amounts are contractually due for settlement at least 12 months after the reporting date.

	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
<b>Current Liabilities</b>		
Trade and other payables	131,521	80,866
<b>Non-current Liabilities</b>		
Trade and other payables <sup>(a)</sup>	30,033	–

(a) Non-current liabilities relates to the purchase consideration in note 6.

**Current Liabilities**  
**Trade and other payables**

The balance at 31 July 2018 includes \$78.753 million (2017: \$65.289 million) relating to New Hope Corporation Limited.

## Other Operating Assets and Liabilities

# 32

### NOTE 32 PROVISIONS

#### Accounting policy – Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### *i. Restoration, rehabilitation and environmental expenditure*

Provisions are raised for restoration, rehabilitation and environmental expenditure as soon as an obligation exists, with the cost being charged progressively to the income statement in respect of ongoing rehabilitation. Where the obligation relates to decommissioning of assets and restoring the sites on which they are located, the costs are carried forward in the value of the asset and amortised over its useful life.

The obligations include profiling, stabilisation and revegetation of the completed area, with cost estimates based on current statutory requirements and current technology.

#### *ii. Employee entitlements*

##### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave, expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability of annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term benefit obligations are presented as payables.

##### Other long-term employee benefit obligations

The liabilities for long service leave and annual leave which are not expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period based on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	2018 \$'000	2017 \$'000
<b>Current Liabilities</b>		
Mining restoration and site rehabilitation <sup>(iii)</sup>	12,912	8,487
Employee benefits <sup>(i)</sup>	43,331	36,858
Onerous contracts <sup>(ii)</sup>	14,976	–
	<b>71,219</b>	<b>45,345</b>
<b>Non-Current Liabilities</b>		
Mining restoration and site rehabilitation <sup>(iii)</sup>	178,822	105,279
Employment benefits <sup>(i)</sup>	6,909	7,174
Other	657	320
	<b>186,388</b>	<b>112,773</b>

**(i) Employee benefits**

**Current liabilities not expected to be settled within the next 12 months**

The current provision for employee benefits includes accrued annual leave, vested sick leave and long service leave for all unconditional settlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payment in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

**(ii) Onerous contracts**

The Group has recognised provisions for onerous contracts in relation to take or pay agreements associated with New Hope Corporation Limited's Colton exploration project for \$14.976 million. As outlined in Note 17, there has been an impairment of the assets of the Colton exploration project. It is considered that the recently increased charges associated with the WICET Agreement that were materially higher than previously forecast, have a material impact on the viability of that project. As such, the Group determined that the long term take or pay agreements associated with this project are onerous contracts.

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

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

The Group has determined that the lowest unavoidable cost is represented by a failure to fulfill the contracts. The cost to the Group of failing to fulfill its obligations under the contracts is the value of the bank guarantees which have been provided as security against the contractual obligations.

**(iii) Mining restoration and site rehabilitation**

	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
<b>Movements in provision 2018</b>		
<b>Carrying amount at beginning of year</b>	<b>113,766</b>	<b>103,490</b>
Provision arising on acquisition of businesses	17,381	12,537
Provisions capitalised recognised/(written down)	49,584	(4,179)
Provisions charged/(credited) to income statement	7,464	(1,475)
Charged to income statement – unwinding of discount	3,539	3,393
<b>Carrying amount at end of year</b>	<b>191,734</b>	<b>113,766</b>
Disclosed as:		
Current liabilities	12,912	8,487
Non-current liabilities	178,822	105,279
<b>Total provision for mining restoration and site rehabilitation</b>	<b>191,734</b>	<b>113,766</b>

**Key Estimate**

***Mining restoration and site rehabilitation***

The Group makes estimates about the future cost of rehabilitating tenements which are currently disturbed, based on legislative requirements and current costs. Cost estimates take into account past experience and expectations of future events that are expected to alter past experiences. Any changes to legislative requirements could have a significant impact on the expenditure required to restore these areas.

## Other Notes

# 33

### NOTE 33 SHARE-BASED PAYMENTS

#### Accounting policies – Share-based payments

Share-based compensation benefits are provided to employees of Washington H. Soul Pattinson and Company Limited (the Parent Entity) and New Hope Corporation Limited via various employee incentive schemes.

