1 November 2011

The Manager
Company Announcements
Australian Securities Exchange

Dear Sir/Madam

2011 Annual Report and Annual General Meeting

Please be advised that the company is today dispatching to its shareholders its 2011 Annual Report, along with the following:

- Letter from the Chairman
- Notice of Annual General Meeting
- Annual General Meeting Explanatory Notes
- Proxy Form

Copies of all documents to be dispatched including a sample proxy form are attached.

Yours faithfully

[Signature]

I.D. Bloodworth
Company Secretary
Dear Shareholder

Following the announcement of the Company’s Annual Results in September 2011, Perpetual Limited (Perpetual) wrote to the Washington H. Soul Pattinson and Company Limited (WHSP or SOL) Directors suggesting that the share price was undervalued due to the cross-shareholding with Brickworks Limited and a perception that the Board lacks an appropriate level of independent representation. Perpetual also stated in the same letter that “SOL has been a good investment for Perpetual over a long period of time. SOL’s most recent 2011 profit result only reinforces the underlying quality of its businesses, given the present economic climate.”

The 10 Year Consolidated Financial Performance of the Company shown in the table below highlights this point further.

<table>
<thead>
<tr>
<th>10 Year Consolidated Financial Performance</th>
<th>2002</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit After Tax (before non-regular items)</td>
<td>$66m</td>
<td>$161m</td>
<td>144%</td>
</tr>
<tr>
<td>Total Ordinary Dividends (cents per share)</td>
<td>14.0</td>
<td>40.0</td>
<td>186%</td>
</tr>
</tbody>
</table>

It should also be noted that WHSP has paid a fully franked special dividend to shareholders in 7 of the 10 years between 2002 and 2011.

Following on from their views stated above, Perpetual have expressed the opinion that it is inappropriate for shareholders to vote on the re-election of Directors and the Remuneration Report. WHSP is strongly of the opinion that to link the vote on the Company’s Remuneration Report to the issues raised by Perpetual is not in the best interest of all shareholders. As noted in the enclosed Form of Proxy, the Chairman intends to vote all proxies available to him in favour of Resolution 2, ‘To adopt the Remuneration Report for the year ended 31 July 2011’.

In October 2011 RBC Dexia Investor Services, acting on behalf of Perpetual, nominated Robert Fraser for election as a Director at the upcoming AGM of the Company. At the time of writing, Mr Fraser has not contacted the Company or arranged a suitable time to meet with me or the Nomination Committee. With the exception of one WHSP Director, Mr Fraser is unknown to the WHSP Board.

As shareholders are aware New Hope Corporation Limited (NHC) (59.7% owned by WHSP) recently announced that it had received a number of preliminary and incomplete proposals from third parties and had undertaken a formal process to determine whether a proposal for NHC is available at a price and on terms that are in the best interests of the shareholders of NHC.

If a transaction proceeds, WHSP will be in an even stronger position to expand its investment portfolio. WHSP has explained to Perpetual that if further Directors were required as part of our on-going strategy, the Company would look to the appointment of Independent Directors with a suitable skill set.

Perpetual will presumably ask shareholders to vote in favour of Mr Fraser’s election. As noted in the enclosed Form of Proxy, the Chairman intends to vote all undirected proxies against Resolution 4, ‘To elect Mr Robert D Fraser as a Director of the Company’.

I ask shareholders to consider the following performance of the company when voting at the upcoming AGM:

1. WHSP’s Total Return Per Annum* for the 10 years to 31 July 2011 was 14.0%pa compared to the All Ordinaries Accumulation Index which returned 7.5%pa, an outperformance of 6.5%pa.

2. On 11 September 1998 Perpetual became a substantial shareholder in WHSP. WHSP’s Total Shareholder Return* for the 13 years to 30 September 2011 was 595% compared to the All Ordinaries Accumulation Index which returned 172% over the same period.

We thank you for your continued support and look forward to welcoming you at the meeting.

Yours sincerely,

Robert Millner, Chairman

*The above returns are measured using the share price movement over the period and assume the reinvestment of all dividends. These returns do not include the benefits of franking credits. Source IRESS.
109th ANNUAL GENERAL MEETING
2 December 2011

Notice is hereby given that the 109th Annual General Meeting of Shareholders of Washington H. Soul Pattinson and Company Limited will be held in The Heritage Ballroom, Level 6, The Westin Sydney, 1 Martin Place, Sydney on Friday, 2 December 2011 at 12 noon.

ORDINARY BUSINESS

1. Annual Report

2. Remuneration Report
   To adopt the Remuneration Report for the year ended 31 July 2011.
   Note: Votes cast on this resolution are advisory only and are not binding on the Company or its Directors. However, certain provisions of the Corporations Act, known as the “two strikes” rule, come into effect if the Remuneration Report resolution receives “against” votes of 25% or more of the votes cast at two consecutive Annual General Meetings.
   Please refer to the attached Explanatory Notes for information regarding voting by key management personnel.
   The Chairman of the meeting intends to vote all proxies available to him in favour of resolution 2.

3. Re-election of Directors
   (a) To consider the re-election of Mr. Michael J. Millner as a Director, who retires by rotation in accordance with clause 37.1 of the Company’s Constitution and, being eligible, offers himself for re-election.
      The Chairman of the meeting intends to vote all undirected proxies in favour of resolution 3(a).
   (b) To consider the re-election of Mr. David J. Fairfull as a Director, who retires by rotation in accordance with clause 37.1 of the Company’s Constitution and, being eligible, offers himself for re-election.
      The Chairman of the meeting intends to vote all undirected proxies in favour of resolution 3(b).
   (c) To consider the re-election of Mr. Thomas C.D. Millner as a Director, who retires in accordance with clause 35.4 of the Company’s Constitution and, being eligible, offers himself for re-election.
      The Chairman of the meeting intends to vote all undirected proxies in favour of resolution 3(c).

4. Election of Director
   To consider the election of Mr. Robert D. Fraser as a Director.
   The Chairman of the meeting intends to vote all undirected proxies against resolution 4.

By order of the Board

I.D. Bloodworth
Company Secretary
28 October 2011

Voting Entitlements
For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7:00pm on Wednesday, 30 November 2011 will be taken, for the purpose of the Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxies
A Member entitled to vote at the Meeting may appoint a Proxy to attend and vote in their place.
ANNUAL GENERAL MEETING EXPLANATORY NOTES

Item 1. – Receive and consider the financial and other reports for the year ended 31 July 2011. (ordinary resolution)

This item does not require voting by Shareholders. It is intended to provide an opportunity for Shareholders to raise questions on the reports themselves and on the performance and management of the Company.

The Auditor of the Company will be present at the meeting and will also be available to answer questions.

Item 2. – Adopt the Remuneration Report for the year ended 31 July 2011. (ordinary resolution)

The Corporations Act requires that the Remuneration Report be presented to the Shareholders of the Company for consideration and adoption.

The Directors’ Report contains within it, a separate and clearly identified section entitled ‘Remuneration Report (Audited)’. Pursuant to section 250R(3) of the Corporations Act the vote on this resolution is advisory only and does not bind the Company or the Directors. However, as a result of amendments to the Corporations Act certain provisions, known as the “two strikes” rule, have come into effect.

Under this rule if the Remuneration Report resolution receives “against” votes of 25% or more, of the votes cast, at two consecutive Annual General Meetings a resolution must be put to shareholders at the second Annual General Meeting to consider whether a further Shareholders meeting is to be held, within 90 days, to spill and consider the re-election of the Directors other than the Executive Director.

Shareholders will be given a reasonable opportunity, as a whole, to ask questions about, and make comments on, the Remuneration Report.

Voting Prohibition Statement

In accordance with the Corporations Act, a vote on resolution 2 must not be cast (in any capacity) by or on behalf of any of the following persons:

a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or

b) a closely related party of such a member.

However, a person described above may cast a vote on resolution 2 if:

• The person does so as a proxy appointed by writing that specifies how the proxy is to vote on resolution 2; and

• The vote is not cast on behalf of a person described in subparagraphs (a) or (b) above.

The Directors unanimously recommend that Shareholders vote in favour of resolution 2.

The Chairman of the meeting intends to vote all proxies available to him in favour of resolution 2.

Item 3(a). – Re-election of Director. (ordinary resolution)

Mr. Michael John Millner  M.A.I.C.D.

Deputy Chairman.

Non-executive Director since 1997, appointed Deputy Chairman 1998. Member of the Audit and Remuneration Committees. Member of the Nomination Committee until 3 December 2010.

Mr Millner has extensive experience in the investment industry and is a Councillor of the Royal Agricultural Society of New South Wales.

Other listed company directorships held during the past three years:

- Brickworks Limited – Appointed 1998 (current)
- Ruralco Holdings Limited – Appointed 2007 (current)

The Directors (with Mr Michael Millner abstaining) support the re-election and unanimously recommend that Shareholders vote in favour of resolution 3(a).

The Chairman of the meeting intends to vote all undirected proxies in favour of resolution 3(a).
Item 3(b). – Re-election of Director. (ordinary resolution)
Mr. David John Fairfull  B.Com., A.C.I.S., C.P.A., fFin, M.A.I.C.D
Non-executive Director since 1997. Member of the Audit and Remuneration Committees. Member of the Nomination Committee until 3 December 2010.

Mr Fairfull is a merchant banker and professional company director with over 40 years experience in corporate finance.

Other listed company directorships held during the past three years:
- Drill Torque Limited – Appointed 2011 (current) Chairman since 2011
- Heritage Brands Limited – Appointed 2009 (current)
- KH Foods Limited – Appointed 2008 (company delisted 2009)
- New Hope Corporation Limited – Appointed 1997 (current)
- Northern Energy Corporation Limited – Appointed 2011 (current)
- Souls Private Equity Limited – Appointed 2004 (current)

The Directors (with Mr David Fairfull abstaining) support the re-election and unanimously recommend that Shareholders vote in favour of resolution 3(b).

The Chairman of the meeting intends to vote all undirected proxies in favour of resolution 3(b).

Item 3(c). – Re-election of Director. (ordinary resolution)
Mr. Thomas Charles Dobson Millner  B.Des(Industrial), GDipAppFin(Finsia), fFin
Non-executive Director since 1 January 2011.

Mr Millner’s experience includes management of investment portfolios, research and analysis of listed equities and business development. Mr Millner is the Chief Executive Officer of BKI Investment Company Limited.

The Directors (with Mr Thomas Millner abstaining) support the re-election and unanimously recommend that Shareholders vote in favour of resolution 3(c).

The Chairman of the meeting intends to vote all undirected proxies in favour of resolution 3(c).

Item 4. – Election of Director. (ordinary resolution)
Mr. Robert Darius Fraser
Mr Fraser has been nominated for election to the Board of Directors by a Shareholder under clause 35.2 of the Company’s Constitution.

The Directors are not supportive of this election and unanimously recommend that Shareholders vote against resolution 4.

The Chairman of the meeting intends to vote all undirected proxies against resolution 4.

ADMISSION TO MEETING
Shareholders who will be attending the meeting, and who will not be appointing a proxy, are asked to bring the proxy form to the meeting to facilitate the admission process.

Shareholders who do not plan to attend the meeting are encouraged to complete and return their proxy form to Advanced Share Registry in the prepaid envelope provided or by facsimile as detailed on the proxy form.
QUESTIONS AND COMMENTS BY SHAREHOLDERS AT THE MEETING

A reasonable opportunity will be given to Shareholders, as a whole, to ask questions about or make comments on the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to Shareholders, as a whole, to ask the Company’s external Auditor questions relevant to:

• the conduct of the audit;
• the preparation and content of the Auditor’s Report;
• the accounting policies adopted by the Company in relation to the preparation of the financial statements; or
• the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to the Auditor if the question is relevant to:

• the content of the Auditor’s Report to be considered at the AGM; or
• the conduct of the audit of the annual financial statements to be considered at the AGM.

Relevant written questions to the Auditor must be received no later than 5.00 p.m. (Sydney time) on 21 November 2011. A list of those relevant written questions will be made available to Shareholders attending the AGM.

If written answers are tabled at the AGM, they will be made available to Shareholders as soon as practicable after the AGM.

Please send any written questions for the Auditor to:

The Company Secretary
Washington H. Soul Pattinson and Company Limited
GPO Box 479, SYDNEY NSW 2001
or by facsimile to +61 (2) 9233 1025
Instructions

1. Every shareholder has the right to appoint some other person or company of their choice, who need not be a shareholder, to attend and act on their behalf at the meeting. If you wish to appoint a person or company other than the Chairman, please insert the name of your proxyholder(s) in the space provided (see reverse).

2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.

3. This proxy should be signed by the shareholder/s as named on this proxy.

4. If a shareholder appoints two proxies, each proxy may be appointed to represent a specific proportion of the shareholder’s voting rights. If such appointment is not made then each proxy may exercise half of the shareholder’s voting rights. Fractions shall be disregarded.

5. Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy’s authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

6. To be effective, proxies must be delivered by shareholders as follows: Shareholders must deliver their proxies prior to 12.00pm (AEDT) on 30 November 2011 by mail to PO Box 1156, Nedlands, 6909, Western Australia or by facsimile at (08) 9389 7871 or by hand to the Share Registry of the Company at Unit 2, 150 Stirling Hwy, Nedlands, Western Australia, 6009.

7. For the purposes of Regulation 7.11.37 of the Corporations Regulations the Company determines that shareholders holding shares at 7.00pm (AEDT) on 30 November 2011 will be entitled to attend and vote at the Meeting.

8. The Chairman intends to vote in favour of resolutions 2, 3a, 3b and 3c and against resolution 4 as set out in the Notice of Meeting.

9. This proxy confers discretionary authority in respect of amendments to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting.

10. This proxy should be read in conjunction with the accompanying documentation provided by the Company.

11. The shares represented by this proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any poll that may be called for, and if the shareholder has specified a choice in respect of any matter to be acted upon, the shares will be voted accordingly.

Lodge your vote:

☐ By Mail:
Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6909

Alternatively you can fax your form to
(Within Australia) (08) 9389 7871
(Outside Australia) +618 9389 7871

For all enquiries call:

Telephone:
(Within Australia) (08) 9389 8033
(Outside Australia) +618 9389 8033

Email: admin@advancedshare.com.au
Form of Proxy

Please mark ☑ to indicate your directions

**STEP 1**

**Appoint a Proxy to Vote on Your Behalf**

I/we being a member/s of Washington H Soul Pattinson and Company Limited hereby appoint

☐ the Chairman of the meeting

OR

☐ [Blank]

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions at the Meeting and at any adjournment of that meeting.

If you have not appointed the Chairman of the Meeting as your proxy and you are appointing a second proxy please complete the following: Proxy 1 is appointed to represent _______% of my voting right and Proxy 2 is appointed to represent _______% of my total votes. My total voting right is _______ shares.

PLEASE NOTE: If the appointment does not specify the proportion or number of votes that the proxy may exercise, each proxy may exercise half the votes.

With respect to any amendment or variations to the matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting, I/we confer discretionary authority on the person voting on behalf of me/us to vote as that person sees fit. At the time of printing this Form of Proxy, the Company knows of no such amendment, variation or other matter.

Important for Item 2: If the Chairman of the Meeting is your proxy or is appointed as your proxy by default, by marking the box below you are directing the Chairman of the Meeting to vote in accordance with the Chairman’s voting intentions on item 2 as set out below. If you do not mark this box and have not directed your proxy how to vote on item 2 the Chairman of the Meeting will not cast your vote on item 2 and your votes will not be counted in computing the required majority if a poll is called on this Item. If you appoint the Chairman of the Meeting as your proxy, you can direct the Chairman how to vote by either marking the boxes in Step 2 below (For example if you wish to vote against or abstain from voting) or by marking the box below (In which case the Chairman of the Meeting will vote in favour of item 2)

The Chairman intends to vote all available proxies in favour of item 2

☐ I/we Direct the Chairman of the Meeting to vote in accordance with the Chairman’s voting intentions on item 2 (except where I/we have given a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though item 2 is directly or indirectly connected with the Remuneration of a member of key management personnel and/or even if the Chairman of the Meeting has an interest in the outcome of this item and votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

**STEP 2**

**Items of Business**

If you wish to direct how your proxy is to vote, please tick the appropriate boxes below.

<table>
<thead>
<tr>
<th>Resolution</th>
<th>FOR</th>
<th>AGAINST</th>
<th>ABSTAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution 2: To adopt the Remuneration Report</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Resolution 3 (a): To re-elect Mr Michael J Millner as a Director of the Company</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Resolution 3 (b): To re-elect Mr David J Fairfull as a Director of the Company</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Resolution 3 (c): To re-elect Mr Thomas C D Millner as a Director of the Company</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Resolution 4: To elect Mr Robert D Fraser as a Director of the Company</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>The Chairman intends to vote all undirected proxies AGAINST this resolution</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

**SIGN**

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

<table>
<thead>
<tr>
<th>Individual or Member 1</th>
<th>Member 2 (if joint holding)</th>
<th>Member 3 (if joint holding)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Director and Sole Secretary</td>
<td>Director/Company Secretary</td>
<td>Director</td>
</tr>
</tbody>
</table>

Date
Company 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 139 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, its traditional field of pharmaceutical, as well as coal mining, building materials, equity investments, telecommunications, agriculture and corporate consulting.