A summary of each scheme is provided below.

The fair value of options and rights granted under each of these schemes is recognised as an employee benefits expense with a corresponding increase in the share-based payment reserve within equity.

The fair value is measured at grant date and the total amount to be expensed is recognised over the period during which the employee becomes unconditionally entitled to the options and rights. The fair value of options and rights granted is based on the market price of the issuing company's shares, adjusted to reflect any market performance conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options and rights that are expected to become exercisable. The employee benefits expense each period takes into account the most recent estimate. The impact of the revision to the original estimate, is recognised in profit or loss with a corresponding adjustment to equity.

#### Washington H. Soul Pattinson and Company Limited – Long term incentive plan

Washington H. Soul Pattinson and Company Limited (the Parent Entity) provides share based compensation benefits to its executive team and management team via a Long Term Incentive Plan (LTI plan) whereby rights to shares are granted for nil consideration. Rights are granted in accordance with the plan at the sole discretion of the Washington H. Soul Pattinson and Company Limited Board. Rights vest and automatically convert to ordinary shares in Washington H. Soul Pattinson and Company Limited following the satisfaction of the relevant performance and service conditions. Performance and service conditions applicable to each issue of rights are determined by the Board at the time of the grant. Rights granted under the plan carry no dividend or voting rights until they have vested and have been converted into shares in the Parent Entity. Detailed vesting conditions are set out in the Remuneration report. Refer to pages 30 to 50.

The fair value of services received in return for performance rights granted is based on the fair value of the performance rights granted. The fair value of rights was independently determined by valuation specialists Lonergan Edwards & Associates Limited and was based on the market price of Washington H. Soul Pattinson and Company Limited's shares at the grant date, with an adjustment made to take into account the vesting period, expected dividends during that period that will not be received by the participants and the probability that the market performance conditions will be met.

Set out on the following page are the summaries of rights granted under the Parent Entity LTI plan:

Grant Date	Vest Date	Performance hurdle	Movement in number of performance rights granted					
		TSR Hurdle or Non TSR Hurdle	Fair value at grant date	Balance at start of year	Granted during the year	Vested	Forfeited	Balance at end of year
Dec 2017	Sep 2020 (Sep 2021)*	Non-TSR	\$7.70	–	44,164	–	(1,054)	43,110
Dec 2017	Sep 2020 (Sep 2021)*	TSR	\$6.16	–	44,164	–	(1,054)	43,110
Dec 2017	Aug 2021 (Sep 2021)*	Non-TSR	\$7.70	–	26,498	–	(633)	25,865
Dec 2017	Aug 2021 (Sep 2021)*	TSR	\$6.16	–	26,497	–	(633)	25,864
Dec 2017	Aug 2022	Non-TSR	\$7.70	–	17,666	–	(422)	17,244
Dec 2017	Aug 2022	TSR	\$6.16	–	17,666	–	(422)	17,244
Dec 2016	Sep 2019 (Sep 2020)*	Non-TSR	\$13.10	12,717	–	–	–	12,717
Dec 2016	Sep 2019 (Sep 2020)*	TSR	\$5.22	12,716	–	–	–	12,716
Dec 2016	Aug 2020 (Sep 2020)*	Non-TSR	\$13.10	7,630	–	–	–	7,630
Dec 2016	Aug 2020 (Sep 2020)*	TSR	\$3.25	7,630	–	–	–	7,630
Dec 2016	Aug 2021	Non-TSR	\$13.10	5,086	–	–	–	5,086
Dec 2016	Aug 2021	TSR	\$2.56	5,086	–	–	–	5,086
Dec 2015	Sep 2018 (Sep 2019)*	Non-TSR	\$13.86	14,198	–	–	–	14,198
Dec 2015	Sep 2018 (Sep 2019)*	TSR	\$12.25	14,197	–	–	–	14,197
Dec 2015	Aug 2019 (Sep 2019)*	Non-TSR	\$13.86	8,518	–	–	–	8,518
Dec 2015	Aug 2019 (Sep 2019)*	TSR	\$11.08	8,518	–	–	–	8,518
Dec 2015	Aug 2020	Non-TSR	\$13.86	5,679	–	–	–	5,679
Dec 2015	Aug 2020	TSR	\$10.87	5,679	–	–	–	5,679
				107,654	176,655	–	(4,218)	280,091

\* Certain tranches of performance rights are subject to 're-testing dates'. Details of vesting conditions and performance hurdles are set out in the Remuneration report. Refer to pages 30 to 50.

For the current year an expense of \$1,525,132 (2017: \$281,679) was recognised in the income statement for the rights issued under the Parent Entity LTI plan. The total fair value of the performance rights outstanding at year end was \$2.356 million (2017: \$1.161 million).

### New Hope Corporation Limited – Employee Share option and Performance rights share plans

New Hope Corporation Limited provides share based compensation benefits to its employees via the New Hope Corporation Limited Employee Share Option Plan and the New Hope Corporation Limited Employee Performance Rights Share Plan (Rights plan). Membership of the Rights plan is open to those senior employees and those Directors of New Hope Corporation Limited, its subsidiaries and associated bodies corporate whom, the Directors believe have a significant role to play in the continued development of the Group's activities. Detailed vesting conditions are set out in the Remuneration report. Refer to pages 30 to 50.

Rights are granted for nil consideration. Rights will vest at the nominated vesting date and automatically convert to ordinary shares in New Hope Corporation Limited following the satisfaction of the relevant performance and service conditions. Service and performance conditions applicable to each issue of rights are determined by the New Hope Corporation Limited's Board at the time of the grant. Total expense arising from rights issued under the New Hope Corporation Limited employee performance share rights plan during the financial year was \$355,000 (2017: \$309,000). The total fair value of the performance rights outstanding at year end was \$3.234 million (2017: \$1.760 million). Further details are provided in the published financial report of New Hope Corporation Limited for year ended 31 July 2018 (ASX code: NHC).

## Other Notes

## 34

**NOTE 34**  
**RELATED PARTIES****a) Parent Entity**

The ultimate Parent Entity is Washington H. Soul Pattinson and Company Limited.

**b) Subsidiaries and Associates**

Interests in Subsidiaries and Associates are set out in note 3.

**c) Key management personnel compensation**

	Key management personnel of the Consolidated Entity		Key management personnel of the Parent Entity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Short-term employee benefits	7,924	7,068	4,726	4,494
Post-employment benefits	288	297	227	238
Long-term employee benefits	101	112	25	69
Termination benefits	355	–	355	–
Share-based payments	1,848	581	1,491	273
	<b>10,516</b>	<b>8,058</b>	<b>6,824</b>	<b>5,074</b>

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 30 to 50.

**d) Related parties transactions and balances**

Details of loans to and transactions with key management personnel are included in the Remuneration Report section of the Directors' Report on page 50.

In the prior year, the Parent Entity accepted deposits from Director and Director related parties on normal commercial terms and received fees for administering these funds. The Parent Entity incurred interest of \$nil (2017: \$775,682). On 31 July 2017, these deposits were transferred to a separate bank account and are held in trust for these Directors and their related parties. As the Parent Entity no longer has control over these funds, accordingly these funds are no longer included as a liability in the Group's Statement of Financial Position.

**i. Subsidiaries**

Transactions between the Parent Entity and its subsidiaries and between subsidiaries are at normal commercial terms and conditions. Transactions consist of the transfer of funds for day to day financing, provision of consulting, management and advisory services, loans advanced and repaid, interest, dividend and rental payments.

Transactions between members of the Group which are eliminated on consolidation are not disclosed in this note.

**ii. Associates**

Transactions with associates are at normal commercial terms and conditions.

Transactions consist of the supply of pharmaceutical products to the Parent Entity, advisory, consulting, underwriting, management fees, and rent received from/paid to associates, loans advanced and repaid, interest and dividend payments.