OBJECTIVE

WHSP's objective is to hold a diversified portfolio of assets which generate a growing income stream for distribution to shareholders in the form of increasing fully franked dividends and to provide capital growth in the value of the shareholders' investments.

DIVIDEND POLICY

Ordinary dividends are generally paid out of profits before non-regular items.
Special dividends are generally paid out of profits from non-regular items. Non-regular items typically include those which are outside of the normal course of business.
CONTENTS

Performance highlights 2
Chairman’s review 3
Review of group entities 7
Directors’ report 16
Auditor’s independence declaration 26
Corporate governance statement 27
Consolidated financial statements 32
Directors’ declaration 94
Independent auditor’s report 95
ASX additional information 97

CORPORATE CALENDAR

Final Dividend
Ex-Dividend date 8 November 2011
Record date 14 November 2011
Payment date 5 December 2011
Annual General Meeting 2 December 2011 at 12.00 noon
The Heritage Ballroom
Level 6, The Westin Sydney
1 Martin Place, Sydney

DIRECTORS

Robert D Millner Chairman -
Non-Executive Director
Michael J Millner Deputy Chairman -
Non-Executive Director
Peter R Robinson Executive Director
David J Fairfull Non-Executive Director
Thomas C D Millner Non-Executive Director
Robert G Westphal Non-Executive Director
David E Wills Non-Executive Director

CHIEF FINANCIAL OFFICER

Melinda R Roderick

COMPANY SECRETARY

Ian D Bloodworth

AUDITORS

Moore Stephens Sydney
### Performance Highlights

#### CONSOLIDATED FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax before non-regular items</td>
<td>161,197</td>
<td>181,555</td>
</tr>
<tr>
<td>Profit after tax and non-regular items</td>
<td>363,871</td>
<td>218,327</td>
</tr>
</tbody>
</table>

#### DIVIDENDS PAID

<table>
<thead>
<tr>
<th>Dividend Type</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim Dividend</td>
<td>15 cents</td>
<td>14 cents</td>
</tr>
<tr>
<td>Final Dividend</td>
<td>25 cents</td>
<td>20 cents</td>
</tr>
<tr>
<td>Total Ordinary Dividends</td>
<td>40 cents</td>
<td>34 cents</td>
</tr>
<tr>
<td>Special Dividend</td>
<td>-</td>
<td>12.5 cents</td>
</tr>
<tr>
<td>Total Dividends</td>
<td>40 cents</td>
<td>46.5 cents</td>
</tr>
</tbody>
</table>

#### PARENT ENTITY

<table>
<thead>
<tr>
<th>Total shareholder return</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>15 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington H. Soul Pattinson and Company Limited</td>
<td>3.1%</td>
<td>11.5%</td>
<td>15.0%</td>
<td>14.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>All Ordinaries Accumulation Index</td>
<td>4.0%</td>
<td>0.4%</td>
<td>2.2%</td>
<td>7.5%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Outperformance</td>
<td>-0.9%</td>
<td>11.1%</td>
<td>12.8%</td>
<td>6.5%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

The above WHSP returns are measured using the share price movement over the period and assume the reinvestment of all dividends. These returns do not include the benefits of franking credits.
Dear Shareholders,

I am pleased to present the 2011 Annual Report for Washington H. Soul Pattinson and Company Limited (WHSP) on behalf of the Board of Directors of the Company.

Consolidated Financial Performance

The profit of the Group attributable to shareholders, after tax and before non-regular items, for the year ended 31 July 2011 was $161.2 million, a decrease of 11.2% over the previous year. This net decrease of $20.4 million was mainly attributable to a reduced contribution from New Hope Corporation Limited (New Hope). New Hope’s result was impacted by the stronger Australian dollar, increased transportation costs and reduced sales due to the unavailability of the Western Rail Line following flood damage.

The profit of the Group, after tax and non-regular items, was $363.9 million, an increase of $145.5 million over the previous year.

The net profit on non-regular items of $202.7 million was principally attributable to the Group’s share of the gain on the sale of Arrow Energy Limited shares by New Hope.

Comparisons with the prior year are as follows:-

<table>
<thead>
<tr>
<th></th>
<th>2011 $000</th>
<th>2010 $000</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from continuing operations</td>
<td>758,387</td>
<td>823,307</td>
<td>- 7.9%</td>
</tr>
<tr>
<td>Profit after tax before non-regular items</td>
<td>161,197</td>
<td>181,555</td>
<td>- 11.2%</td>
</tr>
<tr>
<td>Profit after tax and non-regular items</td>
<td>363,871</td>
<td>218,327</td>
<td>+ 66.7%</td>
</tr>
<tr>
<td>Interim Dividend (paid in May each year)</td>
<td>15 cents</td>
<td>14 cents</td>
<td>+ 7.1%</td>
</tr>
<tr>
<td>Final Dividend</td>
<td>25 cents</td>
<td>20 cents</td>
<td>+ 25.0%</td>
</tr>
<tr>
<td>Total Ordinary Dividends</td>
<td>40 cents</td>
<td>34 cents</td>
<td>+ 17.6%</td>
</tr>
<tr>
<td>Special Dividend</td>
<td>-</td>
<td>12.5 cents</td>
<td></td>
</tr>
<tr>
<td>Total Dividends</td>
<td>40 cents</td>
<td>46.5 cents</td>
<td></td>
</tr>
</tbody>
</table>
Chairman’s Review (continued)

The chart below shows the performance of the Group before and after non-regular items over the last 10 years.

Non-regular Items

Non-regular items typically include those which are outside of the normal course of business or are of an unusually large size. A schedule of non-regular items is contained in note 4 of the consolidated financial statements.
Dividends

The chart below shows the ordinary and special dividends paid or declared by the company over the last 20 years.

Final Dividend

Directors have declared a fully franked final dividend of 25 cents per share in respect of the year ended 31 July 2011 (2010: 20 cents fully franked).

The record date for this dividend will be 14 November 2011 with payment due on 5 December 2011.

The Directors consider the profit before non-regular items to be the underlying profit of the Group. Accordingly, interim and final dividends are declared and paid based on that profit.
Chairman’s Review (continued)

Parent Company Investments

As at 31 July 2011 WHSP held equity investments valued at $4.3 billion. Details of the largest investments, which also represented significant holdings in those companies, are included below.

<table>
<thead>
<tr>
<th>Listed Investments at Market Value</th>
<th>WHSP Holdings</th>
<th>Value of WHSP’s Holding</th>
<th>Total Market Capitalisation of each investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Hope Corporation Limited</td>
<td>59.7%</td>
<td>2,652</td>
<td>4,442</td>
</tr>
<tr>
<td>Brickworks Limited</td>
<td>44.5%</td>
<td>650</td>
<td>1,461</td>
</tr>
<tr>
<td>TPG Telecom Limited</td>
<td>26.8%</td>
<td>320</td>
<td>1,195</td>
</tr>
<tr>
<td>BKI Investment Company Limited</td>
<td>13.7%</td>
<td>71</td>
<td>518</td>
</tr>
<tr>
<td>Ruralco Holdings Limited</td>
<td>23.5%</td>
<td>42</td>
<td>180</td>
</tr>
<tr>
<td>Aust. Pharmaceutical Industries Limited</td>
<td>24.6%</td>
<td>31</td>
<td>127</td>
</tr>
<tr>
<td>Apex Healthcare Berhad</td>
<td>30.3%</td>
<td>28</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,794</td>
</tr>
<tr>
<td>Other Listed Investments</td>
<td></td>
<td></td>
<td>449</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4,243</td>
</tr>
</tbody>
</table>

Unlisted Investments at Cost

| CopperChem Limited                | 52.4%         | 24                     |                                               |
| Other Unlisted Investments        |               | 43                     | 67                                            |
|                                   |               |                        | 67                                            |
| Total Parent Company Investments  |               |                        | 4,310                                         |

Parent Company Cash

<table>
<thead>
<tr>
<th>As at 31 July 2011</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHSP cash and deposits</td>
<td>320</td>
</tr>
</tbody>
</table>

On behalf of the Board, I wish to thank the management and staff of the Washington H. Soul Pattinson Group for their contribution during the year. I would also like to thank you, the Shareholders, for your continued support.

R D MILLNER
Chairman
Parent Company

The market value of the listed equities held, including controlled entities and associates, was $4.24 billion at 31 July 2011, compared to $4.07 billion as at 31 July 2010.

Excluding controlled entities and associates, the market value of listed equities was $428.1 million at 31 July 2011. This represents an increase of 6.9% after adjusting for the investment in BKI Investment Company Limited which was transferred to associates during the year. Under the Group’s accounting policies, movements in the market values of investment portfolio assets are taken up in other comprehensive income or reflected within the profit for the period as impairments. Movements in the market values of trading portfolio assets are taken up within the profit for the period.

Listed Investment Portfolio based on market value as at 31 July 2011 (excluding controlled and associated entities)

<table>
<thead>
<tr>
<th>Market Value $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milton Corporation Limited</td>
</tr>
<tr>
<td>BHP Billiton Limited</td>
</tr>
<tr>
<td>Commonwealth Bank of Australia</td>
</tr>
<tr>
<td>National Australia Bank Limited</td>
</tr>
<tr>
<td>Exco Resources Limited</td>
</tr>
<tr>
<td>Perpetual Limited</td>
</tr>
<tr>
<td>Campbell Brothers Limited</td>
</tr>
<tr>
<td>Telstra Corporation Limited</td>
</tr>
<tr>
<td>Brambles Limited</td>
</tr>
<tr>
<td>Bank of Queensland Limited</td>
</tr>
<tr>
<td><strong>Total – Ten Largest</strong></td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

During the year Choiseul Investments Limited (Choiseul) merged with Milton Corporation Limited (Milton) resulting in a disposal of the Company’s Choiseul shares for consideration of $42.2 million and the acquisition of Milton shares for the same amount. The non-regular gain on the disposal of the Choiseul shares was $23.9 million after tax.

Other acquisitions, excluding controlled entities and associates, totalled $46.7 million and included Exco Resources Limited (Exco), Industrea Limited, Snowball Group Limited and Lindsay Australia Limited.

Investments in associates consisted of $1.3 million in BKI Investment Company Limited and the reinvestment of dividends from TPG Telecom Limited totalling $8.7 million.

Proceeds from disposals excluding Choiseul totalled $11.2 million. These included Transurban Group, Intoll Group and Australian Agricultural Company Limited.

On 30 June 2011 Exco confirmed that it would return $135.0 million from the sale of its Cloncurry Copper Project to shareholders by 31 October 2011. As a result of the Company’s 7.4% holding in Exco it will receive $10.0 million of these funds.

Dividend and distribution income from listed equities held, excluding those from controlled and associated entities, was $23.1 million, up 20.6% compared to last year. Special dividends were $1.8 million (2010: $0.3 million).

Interest income for the year, excluding that from controlled and associated entities, totalled $21.3 million, an increase of 41.1% compared to $15.1 million last year.
New Hope Corporation Limited

Controlled entity: 59.7% held*
Contribution to Group profit: $300.8 million
Total Market Capitalisation: $4.44 billion*
Value of WHSP's Holding: $2.65 billion*

ASX code: NHC

New Hope has reported a net profit after tax and non-regular items for the year ended 31 July 2011 of $503.1 million, up 173.7% from $183.8 million for the year ended 31 July 2010.

The net profit on non-regular items $356.2 million was principally attributable to the sale of Arrow Energy Limited shares and 10% of the New Lenton project.

Basic earnings per share (excluding non-regular items) for the year were 16.1 cents compared to 22.3 cents per share last year.

New Hope has declared a final dividend of 5 cents per share (2010: 4.5 cents), and a special dividend of 15 cents per share (2010: 14 cents).

Net profit after tax and before non-regular items for the year ending 31 July 2011 was $146.9 million. This included $76.9 million from operations and $70.0 million from investments. Corresponding performance in 2010 was a net profit of $183.8 million, $112.6 million from operations and $71.2 million from investments. The 2011 performance represented a 20.1% reduction over that achieved in 2010.

Compared to the previous corresponding period, the full year result for 2011 was impacted by:

- Reduced total coal sales (down 4%), but increased export sales (up 2% to a record level of 5.0 million tonnes);
- Increased operating costs (particularly transport costs);
- Increased US$ coal prices offset by higher A$:US$ exchange rate;
- Extended wet weather and localised flooding at all mining operations;
- Closure of the West Moreton Rail System from the New Acland mine in mid January 2011 until mid March 2011. This was due to a significant number of landslides and washouts as a result of the rain and floods.

Mining Operations

Total clean coal production from New Hope's operations in 2011 was 5.64 million tonnes. This was 5.0% lower than for 2010. Production at all operations was negatively impacted by rain in December 2010 and January 2011. While site flooding was controlled, significant effort was directed to water management, haul road maintenance and control of in-pit conditions. Performance has rebounded since February, with coal production during the last quarter of 2011 being at record levels at New Acland mine.

Total sales for 2011 were 5.65 million tonnes, 5.00 million tonnes export and 0.65 million tonnes domestic. This compared to 5.88 million tonnes in 2010. The export tonnage achieved in 2011 is a record for New Hope and represents an excellent recovery from the flood events in early 2011.

Queensland Bulk Handling (QBH)

QBH, New Hope's 100% owned coal export terminal located at the Port of Brisbane, exported 6.52 million tonnes of coal on 88 vessels during 2011. This compared to 6.67 million tonnes on 102 vessels in 2010. This 2.2% reduction in volume was due to restricted coal supply due to flooding of the West Moreton Rail System in early 2011 and reduced tonnage from third party mines. Performance over the last quarter of 2011 was at record levels, annualising in excess of 9 million tonnes. QBH continues to be an essentially demurrage free port.

*As at 31 July 2011
Review of Group Entities (continued)

New Hope Corporation Limited (continued)

New Hope Exploration

New Hope continues an active exploration program utilising 3 New Hope drilling rigs plus contract rigs as required. The exploration focus in 2011 has been on proving up resources in the Bowen Basin, particularly at New Lenton. The program was significantly impacted by wet weather restricting access in late 2010 and early 2011. A total of 25,408 metres was drilled during the year.

New Hope announced an increase in both JORC compliant resources and reserves in May 2011 as follows:

- Resources: Increased by 56.0% from 980 million tonnes to 1529 million tonnes
- Reserves: Increased by 12.4% from 484 million tonnes to 544 million tonnes.

Arrow Energy Limited (Arrow)

During 2010, a company jointly owned by Royal Dutch Shell and PetroChina issued a proposal to acquire all shares in Arrow for $4.70 cash per share, plus a share in a new entity, Dart Energy Limited.

In July 2010 Arrow shareholders approved the demerger and acquisition schemes. The sale of New Hope’s 16.7% interest in Arrow settled on 23 August 2010, with New Hope receiving $576 million from the sale. New Hope recognised an after tax profit of $329.4 million on the sale during the year.

Northern Energy Corporation Limited (NEC)

In late 2010, New Hope made an off market offer for NEC of $1.85 per share. The NEC Directors recommended acceptance of this offer and by close of the offer on 9 March 2011, New Hope held 80.8% of the equity in NEC. Subsequently, on 29 August 2011, New Hope made a further offer for the remaining shares at $2.00 per share. New Hope now has in excess of 97.6% of the equity in NEC.

NEC has been concentrating on the development of the Colton and Elimatta projects.

The Colton Project, located near Maryborough, is an open cut coking coal opportunity. While initial production tonnage will be about 0.5 million tonnes per annum, further exploration now underway indicates that expansion to a larger tonnage is possible. Product coal will be railed to and exported through Gladstone.

Elimatta is a thermal open cut coal deposit located in the Northern Surat Basin. NEC has reported JORC resources of 244 million tonnes.

Outlook

New Hope’s mining operations have recovered well from the flood events of early 2011, have adequate levels of opening inventory (both in pit and product coal) and as a result are well placed for a solid performance in 2012. Production for 2012 is planned to increase to 6.1 million tonnes with sales slightly higher at 6.2 million tonnes.

QR National has been performing at or above contract levels in railing coal down the West Moreton Coal System. The QBH export facility has also been running at very high levels. With the completion of the expansion project it now has the capacity to handle up to 10 million tonnes per annum.

New Hope is currently working on the development of 4 new projects. While not bringing increased product volume in 2012 and 2013, they will add significant volume in the near term and in addition will provide both product mix diversification (coking and PCI coal) and geographical diversification. New Hope’s large cash reserves, of some $1.5 billion, provide a valuable strategic foundation to fund these proposed developments.

As a result of WHSP’s 59.7% holding in the issued capital of the company, New Hope contributed a net profit of $300.8 million to the Group (2010: $110.7 million, 59.9% holding).

JORC Declaration

The estimates of coal resources herein have been prepared in accordance with the guidelines of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources – The JORC Code”. These resources are inclusive of the reserves reported in the reserves statement. The work has been undertaken internally by NHC and reviewed by Mr Phillip Bryant, Project Manager New Lenton NHC and Member of AusIMM (no. 210566). Mr Bryant has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Bryant consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information in this Coal Reserves Statement that related to coal reserves is based on information compiled by Dr Warren Seib, who is Fellow of AusIMM. Dr Seib has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves’. Dr Seib consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
**Review of Group Entities (continued)**

**CopperChem Limited**

**Controlled entity: 52.4% held**

**Contribution to Group result: $2.7 million loss**

**Unlisted entity**

CopperChem is a producer of copper sulphate and copper concentrate. The company's operations are based in Cloncurry in north-west Queensland, 124 kms from Mt Isa.

The largest single use for copper sulphate in the Australian market is in production of lead/zinc concentrates. Across the globe the major use of copper sulphate is focused on the animal feed market as an additive to animal feed where it acts as a growth accelerator for poultry and pigs.

Copper concentrate is the feedstock for pyrometallurgical copper smelters. Copper concentrate can also contain quantities of precious metals (specifically gold) and other industrial metals such as cobalt.

The copper sulphate plant was commissioned in 2004 and has been supplying product to the local and export trade for seven years. The copper concentrate plant will be fully commissioned and operating at capacity in October 2011.

A strategic benefit for CopperChem is that available ore is mined on-site. Approximately 750,000 tonnes of ore will be mined per annum as feedstock for both plants. CopperChem has two types of ore available to it:

- **Leachable Ores** – these ores are amenable to leaching with sulphuric acid and form the base for the copper sulphate circuit;
- **Non-Leachable Ores** – these are copper sulphide ores that will be processed into copper concentrates.

In addition, suitable ore can be sourced in the Mt Isa and Cloncurry areas from third parties.

Through an alliance agreement with a copper exploration company, CopperChem has access to oxide ores located on 1,800km² of tenements in the region. The general area is well known for its significant copper resources and much of the tenement area is host to old workings and visible outcroppings of mineralisation.

CopperChem currently employs 80 to 90 staff, many on a fly-in, fly-out basis. As the mine and plant operations are located adjacent to the centre of Cloncurry, adequate services are readily available avoiding the need to build infrastructure as is the case with many remote mine sites.

At 31 July 2011 WHSP had a 52.4% holding in CopperChem. Following conversion of its Class B shares into ordinary shares in October 2011 WHSP's holding increased to 93.4%. In addition, WHSP has provided funding to CopperChem through loans, convertible loans and convertible notes. Once the convertible loans and notes convert to shares, likely to be in the last quarter of this calendar year, WHSP's holding in the company will increase further. As at 31 July 2011 WHSP had invested $64.7 million in the project.

The first 6 months of the 2011-2012 financial year will see the final commissioning of the copper concentrate plant. Plans are already being considered to double the capacity of this plant subject to suitable ore availability.

It is expected that the second half of the current financial year will see CopperChem produce more than satisfactory profit results and strong cash flows.

As a result of WHSP's 52.4% holding in the issued capital of the company, CopperChem contributed a net loss of $2.7 million to the Group.

*As at 31 July 2011*
**Pitt Capital Partners Limited**

**Controlled entity: 78.3% held***

**Contribution to Group profit: $1.5 million**

**Unlisted entity**

PCP is a corporate advisory firm specialising in mergers, strategic advice, equity capital markets, private equity, restructuring and debt advisory work.

Despite increased competition in the market and fewer completed transactions PCP recorded strong revenue for the year ended 31 July 2011. Increased profitability came as a result of this revenue gain and a continued focus on cost reduction.

During the year PCP established a property advisory division through BW + Partners. PCP will continue to explore growth opportunities through the provision of additional services.

PCP has successfully taken advantage of its niche in the market by leading smaller transactions with innovative solutions. PCP has carried over a solid pipeline of work into 2012 financial year.

As a result of WHSP’s 78.3% interest in the issued capital of the company, PCP contributed a net profit of $1.5 million to the Group (2010: $0.3 million loss).

---

**Australian Pharmaceutical Industries Limited**

**Associated entity: 24.6% held***

**Contribution to Group result: $5.6 million loss**

**Total Market Capitalisation: $127 million***

**Value of WHSP’s Holding: $31 million***

**ASX code: API**

API’s financial year ended on 31 August 2011. The results for the full year will not be released to the market until 27 October 2011.

API released its half year result on 20 April 2011. For the 6 months the company reported revenue in line with last year at $1.85 billion and a net loss after non-regular items of $35.1 million. The underlying net profit was consistent with last year. Earnings were impacted by a number of non-regular items including an impairment of financial guarantees and an accounting loss associated with the Queensland floods in January 2011.

Sales for the Pharmacy Division decreased by 1.1% reflecting the impact of the Queensland floods. Earnings before interest and tax (EBIT) declined $2.5 million, compared to last year due to increased supply chain costs following the floods. The company advised that this division had successfully implemented new trading terms with customers to coincide with changes to the Pharmaceutical Benefits Scheme and the loss of revenue due to Pfizer’s decision to end its wholesaling arrangements in Australia, effective 1 February 2011.

Priceline, API’s mass market health and beauty retailing division, posted retail sales growth of 3.1% and comparable store growth of 1.8% which was a credible result given the intense competition in the retail sector. Priceline’s unrivalled Clubcard program continues to attract new members and had 3.4 million members at the end of February 2011.

API declared a fully franked interim dividend of 1 cent per share which was paid on 3 June 2011.

WHSP has equity accounted API’s result for the 12 months to February 2011. As a result of WHSP’s 24.6% holding in the issued capital of the company, API contributed a net loss of $5.6 million to the Group (2010: $5.5m profit).

---

*As at 31 July 2011*
Review of Group Entities (continued)

**BKI Investment Company Limited**

Associated entity: 13.7% held*

Contribution to Group profit: $1.1 million (3 months)

Total Market Capitalisation: $518 million*

Value of WHSP’s Holding: $71 million*

ASX code: BKI

BKI is a Listed Investment Company on the Australian Securities Exchange. It was formed in October 2003 to take over and manage the investment portfolio of Brickworks Limited (Brickworks). Brickworks established the core portfolio during the 1980’s with the objective to generate an increasing income stream through long term investment in a portfolio of securities that would grow over time.

Today, some 25 years since the inception of the core portfolio, BKI continues to be a long term research driven manager, focusing on well managed companies, with a profitable history and that offer attractive dividend yields. Stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends. The BKI portfolio valuation has grown from $171 million as at listing on 12 December 2003 to $599 million as at 30 June 2011.

Following WHSP’s acquisition of additional shares in BKI on 21 March 2011, WHSP’s investment was reclassified as an investment in an associated company. Accordingly, this investment has been equity accounted since that date.

BKI’s key objective is to generate an increasing income stream for distribution to its shareholders in the form of fully franked dividends. Total dividends paid by BKI for the year ended 30 June 2011 were 7.0 cents per share which was an increase of 12.0% on the previous year.

BKI reported a net profit after tax, before special dividend income, for the year ended 30 June 2011 of $25.3 million, an increase of 13.1% on the previous year.

BKI’s net portfolio return (after all operating expenses, provision and payment of income and capital gains tax and the reinvestment of dividends) for the 12 months to 30 June 2011 was 12.0% compared to the S&P/ASX 300 Accumulation Index which increased by 11.9%.

As a result of WHSP’s 13.7% holding in the issued capital of the company, BKI contributed a net profit of $1.1 million to the Group in respect of the 3 months to 30 June 2011. In addition, BKI dividends of $3.5 million were taken up as income by WHSP for the year (2010: $3.2m).

**Brickworks Limited**

Associated entity: 44.5% held*

Contribution to Group profit: $5.8 million

Total Market Capitalisation: $1.46 billion*

Value of WHSP’s Holding: $650 million*

ASX code: BKW

Brickworks posted a net profit after tax and before non-regular items for the year ended 31 July 2011 of $100.8 million, down 8.5% from $110.2 million for the year ended 31 July 2010. After non-regular items, the profit for the year was $142.6 million, up 2.7% from $138.8 million in the previous year. These results include the equity accounted profit contribution from WHSP.

Building Products EBIT in the second half was 38.2% down on the prior corresponding period. The full year EBIT was $42.0 million, down 21.3% on the prior year.

Land and Development EBIT was up 2.8% to $29.2 million, primarily due to an increased contribution from the Property Trust.

Brickworks’ overall result was assisted by both lower borrowing costs and tax expense.

*As at 31 July 2011
Brickworks Limited (continued)

Normalised earnings per share were 68.3 cents per share, down from 76.7 cents for the previous year due to the lower earnings.

The directors of Brickworks have declared a final dividend of 27 cents fully franked, taking the full year dividend to 40.5 cents fully franked (2010: 40 cents).

Borrowing costs decreased to $21.2 million, from $24.5 million in the prior year, due to lower average debt levels.

Interest cover was down marginally to 6.4 times, from 6.5 times at 31 July 2010.

Capital expenditure increased to $35.7 million in the year ended 31 July 2011. Growth capital expenditure was $15.7 million including upgrades to precast plants in New South Wales and Western Australia and the purchase of operational land for the Building Products division. Land and Development capital expenditure was $0.9 million.

Spending on acquisitions totalled $17.1 million for the year comprising the Girotto and Gocrete precast businesses and East Coast Masonry in Coffs Harbour.

Divisional Results

Austral Bricks' result was lower than the previous year due to lower demand, particularly in the second half. Overall sales revenue for the year ended 31 July 2011 was $329.7 million, down 4.7% compared to the prior year, due to the impact of the market downturn in Queensland and Western Australia.

Austral Masonry once again delivered an improved profit result for the year, despite a significant downturn in trading conditions and fierce competition on the east coast. Sales revenue increased by 14.8% over the previous corresponding period to $55.2 million, due in part to a full year contribution from the Port Kembla plant. On a like for like basis sales volume decreased by 1.9% compared to the prior year.

Bristile Roofing achieved another solid result, despite sales revenue being down 4.2% to $123.8 million. The performance was driven by the east coast operation where a decline in revenue was more than offset by average selling price increases and strong cost controls.

Austral Precast's sales revenue increased strongly to $56.6 million as a result of acquired businesses. Following the successful integration of Sasso Precast last year, Brickworks acquired the Girotto and Gocrete precast concrete panel businesses from Boral on 1 September 2010 for $14.2 million.

Auswest Timbers delivered a steady result for the year end 31 July 2011 despite sales revenue decreasing 6.0% to $36.1 million compared to the previous year due to soft domestic market conditions for green structural products. Higher returns from an improved sales mix assisted the business to achieve a 5.9% lift in average selling prices and a 3.4% increase in margin.

Land and Development produced an EBIT of $29.2 million for the year ended 31 July 2011, up 2.8% from $28.4 million in the previous corresponding period.

Property Sales contributed an EBIT of $16.3 million for the year.

The Property Trust generated an EBIT of $12.5 million, up from $10.3 million in the prior year.

Carbon Emissions

Brickworks has continually strived to reduce fuel consumption and lower carbon emissions, for both commercial and environmental reasons. Based on National Greenhouse and Energy Reporting Act data, Brickworks emitted 430,800 tonnes of CO2 for the year ended 31 July 2011. This has been voluntarily reduced from 570,000 tonnes for the year ended 31 July 2003.

Brickworks continue to pursue significant reductions in energy consumption with a focus on three key themes: better factory utilisation; product re-engineering and; elimination of products with excessive emissions. When fully operational the combined Wollert plant in Victoria will achieve annual emissions savings of 115,000 tonnes of greenhouse gases, a reduction of around 65% compared to the facilities being replaced.

As a result of WHSP's 44.5% holding in the issued capital of the company, Brickworks contributed a $14.9 million regular profit to the Group (2010: $17.5m, holding 44.6%). In addition, WHSP's share of non regular expenses was $9.1 million (2010: $4.5m). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

*As at 31 July 2011
Review of Group Entities (continued)

Clover Corporation Limited
Associated entity: 28.6% held*
Contribution to Group profit: $1.3 million
Total Market Capitalisation: $50 million*
Value of WHSP's Holding: $14 million*
ASX code: CLV

Clover reported a net profit after tax for the period ended 31 July 2011 of $4.6 million. Clover changed its reporting date to 31 July 2011 and as a result reported 13 months earnings this year compared to 12 months last year. In 2010 Clover recorded a loss of $0.97 million due to the impairment of its investment in Future Foods Ingredients Pty Limited.

Clover has stated that 2011 had been a year of consolidation regarding its commercial activities combined with a significant output from the product innovation program.

Sales revenue for the period under review was $35.6 million (2010: $34.9 million) with growth being recorded in the key markets of China, South Asia and Australia/New Zealand.

Clover's expenditure on innovation and research increased in line with its business strategy to $1.7 million (2010: $1.1 million). The expansion of the targeted innovations program includes interaction with external research groups. A 3 year Australian Growth Partnership research agreement totalling $1.2 million has commenced with the CSIRO to develop products directed towards significant developing markets.

Clover's directors have declared a fully franked dividend of 1.5 cents per share (2010: 1.25 cents) in respect of the 13 months ended 31 July 2011.

WHSP has equity accounted Clover's result for the 13 months to July 2011. As a result of WHSP's 28.6% holding in the issued capital of the company, Clover contributed a net profit of $1.3 million to the Group (2010: $0.3 million loss).

Ruralco Holdings Limited
Associated entity: 23.5% held*
Contribution to Group profit: $4.1 million
Total Market Capitalisation: $180 million*
Value of WHSP's Holding: $42 million*
ASX code: RHL

Ruralco's financial year ends 30 September 2011. Ruralco's results for the full year are scheduled to be released to the market on 22 November 2011.

Ruralco released its half year profit result on 24 May 2011. For the six months to March 2011, revenue increased by 14.9% to $493.7 million and net profit after tax by 31.5% to $10.2 million compared to the previous corresponding period. Ruralco described the results as pleasing noting that they had been achieved despite the challenges presented by some extreme weather events across Australia.

Ruralco reported favourable market conditions across rural supplies, livestock and wool, grain marketing and financial services during the period. The positive result also reflected the establishment of new businesses in under-represented areas including Western Australia and parts of Queensland and northern NSW.

An interim dividend of 9 cents per share fully franked was paid in June 2011 (2010: 8 cents per share).

WHSP has equity accounted Ruralco's result for the 12 months to March 2011. As a result of WHSP's 23.5% holding in the issued capital of the company, Ruralco contributed a net profit of $4.1 million to the Group (2010: $2.7m).

*As at 31 July 2011
TPG Telecom Limited
Associated entity: 26.8% held*
Contribution to Group profit: $20.6 million
Total Market Capitalisation: $1.2 billion*
Value of WHSP's Holding: $320 million*
ASX code: TPM

TPG has reported a net profit after tax for the year ended 31 July 2011 of $78.2 million, an increase of 40.4% over last year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 36.8% to $234.0 million, compared to the guidance range of $225 million to $230 million.

Strong organic subscriber growth in TPG’s core consumer broadband business has continued with a net increase in the year of 59,000 subscribers (comprising 77,000 On-Net growth, partially offset by a decline in lower margin Off-Net subscribers). The On-Net broadband and home phone bundle has continued to be the major growth driver, adding 98,000 subscribers during the year.

The PIPE Networks business has also continued to grow strongly. During its first full 12 months as part of the Group it has contributed $57.2 million to the EBITDA result. The result has been driven by continued strong domestic revenue growth. Its network rollout for the Vodafone Hutchison Australia contract, which will increase PIPE’s domestic fibre footprint by approximately 30%, is progressing well and to schedule.

Other features of the results:
• Earnings per share (EPS) increased by 33% to 10.1 cents per share;
• EPS, excluding the impact of intangible amortisation expense, was 14.3 cents per share;
• Strong cash flow enabled the reduction of bank debt by $100 million;
• The debt to annual EBITDA leverage ratio at 31 July 2011 reduced to less than 1.0 times.

TPG has declared a fully franked final dividend of 2.25 cents per share, bringing total dividends for the year to 4.5 cents.

TPG has advised that during the first quarter of the 2012 financial year it will formally complete its acquisition of 100% of IntraPower Limited (IntraPower). IntraPower’s “Trusted Cloud” platform will complement TPG’s extensive network infrastructure and enable further products and services to be offered to its corporate and government customers.

As a result of WHSP’s 26.8% holding in the issued capital of the company, TPG contributed a net profit of $20.6 million to the Group (2010: $15.4m, 26.6% holding).

UPDATE

Souls Private Equity Limited
On 19 September 2011, WHSP announced a proposal to acquire all of the shares and options of Souls Private Equity Limited which it does not already own.

Please refer to note 45 of the consolidated financial statements for further information.

New Hope Corporation Limited
On 5 October 2011, New Hope Corporation Limited (New Hope) announced that it had received a number of preliminary and incomplete proposals from third parties in relation to potential change of control transactions. In view of ongoing interest from a number of parties, New Hope’s Board of Directors is undertaking a formal process to determine whether a proposal for New Hope is available at a price, and on terms, that are in the best interests of all of its shareholders.

CopperChem Limited
On 9 October 2011, WHSP’s shareholding in CopperChem Limited increased from 52.4% to 93.4% on conversion of its Class B shares into ordinary shares. No additional consideration was paid in respect of the conversion.
The Directors of Washington H. Soul Pattinson and Company Limited (WHSP) present their report and the financial statements of the Company and the consolidated entity, being the Company and its subsidiaries, for the financial year ended 31 July 2011.

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

Mr R D Millner
Mr M J Millner
Mr P R Robinson
Mr D J Fairfull
Mr R G Westphal
Mr D E Wills

The following person was appointed as a Director of WHSP on 1 January 2011 and remains a Director at the date of this report:

Mr T C D Millner

PRINCIPAL ACTIVITIES
The principal activities of the corporations in the consolidated entity during the course of the financial year were ownership of shares, copper mining and refining, coal mining and consulting.