	2018 \$'000	2017 \$'000
<b>Summary of transactions</b>		
Advisory, consulting, underwriting, management and other fees:		
– received by Parent Entity from associates	–	461
– received by Parent Entity from Director related entities (refer below)	–	1,249
– received by subsidiaries from associates	780	1,826
– received by associates from subsidiaries	–	100
– rent income received by Parent Entity from associate	24	13
Purchases of pharmaceutical products from associate	3,902	5,653
Interest income from associate	1,423	1,501
Purchase of Barbara Copper Project from associate (capitalised)	–	2,300

In the prior year, a controlled entity, Round Oak Minerals Pty Ltd (formerly CopperChem Limited) acquired the remaining 50% share of the Barbara Copper Project from an associate, Syndicated Metals Limited for \$2.300 million. This asset is included within Exploration and Evaluation assets within the Group's Statement of Financial Position.

**Loans to associates**

During the year, the Parent Entity provided a stand-by loan facility to TPI Enterprises Limited. The current facility limit is for \$12.500 million. The amount owed at 31 July 2018 was \$6.050 million (2017: \$nil). Interest is charged at market rates. The facility matures on 31 August 2019.

In the prior year, the Parent Entity converted a loan balance of \$8.331 million owed from TPI Enterprises Limited to equity. All accrued interest was settled in cash. Interest was charged at market rates.

**Director related entities**

**Transactions with Ampcontrol Limited**

Mr Robert G Westphal is a director of both Washington H. Soul Pattinson and Company Limited (WHSP) and Ampcontrol Limited (Ampcontrol).

During the year, the Group provided a \$24.426 million loan facility to Ampcontrol, an associate of Souls Private Equity Limited (SPEL), a controlled entity of WHSP.

The loan facility is secured by registered mortgages over property plant and equipment of a subsidiary of Ampcontrol. The amount owed at 31 July 2018 was \$24.000 million (2017: \$nil). Interest is charged at 12% per annum. The loan facility matures in October 2019.

Also during the year, Pitt Capital Partners Limited (PCP), a controlled entity of WHSP, entered into an agreement to assist Ampcontrol on its admission to the Australian Securities Exchange.

At the date of this report no fees have been earned by PCP under this agreement.

**Transactions with URB Investments Limited (ASX: URB)**

Mr Warwick M. Negus is a director of both Washington H. Soul Pattinson and Company Limited (WHSP) and URB Investments Limited (URB).

In the prior year, WHSP entered into agreements to acquire three investments properties within NSW (Kingsgrove, Penrith and Prestons).

At the time of entering into these purchase agreements, WHSP also granted call options to URB. The call options provided URB the right to acquire a 49.9% interest in these properties. On exercise of these options, WHSP received from URB 49.9% of the total purchase price of the properties (including costs associated with the acquisitions) and \$1.249 million of option fees. WHSP has retained 50.1% interest in each of these properties.

WHSP and URB entered into a Co-investment agreement providing each entity with the right to co-invest in future investment property opportunities, which are identified by either party.

## Other Notes

## 35

**NOTE 35**  
COMMITMENTS FOR EXPENDITURE

	2018 \$'000	2017 \$'000
<b>a) Capital commitments</b>		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Within one year	63,914	15,716
Later than one year but not later than five years	74,334	–
Later than five years	5,936	–
	<b>144,184</b>	<b>15,716</b>

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

**b) Lease commitments: Group as lessee**

<b>Operating leases</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	11,531	12,109
Later than one year but not later than five years	28,253	24,332
Later than five years	28,836	30,933
	<b>68,620</b>	<b>67,374</b>

The Group leases port facilities and has a share in commitments for minimum lease payments relating to property, plant and equipment under non-cancellable operating leases expiring within five to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group leases office space and small items of office equipment under operating leases.

For commitments relating to associates refer to note 10c.

# 36

## NOTE 36 OTHER ACCOUNTING POLICIES

### a) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

#### i. AASB 15 Revenue from Contracts with Customers

AASB 15 has been introduced for the recognition, measurement and disclosure for revenue from contracts with customers. This will replace *AASB 118 Revenue* which covers revenue arising from the sale of goods and the rendering of services and *AASB 111 Construction Contracts* which covers the allocation of contract revenue and contract costs to the reporting periods in which construction work is performed. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified that there are no areas with respect to recognition and measurement for current contracts with customers which will be affected.