In October, 2010 the consolidated entity took a controlling interest in its copper mining and refining company, CopperChem Limited. There were no other significant changes in the nature of the consolidated entity's principal activities during the year.

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

<table>
<thead>
<tr>
<th>Cents Per Share</th>
<th>Total amount $'000</th>
<th>Franking %</th>
<th>Date of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final ordinary dividend 2010</td>
<td>20</td>
<td>47,728</td>
<td>100%</td>
</tr>
<tr>
<td>Special dividend 2010</td>
<td>12.5</td>
<td>29,830</td>
<td>100%</td>
</tr>
<tr>
<td>Interim ordinary dividend 2011</td>
<td>15</td>
<td>35,796</td>
<td>100%</td>
</tr>
<tr>
<td>Dealt with in the financial report as dividends</td>
<td>47.5</td>
<td>113,354</td>
<td></td>
</tr>
</tbody>
</table>

Declared after the end of the year
Final ordinary dividend 2011 | 25 | 59,660 | 100% | 5 December 2011 |

REVIEW OF OPERATIONS
The profit of the Group attributable to shareholders, after tax and before non-regular items, for the year ended 31 July 2011 was $161.2 million, a decrease of 11.2% over the previous year. This net decrease of $20.4 million was mainly attributable to a reduced contribution from New Hope Corporation Limited (New Hope). New Hope's result was impacted by the stronger Australian dollar, increased transportation costs and reduced sales due to the unavailability of the Western Rail Line following flood damage.

The profit of the Group, after tax and non-regular items, was $363.9 million, an increase of $145.5 million over the previous year.

The net profit on non-regular items of $202.7 million was principally attributable to the Group’s share of the gain on the sale of Arrow Energy Limited shares by New Hope.
Directors’ Report (continued)

REVIEW OF OPERATIONS (continued)

Comparison with the prior year is as follows:-

<table>
<thead>
<tr>
<th></th>
<th>2011 $000</th>
<th>2010 $000</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from continuing operations</td>
<td>758,387</td>
<td>823,307</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Profit after tax before non-regular items</td>
<td>161,197</td>
<td>181,555</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Profit after tax and non-regular items</td>
<td>363,871</td>
<td>218,327</td>
<td>+66.7%</td>
</tr>
<tr>
<td>Interim Dividend (paid in May each year)</td>
<td>15 cents</td>
<td>14 cents</td>
<td>+7.1%</td>
</tr>
<tr>
<td>Final Dividend</td>
<td>25 cents</td>
<td>20 cents</td>
<td>+25.0%</td>
</tr>
<tr>
<td>Total Ordinary Dividends</td>
<td>40 cents</td>
<td>34 cents</td>
<td>+17.6%</td>
</tr>
<tr>
<td>Special Dividend</td>
<td>-</td>
<td>12.5 cents</td>
<td></td>
</tr>
<tr>
<td>Total Dividends</td>
<td>40 cents</td>
<td>46.5 cents</td>
<td></td>
</tr>
</tbody>
</table>

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 15 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 33 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 45 of the consolidated financial statements.

LIKELY DEVELOPMENTS, BUSINESS STRATEGY AND PROSPECTS

Further information about likely developments, business strategy and prospects and the expected results in subsequent financial years has not been included in this report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL COMPLIANCE

New Hope Corporation Limited’s (New Hope) Queensland mining operations and exploration tenements are regulated by the Queensland Department of Environment and Resource Management (DERM) under Queensland’s Environmental Protection Act 1994. New Hope’s coal export port facility, Queensland Bulk Handling (QBH), and Jondaryan rail loading facility are regulated by the DERM under Queensland’s Sustainable Planning Act 2009.

New Hope’s mining operations and exploration tenements each function under a site specific Environmental Authority, whilst the rail loading facility and port facility each function under a site specific Development Approval.

During the 2011 financial year, New Hope experienced two environmental incidents involving the non compliant discharge of water off site. The two separate environmental incidents occurred at New Acland Coal Mine and New Oakleigh Coal Mine during March 2011 and July 2011, respectively. In regard to both matters, New Hope promptly developed a number of corrective actions to minimise the risk of a similar incident and ensured that DERM was consulted. New Hope received a “Warning Notice” from the DERM during May 2011 for the environmental incident involving New Acland Coal Mine and has been advised that it will receive the same compliance action for the environmental incident involving New Oakleigh Coal Mine.

A draft Supplementary Environmental Impact Statement (SEIS) for the New Acland Stage 3 Expansion Project was lodged with Queensland’s Office of the Coordinator General during June 2011 and is currently under review by the Coordinator General for the purpose of approving the SEIS for public release. Queensland’s Coordinator General is expected to issue a final report and make a formal decision on the approval of the New Acland Stage 3 Expansion Project during the 2012 financial year.
ENVIRONMENTAL COMPLIANCE (continued)

New Hope continues to participate in the Commonwealth Energy Efficiency Opportunities (EEO) program, which during May 2011 included the successful completion of a desktop audit of statutory EEO requirements by the Commonwealth Department of Resources, Energy and Tourism. The annual EEO Public Report is published on New Hope's website during December each year. New Hope’s three mine sites and QBH submit reports during September each year under the National Pollutant Inventory program.

New Hope meets the corporate threshold for participation under the Commonwealth’s National Greenhouse and Energy Reporting Act 2007. An annual report is submitted to the Commonwealth Department of Climate Change and Energy Efficiency during October each year.

New Hope continued to implement its Environmental Management System (EMS) in accordance with ISO14001 during the 2011 financial year. The EMS assists the New Hope to improve its environmental performance by increasing environmental awareness, optimising operational control, monitoring compliance and facilitating continuous improvement.

DIRECTORS

Information regarding the Directors of the Company.

Robert Dobson Millner  F.A.I.C.D.
Chairman.
Non-executive Director since 1984, appointed Chairman 1998. Member of the Remuneration Committee and member of the Nomination Committee since 4 December 2010.

Mr Millner has extensive experience in the investment industry.

Other listed company directorships held during the past three years:
- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Brickworks Limited – Appointed 1997 (current) Chairman since 1999
- BKI Investment Company Limited – Appointed 2003 (current) Chairman since 2003
- Choiseul Investments Limited – Appointed 1995, Resigned 2011
- Milton Corporation Limited – Appointed 1998 (current) Chairman since 2002
- New Hope Corporation Limited – Appointed 1995 (current) Chairman since 1998
- Northern Energy Corporation Limited – Appointed 2011 (current)
- Souls Private Equity Limited – Appointed 2004 (current) Chairman since 2004
- TPG Telecom Limited – Appointed 2000 (current)

Michael John Millner  M.A.I.C.D.
Deputy Chairman.
Non-executive Director since 1997, appointed Deputy Chairman 1998. Member of the Audit and Remuneration Committees. Member of the Nomination Committee until 3 December 2010.

Mr Millner has extensive experience in the investment industry and is a Councillor of the Royal Agricultural Society of New South Wales.

Other listed company directorships held during the past three years:
- Brickworks Limited – Appointed 1998 (current)
- Ruralco Holdings Limited – Appointed 2007 (current)

Peter Raymond Robinson  B.Com.(UNSW), F.A.I.C.D.
Executive Director.

Mr Robinson has held both executive and non-executive directorships for a period of 25 years and has over 30 years experience at general management and Chief Executive Officer level. He is Chairman of Australian Pharmaceutical Industries Limited and Clover Corporation Limited.

Other listed company directorships held during the past three years:
- Australian Pharmaceutical Industries Limited – Appointed 2000 (current) Chairman since 2003
- Clover Corporation Limited – Appointed 1997 (current) Chairman since 2002
- KH Foods Limited – Appointed 2008 (company delisted 2009)
- New Hope Corporation Limited – Appointed 1997 (current)
- Northern Energy Corporation Limited – Appointed 2011 (current)
**Directors’ Report (continued)**

**DIRECTORS (continued)**

David John Fairfull  B.Com., A.C.I.S., C.P.A., fFin, M.A.I.C.D

Non-executive Director since 1997. Member of the Audit and Remuneration Committees. Member of the Nomination Committee until 3 December 2010.

Mr Fairfull is a merchant banker and professional company director with over 40 years experience in corporate finance.

Other listed company directorships held during the past three years:
- Drill Torque Limited – Appointed 2011 (current) Chairman since 2011
- Heritage Brands Limited – Appointed 2009 (current)
- KH Foods Limited – Appointed 2008 (company delisted 2009)
- New Hope Corporation Limited – Appointed 1997 (current)
- Northern Energy Corporation Limited – Appointed 2011 (current)
- Souls Private Equity Limited – Appointed 2004 (current)

Thomas Charles Dobson Millner  B.Des(Industrial), GDipAppFin(Finsia), fFin

Appointed Non-executive Director on 1 January 2011.

Mr Millner’s experience includes management of investment portfolios, research and analysis of listed equities and business development. Mr Millner is the Chief Executive Officer of BKI Investment Company Limited.

Robert Gordon Westphal  B.Com.(UNSW), F.C.A., fFin, M.A.I.C.D.

Non-executive Director since 2006. Chairman of the Audit Committee and member of the Remuneration and Nomination 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 is a non-executive director of a number of companies in which Souls Private Equity Limited has invested and was formerly the Chairman of the Board of Governors of Queenwood School for Girls Limited for 10 years.

Other listed company directorships held during the past three years:
- Souls Private Equity Limited – Appointed 2005 (current)
- Xanadu Mines Ltd - Appointed 2010 (current)

David Edward Wills  B.Com.(UNSW), F.C.A., M.A.I.C.D

Non-executive Director since 2006. Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

Mr Wills is a Chartered Accountant, having been a partner of Coopers & Lybrand and then PricewaterhouseCoopers for 25 years. He was Managing Partner of the Sydney office and Deputy Chairman of the Australian firm immediately prior to his retirement from the firm in 2004. He is also a non-executive director of a number of companies in which Souls Private Equity Limited has invested.

Other listed company directorships held during the past three years:
- Clover Corporation Limited – Appointed 2005 (current)
- Dyno Nobel Limited – Appointed 2006, Resigned 2008
- Quickstep Holdings Limited – Appointed 2010 (current)
- Souls Private Equity Limited – Appointed 2004 (current)

**COMPANY SECRETARY**

Ian David Bloodworth

Mr Bloodworth is a Chartered Accountant with more than 25 years accounting and company secretarial experience and was appointed Company Secretary of Washington H. Soul Pattinson and Company Limited in July 2007. 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. He is also the Company Secretary of Clover Corporation Limited.
DIRECTORS’ MEETINGS

The number of Directors’ meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

<table>
<thead>
<tr>
<th>Directors’ Meetings</th>
<th>Audit Committee Meetings</th>
<th>Remuneration Committee Meetings</th>
<th>Nomination Committee Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible to Attend</td>
<td>Eligible to Attend</td>
<td>Eligible to Attend</td>
<td>Eligible to Attend</td>
</tr>
<tr>
<td>Number Attended</td>
<td>Number Attended</td>
<td>Number Attended</td>
<td>Number Attended</td>
</tr>
<tr>
<td>---------------------</td>
<td>--------------------------</td>
<td>---------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Mr R D Millner</td>
<td>16</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Mr M J Millner</td>
<td>14</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Mr P R Robinson</td>
<td>16</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Mr D J Fairfull</td>
<td>14</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Mr T C D Millner</td>
<td>7</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Mr R G Westphal</td>
<td>16</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>Mr D E Wills</td>
<td>14</td>
<td>14</td>
<td>6</td>
</tr>
</tbody>
</table>

A Denotes member of the Audit Committee of Directors for the whole of the year.
R Denotes member of the Remuneration Committee of Directors for the whole of the year.
N Denotes member of the Nomination Committee of Directors during the year.

DIRECTORS’ INTERESTS

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

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr R D Millner</td>
<td>19,474,256</td>
</tr>
<tr>
<td>Mr M J Millner</td>
<td>19,097,126</td>
</tr>
<tr>
<td>Mr P R Robinson</td>
<td>74,210</td>
</tr>
<tr>
<td>Mr D J Fairfull</td>
<td>60,000</td>
</tr>
<tr>
<td>Mr T C D Millner</td>
<td>16,547,669</td>
</tr>
<tr>
<td>Mr R G Westphal</td>
<td>10,000</td>
</tr>
<tr>
<td>Mr D E Wills</td>
<td>138,866</td>
</tr>
</tbody>
</table>

REMUNERATION REPORT (AUDITED)

Scope of Report

This Remuneration Report focuses on the Parent Entity and the unlisted controlled entities CopperChem Limited, Pitt Capital Partners Limited and Souls Financial Solutions Pty. Limited. The other controlled entities, New Hope Corporation Limited (New Hope) and Souls Private Equity Limited, are publicly listed and, accordingly, have their own Remuneration Committees and produce their own Remuneration Reports in accordance with Section 300A of the Corporations Act 2001 to be voted on by their shareholders. It should be noted that while certain executives of New Hope are included in this Remuneration Report, the Remuneration Committee focuses on the key management personnel of the Parent Entity.

Remuneration Committee

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

The Remuneration Committee ensures that remuneration levels for Directors, senior executives and group executives are competitively set to attract and retain qualified and experienced Directors and executives. The Committee is authorised by the Board to obtain independent professional advice on the appropriateness of remuneration packages if deemed necessary.

Non-executive Directors

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

Non-executive Directors (continued)

The Remuneration Committee reviews various publications/surveys annually to assist in setting Non-executive Director remuneration. Based on these publications/surveys for 2010 the remuneration received by Non-executive Directors for the year ended 31 July 2011 was under the 50th percentile for ASX listed Companies with a market capitalisation greater than $3 billion.

The aggregate amount of fees which may be paid to Non-executive Directors by the Parent Entity is subject to the approval of Shareholders in general meeting and is currently set at $1,500,000 per annum. Approval for this aggregate amount was given at the 2009 Annual General Meeting.

During the year ended 31 July 2011 fees paid to the Non-executive Directors by the Parent Entity amounted to $916,000 which included the statutory superannuation guarantee contribution of 9%.

With effect from 31 July 2004 the retiring allowance for Non-executive Directors was frozen at 3 times the average annual fees for the three years prior to that date. Non-executive Directors appointed after 1 August 2004 do not qualify for a retiring allowance.

Executive Directors and Senior Executives

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

Remuneration of the Executive Director and senior executives of the Parent Entity consists of a fixed remuneration package comprising a base salary, superannuation and fringe benefits, where taken. Fixed remuneration is approved by the Remuneration Committee based on data sourced from external sources, including independent salary survey providers.

The Remuneration Committee reviews various publications/surveys annually to assist in setting the remuneration of the Executive Director and senior executives. Based on these publications/surveys for 2010 the remuneration they received for the year ended 31 July 2011 was under the 50th percentile for ASX listed Companies with a market capitalisation greater than $3 billion.

There were no fixed term contracts of employment in place for any key management personnel of the Parent Entity at any time during the financial year.

Company Performance, Shareholder Wealth and Remuneration

The Parent Entity does not have a policy for paying bonuses or granting options under long term or short term incentive plans. Incentive based remuneration linked to the performance of the Parent Entity is considered inappropriate because the Parent Entity is a holding company with a diversified portfolio of investments and does not employ personnel at the parent company level to operate those assets. The Parent Entity considers the setting of performance linked remuneration to be the responsibility of the operating companies.

In its review of remuneration policies, in particular the base salaries of key management personnel of the Parent Entity, the Remuneration Committee has regard to the performance of the Consolidated Entity’s performance for the current and previous four financial years, taking into account the following measures:

<table>
<thead>
<tr>
<th></th>
<th>2007*</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from continuing activities</td>
<td>$750,618</td>
<td>$681,640</td>
<td>$774,953</td>
<td>$823,307</td>
<td>$758,387</td>
</tr>
<tr>
<td>Profit after tax (before non-regular items)</td>
<td>$99,192</td>
<td>$113,146</td>
<td>$224,685</td>
<td>$181,555</td>
<td>$161,197</td>
</tr>
<tr>
<td>Share price at year end</td>
<td>$9.27</td>
<td>$10.45</td>
<td>$11.00</td>
<td>$13.02</td>
<td>$12.93</td>
</tr>
<tr>
<td>Ordinary dividends paid/recommended/declared</td>
<td>28.5 cents</td>
<td>30 cents</td>
<td>32 cents</td>
<td>34 cents</td>
<td>40 cents</td>
</tr>
<tr>
<td>Special dividends paid</td>
<td>-</td>
<td>-</td>
<td>25 cents</td>
<td>12.5 cents</td>
<td>-</td>
</tr>
</tbody>
</table>

* 2007 comparatives have been restated for discontinued operations.