AASB 15 is mandatory for financial years commencing on or after 1 January 2018 and as such has an initial application date for the Group of 1 August 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of the initial application date and that comparatives will not be restated. However, as there are no material contracts impacted by the new standard there will be no material adjustments required under the modified retrospective approach.

#### ii. AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

AASB 9 is mandatory for financial years commencing on or after 1 January 2018 and as such has an initial application date for the Group of 1 August 2018. The Group intends to apply the standard retrospectively.

The Group has considered the adoption of AASB 9 and the major impact to the Consolidated Entity will be to the Group's long term equity investments. Currently, changes in market value of these investments are recognised in the revaluation reserve. When an investment is disposed of, the gain or loss measured from the original cost are transferred from asset revaluation reserve to the income statement.

Under the new standard, no gain or loss on the disposal of an investment would be recognised in the income statement and investments would no longer be subject to impairment reviews as all movements in market value are only recognised in the revaluation reserve.

The Group's equity investments are currently classified as trading equities, long term equity investments and other financial assets. Long term equity investments satisfy the conditions for presentation as fair value through other comprehensive income (FVOCI) and trading equities satisfy the conditions for presentation as fair value through profit or loss (FVTPL).

The Group intends to make the irrevocable election on an equity by equity basis to apply either FVOCI or FVTPL from the date of initial application.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles based approach.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to minimally change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

## Other Notes

# 36

### NOTE 36 OTHER ACCOUNTING POLICIES (CONTINUED)

#### a) New accounting standards and interpretations not yet adopted (continued)

##### iii. AASB 16 Leases

AASB 16 replaces AASB 117. AASB 16 Leases will result in almost all leases of lessees being on Balance Sheet, with the distinction between operating and finance leases effectively removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the inception of the lease. The only exceptions are short-term and low value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at balance date, the Group has non-cancellable operating lease commitment of \$185.77 million, see notes 10c for associates commitments and note 35b for the Groups' commitments. The Group considers that almost all of these will be recognised on Balance Sheet with only minor portions relating to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

AASB 16 is mandatory for financial years commencing on or after 1 January 2019 and the Group does not intend to adopt the standard before its effective date. As such, the date of first application will be 1 August 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year ending 31 July 2019 upon initial adoption.

##### iv. IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments provide classification with respect to accounting for cash-settled share based payment arrangements and withholding tax arrangements. The amendments are effective for the annual reporting period ending 31 July 2019 however will not have a significant impact on the Group.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### b) Foreign currency translation

##### i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Washington H. Soul Pattinson and Company Limited's functional and presentation currency.

##### ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, differences on non-monetary assets and liabilities such as investments fair valued through profit and loss are recognised in the income statement, as part of the fair value gain or loss and translation differences on non-monetary assets, such as long term equity investments are included in the asset revaluation reserve in equity.

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### iii. Group entities

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rates at the reporting date;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to the income statement, as part of the gain or loss where applicable.

### c) Deferred stripping costs

The Group does not recognise any deferred stripping costs. Based on the nature of the Group's mining operations and the stripping ratio for the components of its operations, the recognition criteria of a deferred stripping asset are not satisfied. Further, it is anticipated that the operations will maintain a consistent stripping ratio at the component level and as such no overburden in advance should be recognised. In the event that a stripping campaign is undertaken in the future a deferred stripping asset will be recognised at that time and amortised in accordance with the requirements of *Australian Interpretation 20*. An asset will be recognised for stripping activity where the following criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

### d) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of lease.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group, as lessee, are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### e) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### f) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

## Other Notes

# 36

### NOTE 36 OTHER ACCOUNTING POLICIES (continued)

#### f) Earnings per share (continued)

##### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### h) Financial statement presentation

The Group has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

'Plain English' terminology	AASB terminology
Share capital	Contributed equity
Trading equities	Other financial assets at fair value through profit or loss
Long term equity investments	Available for sale financial assets
Equity accounted associates	Investments accounted for using the equity method
Term deposits	Held to maturity investments

The accounting standards also require the presentation of a statement of comprehensive income which presents all items of recognised income and expenditure either in one statement or in two linked statements. The Group has elected to present two statements.