Key management personnel of the Parent Entity

Non-executive Directors

Mr R D Millner – Chairman
Mr M J Millner – Deputy Chairman
Mr D J Fairfull
Mr T C D Millner
Mr R G Westphal
Mr D E Wills
Directors’ Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Key management personnel of the Parent Entity (continued)

Executive Director
Mr P R Robinson

Other key management personnel of the Parent Entity
Mr I D Bloodworth – Company Secretary
Ms M R Roderick – Chief Financial Officer

Key management personnel of the Consolidated Entity
Mr M L Bailey – Chief Operations Officer (resigned 10 September 2010), New Hope Corporation Limited
Mr M J Busch – Financial Controller and Company Secretary, New Hope Corporation Limited
Mr B D Denny – Chief Operations Officer (appointed 2 November 2010), New Hope Corporation Limited
Mr B J Garland – General Manager – Resource Development (resigned 30 September 2010), New Hope Corporation Limited
Mr R C Neale – Managing Director and Chief Executive Officer, New Hope Corporation Limited
Mr S O Stephan – Chief Financial Officer, New Hope Corporation Limited

Other executives being one of the five highest paid executives of the Consolidated Entity
Mr J R Randell

Remuneration paid to key management personnel of the Parent Entity by the Parent Entity:-

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary &amp; Fees</th>
<th>Cash Bonus</th>
<th>Non Monetary Benefits</th>
<th>Superannuation Benefits</th>
<th>Termination Benefits</th>
<th>Share Based Payments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-executive Directors – 2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr R D Millner (1)</td>
<td>228</td>
<td>-</td>
<td>37</td>
<td>21</td>
<td>-</td>
<td>-</td>
<td>286</td>
</tr>
<tr>
<td>Mr M J Millner</td>
<td>134</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>146</td>
</tr>
<tr>
<td>Mr D J Fairfull (1)</td>
<td>116</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>126</td>
</tr>
<tr>
<td>Mr T C D Milner</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>76</td>
</tr>
<tr>
<td>Mr R G Westphal (1)</td>
<td>134</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>146</td>
</tr>
<tr>
<td>Mr D E Wills (1)</td>
<td>125</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>136</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>807</td>
<td>-</td>
<td>37</td>
<td>72</td>
<td>-</td>
<td>-</td>
<td>916</td>
</tr>
<tr>
<td><strong>Executive Director – 2011</strong></td>
<td>614</td>
<td>-</td>
<td>56</td>
<td>123</td>
<td>-</td>
<td>-</td>
<td>793</td>
</tr>
<tr>
<td>Mr P R Robinson (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key Management Personnel of the Parent Entity – 2011</strong></td>
<td>230</td>
<td>-</td>
<td>13</td>
<td>21</td>
<td>-</td>
<td>-</td>
<td>264</td>
</tr>
<tr>
<td>Mr I D Bloodworth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms M R Roderick</td>
<td>417</td>
<td>-</td>
<td>-</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>453</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,068</td>
<td>-</td>
<td>106</td>
<td>252</td>
<td>-</td>
<td>-</td>
<td>2,426</td>
</tr>
<tr>
<td><strong>Non-executive Directors – 2010</strong></td>
<td>194</td>
<td>-</td>
<td>21</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>232</td>
</tr>
<tr>
<td>Mr M J Millner</td>
<td>117</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>127</td>
</tr>
<tr>
<td>Mr D J Fairfull (1)</td>
<td>99</td>
<td>-</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>108</td>
</tr>
<tr>
<td>Mr R G. Westphal (1)</td>
<td>114</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>124</td>
</tr>
<tr>
<td>Mr D E Wills (1)</td>
<td>105</td>
<td>-</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>114</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>629</td>
<td>-</td>
<td>21</td>
<td>55</td>
<td>-</td>
<td>-</td>
<td>705</td>
</tr>
<tr>
<td><strong>Executive Director – 2010</strong></td>
<td>549</td>
<td>-</td>
<td>65</td>
<td>110</td>
<td>-</td>
<td>-</td>
<td>724</td>
</tr>
<tr>
<td>Mr P R Robinson (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key Management Personnel of the Parent Entity – 2010</strong></td>
<td>208</td>
<td>-</td>
<td>9</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>236</td>
</tr>
<tr>
<td>Mr I D Bloodworth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms M R Roderick</td>
<td>360</td>
<td>-</td>
<td>14</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>407</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,746</td>
<td>-</td>
<td>109</td>
<td>217</td>
<td>-</td>
<td>-</td>
<td>2,072</td>
</tr>
</tbody>
</table>

(1) Also derive remuneration from controlled entities as included elsewhere in this Report.
Details of the nature and amount of each major element of the remuneration of the key management personnel of the Company and the Consolidated Entity and those receiving the highest remuneration, are as follows:-

<table>
<thead>
<tr>
<th>Key Management Personnel</th>
<th>Short Term Employee Benefits</th>
<th>Post Employment Benefits</th>
<th>Share Based Payments</th>
<th>Total Received</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary &amp; Fees $’000</td>
<td>Cash Bonus $’000</td>
<td>Non Monetary Benefits $’000</td>
<td>Super-annuation $’000</td>
</tr>
<tr>
<td>Non-executive Directors – 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr R D Millner</td>
<td>567</td>
<td>-</td>
<td>37</td>
<td>45</td>
</tr>
<tr>
<td>Mr M J Millner</td>
<td>134</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Mr D J Fairfull</td>
<td>262</td>
<td>-</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>Mr T C D Millner</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Mr R G Westphal</td>
<td>172</td>
<td>-</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Mr D E Wills</td>
<td>187</td>
<td>-</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>916</td>
<td>631</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Director – 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr P R Robinson (1)(2)</td>
<td>773</td>
<td>-</td>
<td>56</td>
<td>137</td>
</tr>
<tr>
<td>Key Management Personnel of the Parent Entity – 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr I D Bloodworth (2)</td>
<td>230</td>
<td>-</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Ms M R Roderick (1)(2)</td>
<td>417</td>
<td>-</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>Key Management Personnel of the Consolidated Entity – 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr R C Neale (1)</td>
<td>1,057</td>
<td>675</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Mr M L Bailey (resigned 10 September 2010)</td>
<td>96</td>
<td>-</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Mr M J Busch</td>
<td>263</td>
<td>50</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Mr B D Denny (appointed 2 November 2010)</td>
<td>392</td>
<td>-</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Mr B J Garland (resigned 30 September 2010)</td>
<td>87</td>
<td>-</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Mr S O Stephan (1)</td>
<td>485</td>
<td>113</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Other Executives of the Consolidated Entity – 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr J R Randell (1)</td>
<td>324</td>
<td>123</td>
<td>27</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>5,516</td>
<td>961</td>
<td>216</td>
<td>415</td>
</tr>
</tbody>
</table>

(1) Denotes one of the five highest paid executives of the Consolidated Entity.
(2) Denotes one of the three highest paid executives of the Company.
### Directors’ Report (continued)

#### REMUNERATION REPORT (AUDITED) (continued)

<table>
<thead>
<tr>
<th>Key Management Personnel of the Parent Entity – 2010</th>
<th>Short Term Employee Benefits</th>
<th>Post Employment Benefits</th>
<th>Share Based Payments</th>
<th>Total Received from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr I D Bloodworth (2)</td>
<td>Salary $'000</td>
<td>Cash Bonus $'000</td>
<td>Non Monetary Benefits $'000</td>
<td>Superannuation Benefits $'000</td>
</tr>
<tr>
<td>Ms M R Roderick (2)</td>
<td>208</td>
<td>9</td>
<td>19</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Key Management Personnel of the Consolidated Entity – 2010

<table>
<thead>
<tr>
<th>Key Management Personnel of the Consolidated Entity – 2010</th>
<th>Short Term Employee Benefits</th>
<th>Post Employment Benefits</th>
<th>Share Based Payments</th>
<th>Total Received from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr R C Neale (1)</td>
<td>Salary $'000</td>
<td>Cash Bonus $'000</td>
<td>Non Monetary Benefits $'000</td>
<td>Superannuation Benefits $'000</td>
</tr>
<tr>
<td>Ms M L Bailey (1)</td>
<td>483</td>
<td>161</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td>Mr B J Garland (1)</td>
<td>344</td>
<td>117</td>
<td>26</td>
<td>15</td>
</tr>
<tr>
<td>Mr C C Hopkins</td>
<td>272</td>
<td>134</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>Mr C J Photakis (Deceased 7 August 2009)</td>
<td>13</td>
<td>-</td>
<td>2</td>
<td>38</td>
</tr>
<tr>
<td>Mr S O Stephan (Appointed 31 August 2009)</td>
<td>374</td>
<td>-</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Other Executives of the Consolidated Entity – 2010</td>
<td>Salary $'000</td>
<td>Cash Bonus $'000</td>
<td>Non Monetary Benefits $'000</td>
<td>Superannuation Benefits $'000</td>
</tr>
<tr>
<td>Mr D Brown-Kenyon (1)</td>
<td>163</td>
<td>69</td>
<td>24</td>
<td>12</td>
</tr>
</tbody>
</table>

#### OPTIONS

The Company has not issued any options over its unissued shares during the year or in prior years.

#### 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.
INDEMNIFICATION OF OFFICERS AND AUDITORS (continued)

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 and its controlled entities.

PROCEEDINGS ON BEHALF OF THE COMPANY
No person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON AUDIT SERVICES
During the year, Moore Stephens Sydney, the Company’s auditor, has performed certain other services in addition to their statutory duties. An entity associated with Moore Stephens Sydney was paid $19,975 for providing these other services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 42 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 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 Company, acting as an advocate for the Company or jointly sharing risks and rewards.

AUDITOR’S INDEPENDENCE DECLARATION

The lead auditor’s independence declaration for the year ended 31 July 2011 has been received and is included on page 26.

ROUNDING OF AMOUNTS

The amounts contained in the accompanying financial statements have been rounded off to the nearest one thousand dollars under the option available to the Company under Class Order 98/100.

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

R D MILLNER
Director

P R ROBINSON
Director

Dated this 25th day of October 2011.
Auditor’s Independence Declaration

to the Directors of Washington H. Soul Pattinson and Company Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Washington H. Soul Pattinson and Company Limited for the year ended 31st July 2011, I declare that, to the best of my knowledge and belief, there have been:

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

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens Sydney
Chartered Accountants

Martin J. (Joe) Shannon
Partner

Dated in Sydney this 24th day of October 2011
The Board of Washington H. Soul Pattinson and Company Limited (the Company) is committed to ensuring its policies and practices reflect good corporate governance and recognises that for its success an appropriate culture needs to be nurtured and developed throughout all levels of the Company.

This statement outlines the Company’s Corporate Governance Practices in place throughout the year, unless otherwise stated, and has been summarised into sections in line with the 8 core principles set out in the ASX Corporate Governance Council’s “Corporate Governance Principles and Recommendations – 2nd edition”.

Principle 1 – Lay solid foundations for management and oversight

The Board is ultimately responsible for the operations, management and performance of the Company. In discharging this responsibility the Board delegates to senior management, whose role it is to manage the Company in accordance with the directions and policies set by the Board. The Board monitors the activities of senior management in the performance of their delegated duties.

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

Responsibilities of the Board include the following:-

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to Shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

The Board has delegated responsibility for the following to management:

- Day to day management of the Company;
- Production of performance measurement reports;
- Managing the compliance and risk management systems; and
- Management of staff including, appointment, termination, staff development and performance measurement.

The Executive Director is responsible for ensuring that the responsibilities delegated by the Board are properly discharged.

The performance of the Executive Director is evaluated by the Board with reference to the overall performance of the Company and of its subsidiaries and associates in which the Executive Director represents the Company. Both qualitative and quantitative measures are used to evaluate performance.

The Executive Director evaluates the performance of the other senior executives and reports to the Board. The Board also reviews the performance of these executives via the monthly Board reports and their attendance at Board meetings.

The performance of the senior executives of the Company was assessed, as set out above, during the reporting period.

Principle 2 – Structure the Board to add value

The Company’s constitution states that its Board is to comprise of no less than three and no more than ten Directors. The names and details of the Directors of the Company at the date of this statement are set out in the Directors’ Report.

At the date of this report the Board consisted of six Non-executive and one Executive Director. The Board has assessed the independence of its members and is of the view that the following Directors are independent:

Robert D. Millner - Chairman, Non-executive
Michael J. Millner - Deputy Chairman, Non-executive
David J. Fairfull - Non-executive
Thomas C.D. Millner – Non Executive
Robert G. Westphal - Non-executive
David E. Wills - Non-executive
Principle 2 – Structure the Board to add value (continued)

Each Director has undertaken to provide the Board with all information which is relevant to the assessment of his independence in a timely manner.

Under the ASX Corporate Governance Principles and Recommendations three Non-executive Directors do not qualify as independent for the following reasons. Mr Robert Millner and Mr Michael Millner are both Directors of Brickworks Limited a major shareholder in the Company. Additionally, Mr Robert Millner, Mr Michael Millner and Mr Thomas Millner have relevant interests in substantial shareholdings in the Company as disclosed in the Key Management Personnel note to the financial statements.

Whilst the above Non-executive Directors do not meet the criteria for independence in accordance with the ASX Corporate Governance Principles and Recommendations, all Directors are committed to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered. For these reasons the Board believes that Mr Robert Millner, Mr Michael Millner and Mr Thomas Millner can be considered to be acting independently in the execution of their duties.

The current Chairman of the Board is Mr Robert Millner who is a Non-executive Director. For the reasons stated above he is considered to be independent. The current Executive Director is Mr Peter Robinson.

The Nomination Committee consists of Non-executive Directors who review the membership of the Board annually having regard to the Company’s particular needs, both present and future. The names of the members of the Committee during the year and their attendance at meetings are set out in the Directors’ Report. Where a Director is due for re-election at the next Annual General Meeting that Director may not serve on the Nomination Committee during the year preceding re-election.

The role of the Nomination Committee is to review and consider the structure, balance and skills and diversity of the Board and make recommendations regarding appointment, retirement and approval for Directors to stand for re-election. When a vacancy occurs the Nomination Committee identifies the necessary and desirable skills, expertise and experience required to compliment the Board and undertakes a process to identify the most appropriate candidates. The Nomination Committee may engage recruitment consultants and other independent experts to undertake research and assessment at the Company’s expense.

Directors are initially appointed by the full Board, following consideration of recommendations made by the Nomination Committee.

Appointment is subject to election by the Shareholders of the Company at the next Annual General Meeting. Under the Constitution, Directors are required to retire from office after three years. Retiring Directors may stand for re-election at the next Annual General Meeting, subject to approval by the Board.

In the discharge of their duties and responsibilities, the Directors either individually or jointly, have the right to seek independent professional advice at the Company’s expense. In respect of advice to individual Directors, the prior approval of the Chairman is required; such approval is not to be unreasonably withheld. The Chairman is entitled to receive a copy of any such advice obtained.

The Chairman is responsible for monitoring and assessing the performance of individual Directors, each Board Committee and the Board as a whole. The Chairman interviews each Director and provides feedback regarding their performance. The Board as a whole continuously monitors the efficiency and effectiveness of its operations on an informal basis.

The performance of each Director of the Company was assessed, as set out above, during the reporting period.

Principle 3 – Promote ethical and responsible decision-making

The Company has an established code of conduct dealing with matters of integrity and ethical standards. The Board recognises the need for the Directors and employees to adhere to the highest standards of behaviour and business ethics.

All Directors and employees are expected to abide by the code of conduct which requires them to:

- Act in accordance with ethical and professional standards;
- Act with honesty and integrity in dealings with shareholders, customers, suppliers and competitors;
- Ensure compliance with all laws and regulations;
- Act in accordance with standards of workplace behaviour and equal opportunity;
- Avoid actual or potential conflicts of interest between private and company matters;
- Not engage in insider trading;
Corporate Governance Statement (continued)

Principle 3 – Promote ethical and responsible decision-making (continued)

• Not accept unauthorised benefits as a result of their position in the Company;
• Ensure Company assets and confidential information are not used improperly;
• Maintain and further enhance the Company's reputation and not act in a manner which may harm that reputation; and
• Reporting all breaches of the code.

The Company has established a share trading policy, the main principles are as follows:-

• The policy relates to trading in shares of the Company and controlled and associated entities of the Company that are publicly listed;
• Trading is prohibited when Directors and employees are in possession of price sensitive information which is not available to the public;
• In respect of the securities of the Company, Directors and other key management personnel are also prohibited from trading during prohibited periods which are imposed by the Company from time to time.
• In respect of Directors and other key management personnel trading in its shares, the Company has established the following share trading windows each for a period of 6 weeks commencing from:-
  • The release of the Company’s annual result to the ASX;
  • The release of the Company’s half yearly result to the ASX;
  • The date of the Annual General Meeting; and
  • The release of a prospectus.

In exceptional circumstances, Directors and senior executives may trade at times other than those referred to above, with the prior approval of the Chairman, or in his absence, two Directors.

• Directors and senior executives are prohibited from using margin loans to finance the purchase of shares in the Company or from trading in any financial products issued or created over the Company’s shares.

Principle 4 – Safeguard integrity in financial reporting

The Company has an established Audit Committee, which has a formal charter outlining the committee’s function, composition, authority, responsibilities and reporting.

The current members of the audit committee are:

Robert G. Westphal - Chairman
Michael J. Millner
David J. Fairfull
David E. Wills

All of the members of the committee are Non-executive Independent Directors. Mr Westphal, who is the Chairman of the Audit Committee, is not the Chairman of the Board. The Chairman of the Board is not a member of the Audit Committee. The details of the Audit Committee members at the date of this statement and their attendance at meetings are set out in the Directors’ Report.

The Non-executive Chairman, Executive Director, Chief Financial Officer, Company Secretary and any Non-executive Director not on the Committee, may attend Audit Committee meetings by invitation. The external auditors, Moore Stephens Sydney, are requested by the Audit Committee to attend the appropriate meetings to report on the results of their half-year review and full year audit.

The function of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:-

• The external reporting of financial information, including the selection and application of accounting policies;
• The independence and effectiveness of the external auditors;
• The effectiveness of internal control processes and management information systems;
• Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements; and
• The application and adequacy of risk management systems within the Company.
Corporate Governance Statement (continued)

Principle 4 – Safeguard integrity in financial reporting (continued)

The Executive Director and the Financial Controller are required to state in writing to the Board, by submission to the Audit Committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company’s financial position and operational results and that they are in accordance with relevant accounting standards. A declaration from the Executive Director and the Financial Controller has been received in respect of the current reporting period.

Principle 5 – Make timely and balanced disclosure

The Board recognises the need to ensure that all investors have equal and timely access to material information regarding the Company and for announcements to be factual, clear, balanced and complete.

The Company has established a Continuous Disclosure Policy to ensure compliance with ASX and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX announcement platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company’s securities or which would materially influence the decision making of investors. Internal procedures are in place to ensure that relevant information is communicated promptly.

The Chairman and Executive Director are responsible for determining disclosure obligations and the Company Secretary is the nominated continuous disclosure officer for the Company.

Principle 6 – Respect the rights of Shareholders

The Board is committed to ensuring that Shareholders are fully informed of all material matters affecting the Company in a timely manner.

The dissemination of information is mainly achieved as follows:-

- An Annual Report is distributed to Shareholders in November each year;
- The Chairman’s Address to the Annual General Meeting is distributed to Shareholders in December each year;
- A Half-yearly Review of Operations is distributed to Shareholders in May each year; and
- Significant information is posted on the Company’s website.

In addition, Shareholders are encouraged to attend and participate in the Annual General Meeting of the Company. The external auditor attends the Annual General Meeting to answer Shareholders’ questions in regard to the conduct of the audit and the content of the auditor’s report.

Principle 7 – Recognise and manage risk

The Company is committed to identifying and managing areas of significant business risk to protect Shareholders, employees, earnings and the environment. Arrangements in place include:-

- Regular detailed financial, budgetary and management reporting;
- Procedures to manage financial and operational risks;
- Established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters;
- Comprehensive insurance and risk management programs;
- Procedures requiring Board approval for all borrowings, guarantees and capital expenditure beyond minor levels; and
- Where applicable, the utilisation of specialised staff and external advisors.

Management is responsible for the design and implementation of a risk management and internal control system which manages the material business risks of the Company and reporting to the Board on whether those risks are being managed efficiently. Management reported to the Board on an ongoing basis during the current reporting period.

The Executive Director and the Financial Controller are required to state in writing to the Board, by submission to the Audit Committee, that the risk management and internal control compliance systems are operating efficiently and effectively. In their declaration under section 295A of the Corporations Act the Executive Director and the Financial Controller have made this statement in respect of the current reporting period.
Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration Committee which consists of five Directors, the majority of whom are independent, and is chaired by an Independent Director. The Committee makes recommendations to the full Board on remuneration matters and other terms of employment for the Executive Director, senior executives and Non-executive Directors. The details of the Remuneration Committee members at the date of this statement and their attendance at meetings are set out in the Directors’ Report.

Senior executive performance is continually monitored by the Executive Director and the Executive Director’s performance is subject to continuous monitoring by the full Board.

The remuneration of the Executive Director is reviewed annually by the Remuneration Committee, which consists of Non-executive Directors. The remuneration of the senior executive staff is reviewed annually by the full Board after taking into consideration the recommendations of the Remuneration Committee and the Executive Director.

The Executive Director and senior executive staff are remunerated by way of salary, non monetary benefits, and superannuation contributions. Neither the Executive Director nor senior executive staff are entitled to receive bonus payments or any equity based remuneration.

Non-executive Directors’ fees are reviewed annually by the full Board after taking into consideration the Company’s performance, market rates, level of responsibility and the recommendations of the Remuneration Committee. The aggregate amount of fees which may be paid to Non-executive Directors is subject to the approval of Shareholders at the Annual General Meeting and is currently set at $1,500,000 per annum. Approval for this amount was given at the 2009 Annual General Meeting.

Non-executive Directors are remunerated by way of fees in the form of cash, non monetary benefits, and statutory superannuation contributions and may be entitled to receive a retiring allowance. With effect from 31 July 2004 the retiring allowance for Non-executive Directors was frozen at 3 times the average annual fees for the 3 years prior to that date. Non-executive Directors appointed after 1 August 2004 do not qualify for a retiring allowance. Non-executive Directors are not entitled to receive bonus payments or any equity based remuneration.

Remuneration is set so as to attract and retain suitable personnel and to motivate them to pursue the long term growth and success of the Company.

Further information of Directors’ and executives’ remuneration is set out in the Remuneration Report.

For further information concerning the corporate governance practices of the Company refer to the Corporate Governance section of the Company’s web site at www.whsp.com.au.
This financial report covers the consolidated financial statements of the Consolidated entity consisting of Washington H. Soul Pattinson and Company Limited and its controlled entities. The financial statements are presented in Australian currency.

Washington H. Soul Pattinson and Company Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is located in New South Wales:

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.

The financial report was authorised for issue by the directors on 25th October 2011.

<table>
<thead>
<tr>
<th>Financial statements</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated income statement</td>
<td>33</td>
</tr>
<tr>
<td>Consolidated statement of comprehensive income</td>
<td>34</td>
</tr>
<tr>
<td>Consolidated statement of financial position</td>
<td>35</td>
</tr>
<tr>
<td>Consolidated statement of changes in equity</td>
<td>36</td>
</tr>
<tr>
<td>Consolidated statement of cash flows</td>
<td>37</td>
</tr>
<tr>
<td>Notes to the financial statements</td>
<td>38</td>
</tr>
<tr>
<td>Directors’ declaration</td>
<td>94</td>
</tr>
<tr>
<td>Independent audit report to members</td>
<td>95</td>
</tr>
</tbody>
</table>
## Consolidated Income Statement

For the year ended 31 July 2011

<table>
<thead>
<tr>
<th>Notes</th>
<th>2011 $’000</th>
<th>2010 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from continuing operations</td>
<td>5</td>
<td>758,387</td>
</tr>
<tr>
<td>Other income</td>
<td>6</td>
<td>567,309</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td>(345,295)</td>
</tr>
<tr>
<td>Selling and distribution expenses</td>
<td></td>
<td>(132,654)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td></td>
<td>(39,471)</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>(4,633)</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>7</td>
<td>(41,492)</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(2,692)</td>
</tr>
<tr>
<td>Share of results from equity accounted associates</td>
<td></td>
<td>36,582</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td></td>
<td>796,041</td>
</tr>
<tr>
<td>Income tax (expense)</td>
<td>8a</td>
<td>(237,791)</td>
</tr>
<tr>
<td><strong>Profit after tax for the year</strong></td>
<td></td>
<td>558,250</td>
</tr>
<tr>
<td>Profit after tax attributable to non-controlling interest</td>
<td></td>
<td>(194,379)</td>
</tr>
<tr>
<td><strong>Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited</strong></td>
<td></td>
<td>363,871</td>
</tr>
</tbody>
</table>

### Non statutory information

<table>
<thead>
<tr>
<th></th>
<th>2011 $’000</th>
<th>2010 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before non-regular items from ordinary activities after tax attributable to members</td>
<td></td>
<td>161,197</td>
</tr>
<tr>
<td>Profit from non-regular items after income tax attributable to members</td>
<td>4</td>
<td>202,674</td>
</tr>
<tr>
<td><strong>Profit after tax and non-regular items attributable to members</strong></td>
<td></td>
<td>363,871</td>
</tr>
</tbody>
</table>

The Directors consider that the disclosure of the impact of non-regular items included in profits, enhances the understanding of the results attributable to members. Further details are provided in note 4.

### Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2011 cents</th>
<th>2010 cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted earnings per share to ordinary equity holders of Washington H. Soul Pattinson and Company Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td></td>
<td>152.48</td>
</tr>
<tr>
<td><strong>Earnings per share from all operations</strong></td>
<td></td>
<td>152.48</td>
</tr>
</tbody>
</table>

### No. of shares

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of shares used in calculating basic and diluted earnings per share</td>
<td></td>
<td>238,640,580</td>
</tr>
</tbody>
</table>

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 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax for the year</td>
<td>558,250</td>
<td>291,092</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement in the fair value of long term equity investments, net of tax</td>
<td>(19,880)</td>
<td>70,376</td>
</tr>
<tr>
<td>Movement to profit and loss on disposal of long term equity investments, net of tax</td>
<td>(355,926)</td>
<td>(2,973)</td>
</tr>
<tr>
<td>Net movement in hedge reserve, net of tax</td>
<td>9,346</td>
<td>3,269</td>
</tr>
<tr>
<td>Net movement in foreign currency translation reserve, net of tax</td>
<td>(752)</td>
<td>(72)</td>
</tr>
<tr>
<td>Net movement in equity reserve, net of tax</td>
<td>48</td>
<td>915</td>
</tr>
<tr>
<td><strong>Total other comprehensive income for the year, net of tax</strong></td>
<td>(367,164)</td>
<td>71,515</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>191,086</td>
<td>362,607</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to non-controlling interest</strong></td>
<td>(62,651)</td>
<td>(101,763)</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited</strong></td>
<td>128,435</td>
<td>260,844</td>
</tr>
</tbody>
</table>

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 2011

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 July 2011</th>
<th>31 July 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10</td>
<td>79,783</td>
</tr>
<tr>
<td>Term deposits</td>
<td>11</td>
<td>1,927,911</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>12</td>
<td>140,941</td>
</tr>
<tr>
<td>Inventories</td>
<td>13</td>
<td>75,193</td>
</tr>
<tr>
<td>Investments fair valued through profit and loss</td>
<td>15</td>
<td>37,587</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>16</td>
<td>31,880</td>
</tr>
<tr>
<td>Current tax asset</td>
<td>17</td>
<td>-</td>
</tr>
<tr>
<td>Current assets classified as held for sale</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td>3,105</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>2,296,400</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>18</td>
<td>6,637</td>
</tr>
<tr>
<td>Equity accounted associates</td>
<td>19</td>
<td>764,498</td>
</tr>
<tr>
<td>Long term equity investments</td>
<td>20</td>
<td>507,878</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>21</td>
<td>7,040</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>16</td>
<td>8,807</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>22</td>
<td>775,604</td>
</tr>
<tr>
<td>Exploration and evaluation assets</td>
<td>23</td>
<td>8,508</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>24</td>
<td>44,179</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>25</td>
<td>56,050</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>2,179,201</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>4,475,601</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>26</td>
<td>62,467</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>27</td>
<td>44,168</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td></td>
<td>171,611</td>
</tr>
<tr>
<td>Provisions</td>
<td>28</td>
<td>21,557</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>299,803</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>30</td>
<td>236,291</td>
</tr>
<tr>
<td>Provisions</td>
<td>29</td>
<td>25,749</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>262,040</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>561,843</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>3,913,758</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>31</td>
<td>32,900</td>
</tr>
<tr>
<td>Reserves</td>
<td>32</td>
<td>570,092</td>
</tr>
<tr>
<td>Retained profits</td>
<td>32</td>
<td>2,209,757</td>
</tr>
<tr>
<td>Parent entity interest</td>
<td></td>
<td>2,812,749</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>1,101,009</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>3,913,758</td>
</tr>
</tbody>
</table>

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 2011

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Retained profits</th>
<th>Reserves</th>
<th>Total parent entity interest</th>
<th>Non-controlling interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

#### Year ended 31 July 2011

**Total equity at the beginning of the year**

1 August 2010

32,900 1,937,108 810,243 2,780,251 1,039,389 3,819,640

Net profit for the year after tax

- 363,871

Other comprehensive income for the year

Net movement in the asset revaluation reserve, net of tax

- (240,323) (240,323) (135,483) (375,806)

Net movement in hedge reserve

- 5,586 5,586 3,760 9,346

Net movement in foreign currency translation reserve

- (747) (747) (5) (752)

Net movement in equity reserve

- 48 48 - 48

Total comprehensive income for the year

- 363,871 (235,436) 128,435 62,651 191,086

Transactions with owners

Dividends declared and paid

- (91,728) (91,728) (79,903) (171,631)

Contributions of equity, net of transaction costs

- - - 5,260 5,260

Net movement in share-based payments reserve

- 406 (1,915) (1,509) 1,213 (296)

Non-controlling interests on acquisition of subsidiary

- - - 69,699 69,699

Equity transfer from members on issue of share capital in controlled entities

- 100 (2,800) (2,700) 2,700 -

Total equity at the end of the year - 31 July 2011

32,900 2,209,757 570,092 2,812,749 1,101,009 3,913,758

#### Year ended 31 July 2010

**Total equity at the beginning of the year**

1 August 2009

32,900 1,841,068 768,942 2,642,910 1,184,353 3,827,263

Net profit for the year after tax

- 218,327

Other comprehensive income for the year

Net movement in the asset revaluation reserve, net of tax

- 39,698 39,698 27,705 67,403

Net movement in hedge reserve

- 1,984 1,984 1,285 3,269

Net movement in foreign currency translation reserve

- (80) (80) 8 (72)

Net movement in equity reserve

- (164) 1,079 915 - 915

Total comprehensive income for the year

- 218,163 42,681 260,844 101,763 362,607

Transactions with owners

Dividends declared and paid

- (111,969) (111,969) (273,500) (385,469)

Contributions of equity, net of transaction costs

- - - 17,982 17,982

Net movement in share-based payments reserve

- - - 1,263 (2,643)

Exit from Group of subsidiary

- - - (100) (100)

Equity transfer from members on issue of share capital in controlled entities

- (10,154) (10,154) 10,154 -

Total equity at the end of the year - 31 July 2010

32,900 1,937,108 810,243 2,780,251 1,039,389 3,819,640

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 2011

<table>
<thead>
<tr>
<th>Notes</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>'000</td>
<td>'000</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers inclusive of GST</td>
<td>618,203</td>
<td>729,199</td>
</tr>
<tr>
<td>Payments to suppliers and employees inclusive of GST</td>
<td>(503,779)</td>
<td>(531,978)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>59,503</td>
<td>53,846</td>
</tr>
<tr>
<td>Interest received</td>
<td>113,742</td>
<td>225,392</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(116)</td>
<td>(313)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(67,043)</td>
<td>(805,509)</td>
</tr>
<tr>
<td><strong>Net cash inflow/ (outflow) from operating activities</strong></td>
<td></td>
<td>220,510</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(329,363)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for property, plant and equipment and intangibles</td>
<td>(86,186)</td>
<td>(82,376)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>260</td>
<td>440</td>
</tr>
<tr>
<td>Payments for exploration and evaluation activities</td>
<td>(5,778)</td>
<td>(13,860)</td>
</tr>
<tr>
<td>Net (payments for)/proceeds from term deposits</td>
<td>(254,609)</td>
<td>855,998</td>
</tr>
<tr>
<td>Payments for investments</td>
<td>(114,892)</td>
<td>(177,815)</td>
</tr>
<tr>
<td>Payments for subsidiaries, net of cash acquired</td>
<td>(171,218)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>595,647</td>
<td>27,698</td>
</tr>
<tr>
<td>Cash outflow from loss of control of a subsidiary</td>
<td>-</td>
<td>(2,070)</td>
</tr>
<tr>
<td>Loans advanced</td>
<td>(20,455)</td>
<td>(3,739)</td>
</tr>
<tr>
<td>Loan repayments received</td>
<td>2,100</td>
<td>2,117</td>
</tr>
<tr>
<td><strong>Net cash (outflow)/ inflow from investing activities</strong></td>
<td></td>
<td>(55,131)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>606,393</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issues of equity</td>
<td>5,261</td>
<td>14,042</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(193,686)</td>
<td>(411,911)</td>
</tr>
<tr>
<td>Proceeds from interest bearing liabilities</td>
<td>534</td>
<td>5,314</td>
</tr>
<tr>
<td><strong>Net cash (outflow) from financing activities</strong></td>
<td></td>
<td>(187,891)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(392,555)</td>
</tr>
<tr>
<td><strong>Net (decrease) in cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>109,821</td>
<td>228,530</td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash and cash equivalents</td>
<td>(7,526)</td>
<td>(3,184)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>79,783</td>
<td>109,821</td>
</tr>
</tbody>
</table>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.
## Contents of the Notes to the Financial Statements