# 37

## NOTE 37 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor.

	2018 \$'000	2017 \$'000
<b>a) Audit Services</b>		
<b>Parent Entity and Consolidated entity</b>		
Pitcher Partners Sydney for audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	333	306
<b>Other Group entities</b>		
Pitcher Partners Sydney for audit and review of financial reports	222	158
Other audit firms for the audit or review of financial reports	444	475
<b>Total remuneration for audit and review services</b>	<b>999</b>	<b>939</b>
<b>b) Other services</b>		
<b>Pitcher Partners Sydney</b>		
Tax compliance services	116	96
Other services	6	-
<b>Other auditors of Group entities</b>		
Other services	74	24
<b>Total remuneration for other services</b>	<b>196</b>	<b>120</b>

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## Other Notes

## 38

**NOTE 38  
DEED OF CROSS GUARANTEE**

During 2012, Washington H. Soul Pattinson and Company Limited and Souls Private Equity Limited entered into a deed of cross guarantee under which each company guarantees the debts of the other. During 2013, Exco Resources Limited and its wholly-owned subsidiaries became party to this deed.

Whilst party to this deed, wholly owned entities are relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The parties to this deed are referred to as the 'Closed Group'. The effect of the deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

On 15 June 2017, Exco Resources Limited and its wholly-owned subsidiaries left the Closed group by way of a Revocation Deed.

**i) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained profits and consolidated statement of financial position for the members of the Closed Group**

	2018 \$'000	2017 \$'000
<b>Consolidated income statement – Closed Group</b>		
Profit before income tax	478,514	331,267
Income tax expense	(103,274)	(56,032)
<b>Profit after tax attributable to closed group</b>	<b>375,240</b>	<b>275,235</b>
<b>Other comprehensive income – Closed Group</b>		
Net movement in fair value of long term equity investments, net of tax	2,290	(23,885)
Share of other comprehensive income movements, net of tax	4,094	4,420
<b>Total other comprehensive income/(loss) for the year, net of tax</b>	<b>6,384</b>	<b>(19,465)</b>
<b>Total comprehensive income attributable to the closed group</b>	<b>381,624</b>	<b>255,770</b>
<b>Summary of movements in consolidated retained earnings – Closed Group</b>		
<b>Retained profits attributable to the closed group</b>		
Retained profits at the beginning of the year	1,589,111	1,401,250
Profit for the year	375,240	275,235
Adjustment for companies transferred out of the Closed Group	–	15,619
Dividends declared and paid	(106,943)	(102,993)
<b>Retained profits at the end of the year</b>	<b>1,857,408</b>	<b>1,589,111</b>

	<b>2018</b> \$'000	<b>2017</b> \$'000
<b>Consolidated statement of financial position – Closed Group</b>		
<b>Current assets</b>		
Cash and cash equivalents	42,066	56,029
Trade and other receivables	35,869	14,485
Inventories	–	1,024
Assets classified as held for sale	1,407	–
Trading equities	69,930	46,993
<b>Total current assets</b>	<b>149,272</b>	<b>118,531</b>
<b>Non-current assets</b>		
Trade and other receivables	104,475	68,041
Equity accounted associates	1,523,169	1,422,364
Long term equity investments	708,511	645,048
Other financial assets	260,192	166,064
Property, plant and equipment	3,800	5,568
Deferred tax assets	74,690	113,811
<b>Total non-current assets</b>	<b>2,674,837</b>	<b>2,420,896</b>
<b>Total assets</b>	<b>2,824,109</b>	<b>2,539,427</b>
<b>Current liabilities</b>		
Trade and other payables	1,052	10,574
Interest bearing liabilities	–	40,000
Provisions	317	406
<b>Total current liabilities</b>	<b>1,369</b>	<b>50,980</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	347,790	287,756
Provisions	530	952
<b>Total non-current liabilities</b>	<b>348,320</b>	<b>288,708</b>
<b>Total liabilities</b>	<b>349,689</b>	<b>339,688</b>
<b>Net assets</b>	<b>2,474,420</b>	<b>2,199,739</b>
<b>Equity</b>		
Share capital	43,232	43,232
Reserves	573,780	567,396
Retained profits	1,857,408	1,589,111
<b>Total equity</b>	<b>2,474,420</b>	<b>2,199,739</b>