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Summary of significant accounting policies</td>
<td>39</td>
</tr>
<tr>
<td>2</td>
<td>Critical accounting estimates and judgements</td>
<td>51</td>
</tr>
<tr>
<td>3</td>
<td>Segment information</td>
<td>52</td>
</tr>
<tr>
<td>4</td>
<td>Non-regular items impacting profit</td>
<td>55</td>
</tr>
<tr>
<td>5</td>
<td>Revenue</td>
<td>55</td>
</tr>
<tr>
<td>6</td>
<td>Other income</td>
<td>55</td>
</tr>
<tr>
<td>7</td>
<td>Expenses</td>
<td>56</td>
</tr>
<tr>
<td>8</td>
<td>Income tax expense</td>
<td>57</td>
</tr>
<tr>
<td>9</td>
<td>Dividends</td>
<td>58</td>
</tr>
<tr>
<td>10</td>
<td>Current assets – Cash and cash equivalents</td>
<td>59</td>
</tr>
<tr>
<td>11</td>
<td>Current assets – Term deposits</td>
<td>59</td>
</tr>
<tr>
<td>12</td>
<td>Current assets – Trade and other receivables</td>
<td>59</td>
</tr>
<tr>
<td>13</td>
<td>Current assets – Inventories</td>
<td>60</td>
</tr>
<tr>
<td>14</td>
<td>Current assets – Current assets classified as held for sale</td>
<td>60</td>
</tr>
<tr>
<td>15</td>
<td>Current assets – Investments fair valued through profit and loss</td>
<td>60</td>
</tr>
<tr>
<td>16</td>
<td>Derivatives</td>
<td>61</td>
</tr>
<tr>
<td>17</td>
<td>Current assets – Current tax asset</td>
<td>61</td>
</tr>
<tr>
<td>18</td>
<td>Non-current assets – Trade and other receivables</td>
<td>62</td>
</tr>
<tr>
<td>19</td>
<td>Non-current assets – Equity accounted associates</td>
<td>62</td>
</tr>
<tr>
<td>20</td>
<td>Non-current assets – Long term equity investments</td>
<td>62</td>
</tr>
<tr>
<td>21</td>
<td>Non-current assets – Other financial assets</td>
<td>62</td>
</tr>
<tr>
<td>22</td>
<td>Non-current assets – Property, plant and equipment</td>
<td>63</td>
</tr>
<tr>
<td>23</td>
<td>Non-current assets – Exploration and evaluation assets</td>
<td>65</td>
</tr>
<tr>
<td>24</td>
<td>Non-current assets – Deferred tax assets</td>
<td>65</td>
</tr>
<tr>
<td>25</td>
<td>Non-current assets – Intangible assets</td>
<td>66</td>
</tr>
<tr>
<td>26</td>
<td>Current liabilities – Trade and other payables</td>
<td>67</td>
</tr>
<tr>
<td>27</td>
<td>Current liabilities – Interest bearing liabilities</td>
<td>67</td>
</tr>
<tr>
<td>28</td>
<td>Current liabilities – Provisions</td>
<td>68</td>
</tr>
<tr>
<td>29</td>
<td>Non-current liabilities – Provisions</td>
<td>68</td>
</tr>
<tr>
<td>30</td>
<td>Non-current liabilities – Deferred tax liabilities</td>
<td>68</td>
</tr>
<tr>
<td>31</td>
<td>Share capital</td>
<td>69</td>
</tr>
<tr>
<td>32</td>
<td>Reserves and retained profits</td>
<td>69</td>
</tr>
<tr>
<td>33</td>
<td>Financial risk management</td>
<td>72</td>
</tr>
<tr>
<td>34</td>
<td>Contingent liabilities</td>
<td>75</td>
</tr>
<tr>
<td>35</td>
<td>Commitments for expenditure</td>
<td>75</td>
</tr>
<tr>
<td>36</td>
<td>Parent entity financial information</td>
<td>76</td>
</tr>
<tr>
<td>37</td>
<td>Subsidiaries</td>
<td>77</td>
</tr>
<tr>
<td>38</td>
<td>Investments in associates</td>
<td>81</td>
</tr>
<tr>
<td>39</td>
<td>Interest in joint ventures</td>
<td>84</td>
</tr>
<tr>
<td>40</td>
<td>Key management personnel</td>
<td>84</td>
</tr>
<tr>
<td>41</td>
<td>Related parties</td>
<td>88</td>
</tr>
<tr>
<td>42</td>
<td>Remuneration of auditors</td>
<td>89</td>
</tr>
<tr>
<td>43</td>
<td>Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities</td>
<td>90</td>
</tr>
<tr>
<td>44</td>
<td>Share-based payments</td>
<td>90</td>
</tr>
<tr>
<td>45</td>
<td>Events after the reporting date</td>
<td>93</td>
</tr>
</tbody>
</table>
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity ("WHSP") consisting of Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated entity” or "Group"). In accordance with the Corporations Amendment (Corporate Reporting Reform) Act 2010, parent entity accounts are no longer required to be presented in the consolidated financial statements. Summarised parent entity financial information is provided in note 36.

Washington H. Soul Pattinson and Company Limited is a listed public company, incorporated and domiciled in Australia.

a) Basis of preparation of accounts

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

i. Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Washington H. Soul Pattinson and Company Limited comply with IFRS.

ii. Historical cost convention

These financial statements have been prepared under historical cost conversion, as modified by the revaluation of long term equity investments, financial assets and liabilities (including derivative instruments) carried at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

iii. Critical accounting 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 in note 2.

iv. 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:

<table>
<thead>
<tr>
<th>‘Plain English’ terminology</th>
<th>AASB Terminology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>Contributed equity</td>
</tr>
<tr>
<td>Investments fair valued</td>
<td>Other financial assets at fair</td>
</tr>
<tr>
<td>Long term equity investments</td>
<td>value through profit or loss</td>
</tr>
<tr>
<td>Equity accounted associates</td>
<td>Available for sale financial</td>
</tr>
<tr>
<td>Term deposits</td>
<td>investments</td>
</tr>
<tr>
<td></td>
<td>Investments accounted for using</td>
</tr>
<tr>
<td></td>
<td>the equity method</td>
</tr>
<tr>
<td></td>
<td>Held to maturity investments</td>
</tr>
</tbody>
</table>

The revised standard also requires the presentation of a statement of comprehensive income which presents all items of recognised income and expense either in one statement or in two linked statements. The Consolidated entity has elected to present two statements.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Washington H. Soul Pattinson and Company Limited (“Company” or “Parent entity”) as at 31 July 2011 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 applies a policy of treating transactions with non-controlling interests 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. Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of 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 movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

iii. Joint venture entities

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the consolidated financial statements under the appropriate headings. Details of the joint ventures are set out in note 39.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

d) 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.
d) Foreign currency translation (continued)

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.

iii. Group companies

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.

e) Revenue recognition

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:

- Revenue from the sale of goods (net of returns, discounts and allowances) is recognised when the goods are despatched to the customer and for coal sales 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 is recognised as the services are performed.
- Consulting and management fee income is recognised as the services are performed and the control of the right to be compensated for the commitments undertaken.
- 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. Dividends received from associates are accounted for in accordance with the equity method of accounting. Refer note (1 b).
- Rental income is recognised on a straight-line basis over the lease term.

f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction 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 interpretations. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income tax (continued)
Deferred tax assets and liabilities are provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amount in the consolidated financial statements are determined using tax rates (and laws) expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. 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.
Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowance
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

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 for the operation of tax funding agreements, for funding tax payments required to be made by the head entity in their tax-consolidation groups from underlying transactions of their controlled entities.
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 difference 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 consoliated entities.

g) Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.
The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any 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 of the subsidiary 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.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Business Combinations (continued)

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

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

h) Impairment of assets

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. 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

i) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, should they occur, are shown within borrowings in the current liabilities in the statement of financial position.

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, using the effective interest 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 the 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.

k) Inventories

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.

l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell. A gain is recognised for any subsequent increases in fair value less cost to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. Any gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of the business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of the business or area of operations, or a subsidiary acquired exclusively with the view to resale. The results of discontinued operations are presented separately on the face of the income statement.

m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: long term equity investments, financial assets fair valued through profit and loss, loans and receivables and term deposits. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition.

i. Long term equity investments

Long term equity investments comprise holdings in marketable equity securities which are intended to be held for the long term. These investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

ii. Investments fair valued through profit and loss

Investments fair valued through profit and loss comprises principally of securities held for the purpose of selling in the short to medium term. Derivatives are included in this classification unless they are designated as hedges. Assets in this category are classified as current assets.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than 12 months after the reporting date which are classified as non-current assets. Loan and receivables are included in trade and other receivables in the statement of financial position.

iv. 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

Regular purchases and sale of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Long term equity investments are initially recognised at fair value plus transaction costs. Investments fair valued through profit and loss are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of comprehensive income.

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.
**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m) Investments and other financial assets (continued)**

*Subsequent measurement*

Long term equity investments and investments fair valued through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'Investments fair valued through profit and loss' category, are presented 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.

Loans and receivables and term deposits are carried at amortised cost using the effective interest method.

*Fair value*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, references to other instruments that are substantially the same, and discounted cash flow analysis.

*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.

**n) Derivatives - Forward foreign exchange contracts**

The Group hedges its foreign currency exposure by entering into forward contracts.

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 income statement (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.

**o) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement 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 held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask 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.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Property, plant and equipment

Freehold land is carried at the lower of cost and recoverable amount.

Property, plant and equipment, excluding investment properties, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of 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 proportion 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 building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<table>
<thead>
<tr>
<th>Class of Property, plant and equipment:</th>
<th>Depreciation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>2 ½ – 5%</td>
</tr>
<tr>
<td>Machinery</td>
<td>5 – 33 ½ %</td>
</tr>
<tr>
<td>Vehicles</td>
<td>15 – 33 ½ %</td>
</tr>
<tr>
<td>Furniture, fittings and equipment</td>
<td>5 – 40%</td>
</tr>
<tr>
<td>Mining reserves &amp; leases</td>
<td>Over productive life of mine</td>
</tr>
<tr>
<td>Mine development costs</td>
<td>Over productive life of mine</td>
</tr>
</tbody>
</table>

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 the carrying amount. These are included in the income statement.

q) Mine properties, mine development costs, mining reserves and mining leases

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable mineral 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.

r) 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.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Intangible assets

i. 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 might be impaired, and is carried at cost less accumulated impairment losses. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination’s synergies, unless there is no reasonable and consistent basis to do so, in which case goodwill is allocated to groups of cash-generating units. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where this recoverable amount is less than the carrying amount, an impairment loss is recognised.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. 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.

iii. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

iv. 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 reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of intangibles are as follows:

<table>
<thead>
<tr>
<th>Class of intangible</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>Indefinite life</td>
</tr>
<tr>
<td>Software</td>
<td>3 – 5 years</td>
</tr>
</tbody>
</table>

Impairment of assets

The carrying amount of the Group’s assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable value. Impairment losses are expensed to the income statement unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

The recoverable amount is the higher of an asset’s fair value less cost to sell and its value in use.

t) 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.

u) 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.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Provisions (continued)
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 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. Premises ‘make good’ provision
Future estimated costs for the restoration of leased factory premises to their condition at lease inception are recognised at the present value of those future costs.

v) Employee benefits
i. Short term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled 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 for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

ii. Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using appropriate risk free rates as applicable to the estimated future cash outflows.

iii. Retirement benefit obligations
All employees of the Group are entitled to benefits from the Group’s superannuation plans on retirement, disability or death. The Group has defined benefit sections and defined contribution sections within its plans. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group’s legal or constructive obligation is limited to these contributions.

Contributions are recognised as an expense in the income statement on an accruals basis.

iv. Share-based payments
Share-based payments are provided to employees of Group entities. Details of these schemes are set out in note 44.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options. Options are exercisable by current employees during the nominated vesting period or by directors’ consent.

The fair value at grant date is independently determined using various option pricing models and are detailed in note 44.

The fair value of the options granted is adjusted to reflect the market vesting condition, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in income statement with a corresponding adjustment to equity.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Exploration and evaluation expenditure
Exploration, evaluation and relevant acquisitions costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs 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 with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

x) 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 returns are applied against share capital.

y) Dividends
Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at reporting date.

z) Parent entity financial information
The financial information for the Parent entity, Washington H. Soul Pattinson and Company Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i. Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Washington H. Soul Pattinson and Company Limited. Dividends received from associates are recognised in the Parent entity’s income statement, rather than being deducted from the carrying amount of these investments.

aa) 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
• by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus element in ordinary shares issued during the year.

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 assumed the conversion of all dilutive potential ordinary shares.

bb) 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.

cc) Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the ‘rounding off’ of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.
For the year ended 31 July 2011

dd) Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

ee) New Accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2011 reporting periods. The Group has elected not to early adopt these standards and interpretations. The Group is currently determining what impacts these standards and interpretations will have on the amounts recognised in the financial statements. A list of these standards and interpretations is as follows:

- **AASB 9 Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9** (effective from 1 January 2013)
  AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess the full impact. However, initial indications are that it may affect the Group's accounting for long term equity investments, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not investments fair valued through profit and loss. Fair value gains and losses on long term equity investments, for example, will therefore have to be recognised directly in income statement.

- **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards** (effective for annual reporting periods beginning on or after 1 January 2011)
  In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. The Group will apply the amended standard from 1 August 2011 and will need to disclose any transactions between its subsidiaries and its associates. There will be no impact on any of the amounts recognised in the financial statements.

- **AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards** (effective 1 January 2013)
  These standards are first required to be applied in the financial statements for the annual reporting period ending 31 July 2014. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle, that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. The group has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

- **AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments. The group is still assessing the impact of these amendments.**

- **AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13** (effective 1 January 2013)
  AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

- **AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income** (effective 1 July 2012)
  AASB 101 Presentation of Financial Statements requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to income statement in the future. This will not affect the measurement of any of the items recognised in the statement of financial position or the income statement in the current period. The group will adopt the new standard from 1 August 2012.

- **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements** (effective 1 July 2013)
  In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. The amendments apply from 1 July 2013 and cannot be adopted early.
NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on trends and economic data, obtained both externally and within the Group.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets, including receivables, property, plant and equipment, goodwill and intangibles and other assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use and fair value less costs to sell calculations are performed in assessing recoverable amounts and require the use of assumptions.

ii. Rehabilitation – mining operations

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.

iii. Determination of reserves and resources

The Group estimates its reserves and resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the “JORC code”). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of close down and restoration costs.

iv. Determination of fair value – equity accounted associates

Where it is considered that an active market does not exist or where quoted prices are not reflective of the fair value, fair value is determined by using a variety of valuation techniques.

The methodologies applied include:

a) Valuation techniques using market observable inputs. Such techniques may include:
   – using recent arm’s length market transactions; and/or
   – reference to the current fair value of similar instruments; and/or
   – discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

b) Valuation techniques using the above, but which include significant inputs that are not observable.

In applying these valuation techniques, the Group uses a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group’s businesses, including management’s expectations of:

– growth in earnings;
– timing and quantum of future capital expenditure;
– movements in net working capital;
– long term growth rates; and
– the selection of discount rates to reflect the risks involved.

Due to their nature and the judgement applied, the application of assumptions and estimates means that any selection of different assumptions, in particular the discount rate and growth rate used in the cash flow projections, could significantly affect the Group’s impairment evaluation and, hence, results. We consider that the assumptions we have made are appropriate, and that our financial statements therefore present our financial position and results fairly, in all material respects.
NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

b) Critical judgements in applying the entity’s accounting policies

i. Exploration and development expenditure
During the year, the controlled entities New Hope Corporation Limited (New Hope) and CopperChem Limited (CopperChem), capitalised various items of expenditure to the mine development and exploration expenditure asset account. 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 or sale of the relevant mining interest.
Factors that could impact the future commercial production at the CopperChem mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices.
To the extent that capitalised costs are determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

ii. Impairment of financial assets
Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial results for the year ended 31 July 2011 include the assessment of the recoverable amounts for financial assets, including investments in associates and long term equity investments (refer to notes 7 and 38).

NOTE 3. SEGMENT INFORMATION

Business Segments
The Group is organised into the following divisions by product and service type:

Investing activities
The Group engages in investments, including cash, term deposits, and equity investments.

Coal mining
The Group engages in coal mining activities including exploration, development, production, processing, associated transport infrastructure and ancillary activities. Coal mining operations are managed as a single integrated coal chain including transportation and infrastructure.