# Directors' Declaration

## In the opinion of the Directors of the Company:

1. the financial statements and notes, as set out on pages 54 to 141 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Accounting Standards and the *Corporations Regulations 2001*;
  - b) giving a true and fair view of the financial position as at 31 July 2018 and the performance for the year ended on that date of the consolidated entity;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. at the date of this declaration, there are reasonable grounds to believe that the Company and the wholly owned subsidiaries identified in Note 38 to the financial statements as being parties to a Deed of Cross Guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the Deed.

The Basis of Preparation on page 61 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

R D Millner  
Director

T J Barlow  
Managing Director

Dated this 23rd day of October 2018.

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# Independent Auditor's Report



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

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of Washington H. Soul Pattinson and Company Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 31 July 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 31 July 2018 and of its performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company on 22 October 2018, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Consolidation and reliance on the work of other auditors</b>  <i>Refer to Basis of consolidation</i></p>	
<p>The consolidated financial statements of the Group comprise the financial statements of Washington H. Soul Pattinson and Company Limited, its subsidiaries, and its share of results from equity accounted associates.</p> <p>This involves the reporting from subsidiaries and associates ("components") and reliance is placed on the work of the auditors of those components.</p> <p>Given the number of associates and subsidiaries within the Group, and accounting complexities due to the transactions undertaken by the Group during the year, the key audit matter for us was whether the consolidation process had been accurately and completely performed by management.</p> <p>As a result we focused on:</p> <ul style="list-style-type: none"> <li>identifying and understanding the significant components and the risks of material misstatement within them;</li> <li>the assessment of each components' compliance with Group accounting policies; and</li> <li>the consolidation procedures (including consolidation journals and intercompany transactions) undertaken by management.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Providing instructions and questionnaires to component auditors and working with component auditors, to identify risks that are significant to the audit of the Group and to plan relevant audit procedures.</li> <li>Reviewing investment movements during the year for consolidation/equity accounting impacts.</li> <li>Enquiring of management about WHSP's procedures in place for the identification of intercompany transactions.</li> <li>Performing detailed testing of consolidation workpapers, journals and supporting documentation including reconciliations.</li> <li>Testing the financial data used in the consolidation process for consistency with the financial data audited by component auditors.</li> <li>Reviewing the financial reports of significant subsidiaries and associates.</li> <li>Evaluating the accounting policies of subsidiaries for consistency with WHSP policies and the accounting standards.</li> <li>Based on our assessment of risk, meeting with component auditors to discuss the outcome of their audit procedures and where necessary reviewing relevant component auditor workpapers.</li> </ul>
<p><b>Valuation, existence and classification of other equity investments</b>  <i>Refer to Note 11: Other Equity Investments and Note 17: Expenses</i></p>	
<p>Other equity investments is a significant asset in the consolidated statement of financial position, representing \$819.8 million or 15.5% of total assets.</p> <p>There is significant focus in ensuring the underlying investments are valued appropriately and are owned at year end.</p> <p>The determination of the valuation of financial investments held at fair value, is based on a range of inputs, approximately 95% of the investments are level 1 and can be valued based on quoted prices in active markets. Where observable data is not available, for example, when determining the valuation of unlisted investments, estimates must be developed based on the most appropriate source data and are subject to a higher level of judgement.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding, evaluating and testing relevant controls surrounding investment purchases and disposals.</li> <li>Confirming the proper recording and ownership of investments.</li> <li>Verifying the valuation of the total listed investment portfolio at balance date by reference to external sources.</li> <li>Reviewing management's analysis of the investments for indicators of impairment and assessing the reasonableness of the judgements and estimates of impairments made by reference to market and specific entity conditions.</li> <li>Verifying the mathematical accuracy of the impairment expense recognised in the financial report.</li> </ul>

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### **Directors' Responsibility for the Financial Report**

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other information

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 July 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Report on the Remuneration Report

#### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 50 of the Directors' Report for the year ended 31 July 2018. In our opinion, the Remuneration Report of Washington H. Soul Pattinson and Company Limited, for the year ended 31 July 2018, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



J Gavljak  
Partner



Pitcher Partners  
Sydney

23 October 2018

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# ASX Additional Information

## Distribution of Equity Securities as at 1 October 2018

Size of Holding	Number of Holders	
	Ordinary Shares	Performance Rights
1 – 1,000	10,873	–
1,001 – 5,000	5,923	–
5,001 – 10,000	1,149	2
10,001 – 100,000	911	2
100,001 and over	84	1
<b>TOTAL</b>	<b>18,940</b>	<b>5</b>
Holding less than a marketable parcel	219	

## Top 20 Shareholders as at 1 October 2018

	Ordinary Shares Held	% of Issued shares
1 Brickworks Limited	102,257,830	42.72
2 HSBC Custody Nominees (Australia) Limited	12,135,320	5.07
3 Milton Corporation Limited	9,174,640	3.83
4 JS Millner Holdings Pty Limited	8,847,859	3.70
5 Dixon Trust Pty Limited	8,611,540	3.60
6 J P Morgan Nominees Australia Limited	7,363,088	3.08
7 T G Millner Holdings Pty Limited	3,441,051	1.44
8 National Nominees Limited	3,107,566	1.30
9 Hexham Holdings Pty Limited	2,983,127	1.25
10 Argo Investments Limited	2,182,606	0.91
11 Citicorp Nominees Pty Limited	2,023,907	0.85
12 Australian Foundation Investment Company Limited	1,708,571	0.71
13 Dixon Trust Pty Limited (A/C No 1)	1,158,190	0.48
14 Mary Millner Holdings Pty Limited	1,156,860	0.48
15 Diversified United Investment Limited	1,100,000	0.46
16 Farjoy Pty Ltd	1,091,003	0.46
17 Mr Geoffrey Edward Marshall	1,050,612	0.44
18 Australian United Investment Company Limited	1,000,000	0.42
19 Millane Pty Limited	887,990	0.37
20 Tyneside Pty Limited	870,080	0.36

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### Substantial Shareholders as at 1 October 2018

As disclosed in notices received by the Company.

	Ordinary Shares Held	% of Issued Shares	Notice Received
Brickworks Limited and its subsidiaries	102,257,830	42.72	18 Nov 2013
Mr Robert Dobson Millner	19,921,975	8.32	3 Mar 2014
Mr Thomas Charles Dobson Millner	17,211,350	7.19	3 Mar 2014

17,195,965 of the above ordinary shares in which Mr R Millner and Mr T Millner have an interest relate to holdings by the same entities.

For further details refer to the notices lodged on 3 March 2014 on the ASX announcements list for WHSP (ASX code: SOL).

### Unquoted Equity Securities

As at 1 October 2018 the Company had the following unquoted equity securities on issue.

	Number of Rights	Number of Holders
Performance Rights – issued under the Long-term Incentive Plan	280,091	5

### Voting Rights

#### Ordinary shares:

- (a) on a show of hands, each member has one vote;
- (b) subject to section 250L(4) of the *Corporations Act 2001*, on a poll each member has:
  - (i) for each fully paid share held by the member, one vote; and
  - (ii) for each partly-paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited nor paid in advance of a call) is of the total amounts paid and payable (excluding amounts credited) for the share.

#### Performance Rights:

No voting rights.

### Australian Securities Exchange Listing

Washington H. Soul Pattinson and Company Limited ordinary shares are listed on the Australian Securities Exchange under the ASX Code: SOL.

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### Registered Office

Level 1, 160 Pitt Street Mall, Sydney NSW 2000

Telephone: (02) 9232 7166

Facsimile: (02) 9233 1025

[www.whsp.com.au](http://www.whsp.com.au)

### Share Register

Advanced Share Registry Limited

110 Stirling Highway, Nedlands WA 6009

Telephone: 1300 113 258 or +61 8 9389 8033 (outside Australia)

Facsimile: (08) 9262 372 or +61 8 9262 3723 (outside Australia)

[www.advancedshare.com.au](http://www.advancedshare.com.au)

### Auditors

Pitcher Partners Sydney

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