Consulting
The Group is involved in the provision of consulting services.
### NOTE 3. SEGMENT INFORMATION (continued)

#### Business segments

<table>
<thead>
<tr>
<th>Year ended 31 July 2011</th>
<th>Investing activities $'000</th>
<th>Coal mining $'000</th>
<th>Consulting $'000</th>
<th>Intersegment eliminations /unallocated $'000</th>
<th>Consolidated $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from external customers</td>
<td>177,790</td>
<td>561,947</td>
<td>2,326</td>
<td>16,324</td>
<td>758,387</td>
</tr>
<tr>
<td>Intersegment revenue</td>
<td>122,043</td>
<td>-</td>
<td>4,112</td>
<td>(126,155)</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue</td>
<td>299,833</td>
<td>561,947</td>
<td>6,438</td>
<td>(109,831)</td>
<td>758,387</td>
</tr>
<tr>
<td>Share of results from equity accounted associates</td>
<td>36,884</td>
<td>-</td>
<td>(314)</td>
<td>12</td>
<td>36,582</td>
</tr>
<tr>
<td>Other income</td>
<td>567,309</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>567,309</td>
</tr>
<tr>
<td>Total segment revenue/income</td>
<td>904,026</td>
<td>561,947</td>
<td>6,124</td>
<td>(109,819)</td>
<td>1,362,278</td>
</tr>
<tr>
<td>Segment results</td>
<td>812,176</td>
<td>108,686</td>
<td>2,771</td>
<td>(127,592)</td>
<td>796,041</td>
</tr>
<tr>
<td>Income tax (expense)</td>
<td>(237,791)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>558,250</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Segment assets

<table>
<thead>
<tr>
<th></th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets</td>
<td>3,473,943</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>771,775</td>
</tr>
<tr>
<td>Depreciation and amortisation (expense)</td>
<td>(2,264)</td>
</tr>
<tr>
<td>Impairment (expense)</td>
<td>(41,492)</td>
</tr>
</tbody>
</table>
### Business segments

#### Year ended 31 July 2010

<table>
<thead>
<tr>
<th></th>
<th>Investing activities $'000</th>
<th>Coal mining $'000</th>
<th>Consulting $'000</th>
<th>Intersegment eliminations/unallocated $'000</th>
<th>Consolidated $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue from external customers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>166,510</td>
<td>643,196</td>
<td>3,144</td>
<td>10,457</td>
<td>823,307</td>
</tr>
<tr>
<td>Intersegment revenue</td>
<td>415,380</td>
<td></td>
<td>2,823</td>
<td>(418,203)</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>581,890</td>
<td>643,196</td>
<td>5,967</td>
<td>(407,746)</td>
<td>823,307</td>
</tr>
<tr>
<td><strong>Share of results from equity accounted associates</strong></td>
<td></td>
<td></td>
<td>(31)</td>
<td>328</td>
<td>40,985</td>
</tr>
<tr>
<td>Other income</td>
<td>70,205</td>
<td>127</td>
<td>(127)</td>
<td></td>
<td>70,205</td>
</tr>
<tr>
<td><strong>Total segment revenue/income</strong></td>
<td>692,783</td>
<td>643,323</td>
<td>5,809</td>
<td>(407,418)</td>
<td>934,497</td>
</tr>
<tr>
<td><strong>Segment results</strong></td>
<td>651,147</td>
<td>142,797</td>
<td>(157)</td>
<td>(415,879)</td>
<td>377,908</td>
</tr>
<tr>
<td>Income tax (expense)</td>
<td></td>
<td></td>
<td></td>
<td>(86,816)</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>291,092</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>3,735,137</td>
<td>570,631</td>
<td>14,433</td>
<td>(32,489)</td>
<td>4,287,712</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>692,388</td>
<td></td>
<td></td>
<td>(6,649)</td>
<td>685,739</td>
</tr>
<tr>
<td>Depreciation and amortisation (expense)</td>
<td>(1,815)</td>
<td>(37,983)</td>
<td>(81)</td>
<td></td>
<td>(39,879)</td>
</tr>
<tr>
<td>Impairment (expense)</td>
<td>(706)</td>
<td></td>
<td></td>
<td></td>
<td>(706)</td>
</tr>
</tbody>
</table>
NOTE 4. NON-REGULAR ITEMS IMPACTING PROFIT

Non-statutory measure:
The Directors consider the disclosure of the impact of non-regular items enhances the understanding of the results attributable to members. These items are stated after tax and represent the member’s share of non-regular gains and losses.

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on disposal of Arrow Energy Limited</td>
<td>196,954</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of Long term equity investments</td>
<td>23,213</td>
<td>670</td>
</tr>
<tr>
<td>Gain on sale of New Lenton Joint Venture</td>
<td>24,134</td>
<td>-</td>
</tr>
<tr>
<td>Gain on deemed disposal of equity accounted associates</td>
<td>611</td>
<td>42,443</td>
</tr>
<tr>
<td>Gain on transfer of BKI Investment Company Limited to an equity accounted associate</td>
<td>10,968</td>
<td>-</td>
</tr>
<tr>
<td>Gain/(loss) on acquisition of a controlled entity</td>
<td>4,150</td>
<td>(1,047)</td>
</tr>
<tr>
<td>Impairment expense</td>
<td>(41,930)</td>
<td>(1,157)</td>
</tr>
<tr>
<td>Reversal of impairment of equity accounted associate</td>
<td>5,274</td>
<td>-</td>
</tr>
<tr>
<td>Share of non-regular items from equity accounted associates</td>
<td>(20,700)</td>
<td>(6,734)</td>
</tr>
<tr>
<td>Tax credits</td>
<td>-</td>
<td>2,597</td>
</tr>
<tr>
<td><strong>Total non-regular items</strong></td>
<td>202,674</td>
<td>36,772</td>
</tr>
</tbody>
</table>

NOTE 5. REVENUE

From operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>607,296</td>
<td>667,269</td>
</tr>
<tr>
<td><strong>Other revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends received</td>
<td>24,418</td>
<td>19,693</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Associates</td>
<td>122,484</td>
<td>117,929</td>
</tr>
<tr>
<td><strong>Rental income</strong></td>
<td>905</td>
<td>845</td>
</tr>
<tr>
<td><strong>Total other revenue</strong></td>
<td>151,091</td>
<td>156,038</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>758,387</td>
<td>823,307</td>
</tr>
</tbody>
</table>

NOTE 6. OTHER INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on sale of Arrow Energy Limited</td>
<td>466,192</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of New Lenton Joint Venture</td>
<td>57,740</td>
<td>-</td>
</tr>
<tr>
<td>Gain on deemed disposal of equity accounted associates</td>
<td>873</td>
<td>60,665</td>
</tr>
<tr>
<td>Gain on transfer of BKI Investment Company Limited to an equity accounted associate</td>
<td>14,847</td>
<td>-</td>
</tr>
<tr>
<td>(Losses)/gains on investments fair valued through profit and loss</td>
<td>(7,139)</td>
<td>8,692</td>
</tr>
<tr>
<td>Gain on sale of long term equity investments</td>
<td>30,435</td>
<td>1,914</td>
</tr>
<tr>
<td>Net gain/(loss) on acquisition/disposal of controlled entity</td>
<td>4,150</td>
<td>(1,023)</td>
</tr>
<tr>
<td>Other items</td>
<td>211</td>
<td>(43)</td>
</tr>
<tr>
<td><strong>Total other income</strong></td>
<td>567,309</td>
<td>70,205</td>
</tr>
</tbody>
</table>
## NOTE 7. EXPENSES

### Profit before income tax expense includes the following specific expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>903</td>
<td>743</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>33,931</td>
<td>29,490</td>
</tr>
<tr>
<td><strong>Total depreciation</strong></td>
<td>34,834</td>
<td>30,233</td>
</tr>
<tr>
<td><strong>Amortisation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining reserves and mine development</td>
<td>6,024</td>
<td>7,477</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>961</td>
<td>2,169</td>
</tr>
<tr>
<td><strong>Total amortisation – non-current assets</strong></td>
<td>6,985</td>
<td>9,646</td>
</tr>
<tr>
<td><strong>Impairment charges/(reversals)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments – Equity accounted associates (a)</td>
<td>26,795</td>
<td>(1,487)</td>
</tr>
<tr>
<td>Investments – Long term equity investments (b)</td>
<td>13,531</td>
<td>3,215</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,166</td>
<td>(1,022)</td>
</tr>
<tr>
<td><strong>Total impairment</strong></td>
<td>41,492</td>
<td>706</td>
</tr>
<tr>
<td><strong>Employee benefits expense</strong></td>
<td>92,145</td>
<td>81,512</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and finance charges paid/payable</td>
<td>2,692</td>
<td>2,437</td>
</tr>
<tr>
<td><strong>Rental expense relating to operating leases</strong></td>
<td>3,621</td>
<td>2,768</td>
</tr>
<tr>
<td><strong>Exploration costs expensed</strong></td>
<td>16,294</td>
<td>13,402</td>
</tr>
</tbody>
</table>

### Notes

**a)** The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2011. Where the carrying values of the investments exceeded the recoverable amounts, the investment has been impaired. At each reporting date, an assessment will be 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 expense, the impairment expense may be reversed through the income statement. During the year ended 31 July 2011, the carrying value of Australian Pharmaceutical Industries Limited has been impaired by $33.0 million. In addition, an impairment reversal of $5.2 million has been recorded in relation to Ruralco Limited. Refer to note 38.

**b)** In accordance with AASB 139, a ‘prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment’. Where a long term equity investment’s market bid price is lower than the original cost and management consider the investment 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 in subsequent periods. Any future increments in the bid price of an impaired investment is to be recognised as a fair value increment in the asset revaluation reserve.
### NOTE 8. INCOME TAX EXPENSE

#### a) Income tax expense

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td>216,257</td>
<td>87,903</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>16,388</td>
<td>4,362</td>
</tr>
<tr>
<td>Tax expense on transfers from equity</td>
<td>7,339</td>
<td>-</td>
</tr>
<tr>
<td>(Over) provided in prior years</td>
<td>(2,193)</td>
<td>(5,449)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>237,791</strong></td>
<td><strong>86,816</strong></td>
</tr>
</tbody>
</table>

- Deferred income tax/(revenue) included in income tax expense
  - (Increase) in deferred tax assets – (note 24): (13,816) (1,043)
  - Increase in deferred tax liabilities – (note 30): 30,204 5,405
  - **Total** 16,388 4,362

#### b) Reconciliation of income tax expense to prima facie tax payable

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>796,041</td>
<td>377,908</td>
</tr>
<tr>
<td>Tax at the Australian tax rate of 30% (2010: 30%)</td>
<td>238,812</td>
<td>113,372</td>
</tr>
<tr>
<td>Tax effect of amounts which are not deductible/(taxable)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill impairment and other amortisation</td>
<td>12,837</td>
<td>(872)</td>
</tr>
<tr>
<td>Non-assessable income</td>
<td>(6,164)</td>
<td>107</td>
</tr>
<tr>
<td>Franked dividends and other investment income</td>
<td>(8,797)</td>
<td>(14,574)</td>
</tr>
<tr>
<td>Tax losses and timing differences for which no deferred tax assets are recognised</td>
<td>1,860</td>
<td>1,645</td>
</tr>
<tr>
<td>Share based payment expense</td>
<td>7</td>
<td>(6,315)</td>
</tr>
<tr>
<td>Sundry items</td>
<td>1,429</td>
<td>(1,098)</td>
</tr>
<tr>
<td><strong>Total tax expense</strong></td>
<td><strong>239,984</strong></td>
<td><strong>92,265</strong></td>
</tr>
</tbody>
</table>

- (Over) provision in prior years: (2,193) (5,449)

- **Total income tax expense** 237,791 86,816

#### c) Amounts recognised directly in equity

- Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity
  - Net deferred tax – (credited) directly to equity (notes 24 and 30): (144,308) (33,346)

#### d) Tax effect of impairments

- Impairments and unused tax losses for which no deferred tax asset has been recognised: 217,112 188,934
- Potential tax benefit at 30%: 65,134 56,680
NOTE 9. DIVIDENDS - WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

a) Ordinary shares

Final dividend for the year ended 31 July 2010 of 20 cents (2009: 19 cents) per fully paid share paid on 6 December 2010 (2009: 7 December 2009) fully franked based on tax paid at 30%.

Special dividend for the year ended 31 July 2010 of 12.5 cents (2009: 25 cents) per fully paid share paid on 6 December 2010 fully franked based on tax paid at 30%.


<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>a) Ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final dividend</td>
<td>47,728</td>
<td>45,342</td>
</tr>
<tr>
<td>Special dividend</td>
<td>29,830</td>
<td>59,660</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>35,796</td>
<td>33,410</td>
</tr>
<tr>
<td>Total dividends paid</td>
<td>113,354</td>
<td>138,412</td>
</tr>
</tbody>
</table>

b) Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of:

- A final dividend of 25 cents per fully paid ordinary share, (2010: 20 cents) fully franked based on tax paid at 30%.
- In the prior year, an additional special dividend per fully paid ordinary share of 12.5 cents fully franked based on tax paid at 30%.

The aggregate amount of the proposed dividends expected to be paid on 5 December 2011 (2010: 6 December 2010) out of retained profits as at 31 July 2011, but not recognised as a liability at year end is

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>b) Dividends not recognised at year end</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total dividends paid</td>
<td>59,660</td>
<td>77,558</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>c) Franked Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The franked portions of the final dividends recommended after 31 July 2011 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 2011. Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%).</td>
<td>376,257</td>
<td>344,723</td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Subsequent to year end, the franking account will be reduced by the proposed final dividend (and for 2010, special dividend) to be paid on 5 December 2011 (2010: 6 December 2010).

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>c) Franked Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total dividends paid</td>
<td>(25,569)</td>
<td>(33,239)</td>
</tr>
<tr>
<td></td>
<td>350,688</td>
<td>311,484</td>
</tr>
</tbody>
</table>

d) Dividend reinvestment plans

There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.
### NOTE 10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash and cash equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>79,783 $'000</td>
</tr>
<tr>
<td>2010</td>
<td>109,821 $'000</td>
</tr>
</tbody>
</table>

**a) Reconciliation of cash balance at the end of the year**
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:-

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>79,783</td>
<td>109,821</td>
</tr>
</tbody>
</table>

**b) Cash at bank and on hand and cash equivalents**

Cash includes deposits for which there is a short term identified use in the operating cashflows of the Group, and attracts interest at rates between 0% and 5.1% (2010: 0% and 4.8%).

**c) Risk exposure**
Information about the Group's exposure to credit risk and foreign exchange risk is detailed in note 33.

### NOTE 11. CURRENT ASSETS – TERM DEPOSITS

<table>
<thead>
<tr>
<th>Year</th>
<th>Term deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,927,911 $'000</td>
</tr>
<tr>
<td>2010</td>
<td>1,655,365 $'000</td>
</tr>
</tbody>
</table>

Term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 5.94% (2010: 5.46%).

Due to their short term nature their carrying value is assumed to approximate their fair value. Information regarding the Group's exposure to credit risk is disclosed in note 33.

### NOTE 12. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade and other receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>43,908</td>
<td>45,100</td>
</tr>
<tr>
<td>Less: provision for impairment of receivables</td>
<td>(5)</td>
<td>(53)</td>
</tr>
<tr>
<td></td>
<td>43,903</td>
<td>45,047</td>
</tr>
<tr>
<td>Loans and receivables to related entities</td>
<td>3</td>
<td>3,409</td>
</tr>
<tr>
<td>Less: impairment loss</td>
<td>-</td>
<td>(156)</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>3,253</td>
</tr>
<tr>
<td>Loans to other parties – secured</td>
<td>15,543</td>
<td>-</td>
</tr>
<tr>
<td>Other receivables</td>
<td>76,514</td>
<td>7,479</td>
</tr>
<tr>
<td>Prepayments</td>
<td>4,978</td>
<td>3,526</td>
</tr>
<tr>
<td></td>
<td>140,941</td>
<td>59,305</td>
</tr>
</tbody>
</table>

**a) Credit, foreign exchange and interest rate risk**
Information about the Group's exposure to these risks in relation to trade and other receivables is provided in note 33.

**b) Fair value of receivables**
The fair value of receivables approximates their carrying values.
NOTE 13. CURRENT ASSETS – INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and stores – at cost</td>
<td>21,130</td>
<td>18,546</td>
</tr>
<tr>
<td>Work in progress – at cost</td>
<td>4,929</td>
<td>-</td>
</tr>
<tr>
<td>Finished goods – at cost</td>
<td>49,134</td>
<td>34,541</td>
</tr>
<tr>
<td><strong>Inventory expense</strong></td>
<td><strong>75,193</strong></td>
<td><strong>53,087</strong></td>
</tr>
</tbody>
</table>

Inventories recognised as expense during the year ended 31 July 2011 amounted to $248,399,000 (2010: $223,739,000).

NOTE 14. CURRENT ASSETS – CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities*</td>
<td></td>
<td>576,211</td>
</tr>
</tbody>
</table>

**Reconciliation**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net book value</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from long term equity investments</td>
<td>-</td>
<td>576,211</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td>-</td>
<td>576,211</td>
</tr>
</tbody>
</table>

* Represents the investment in Arrow Energy Limited held by controlled entity New Hope Corporation Limited (New Hope). Prior to this, the investment was classified as a long term equity investment.

The sale of New Hope’s 16.7% interest in Arrow Energy Limited settled on the 23 August 2010, with New Hope receiving $576,211,000 from the sale. The profit after tax of $329,300,000 was recognised in the year ended 31 July 2011.

Information about the Group’s exposure to price risk is included in note 33.

NOTE 15. CURRENT ASSETS – INVESTMENTS FAIR VALUED THROUGH PROFIT AND LOSS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments held for the short to medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Listed equity securities</td>
<td>36,325</td>
<td>48,076</td>
</tr>
<tr>
<td>- Other securities</td>
<td>1,262</td>
<td>935</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,587</strong></td>
<td><strong>49,011</strong></td>
</tr>
</tbody>
</table>

Information regarding the Group’s exposure to price risk is set out in note 33.

Listed equity securities are traded in an active market. The fair value of the investments is based on quoted market prices at the reporting date. The quoted market price used by the Group is the bid price at reporting date.

Other securities do not trade in an active market, therefore the fair value measurement of other financial assets is approximated by the cost price.
NOTE 16. DERIVATIVES

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.

These instruments are used in accordance with the Group’s financial risk management policies. The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group reclassifies the gain or loss into the income statement.

Refer to note 1(n) for additional information on the accounting policy for derivatives.

At reporting date the details of outstanding contracts at fair value are (AUD Equivalents):

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward exchange contracts</td>
<td>31,880</td>
<td>15,673</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward exchange contracts</td>
<td>8,807</td>
<td>11,675</td>
</tr>
<tr>
<td></td>
<td>40,687</td>
<td>27,348</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sell US dollars</th>
<th>Buy Australian dollars</th>
<th>Average exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity</td>
<td>2011: $'000 2010: $'000</td>
<td>2011 2010</td>
</tr>
<tr>
<td>0 to 6 months</td>
<td>112,572 94,845</td>
<td>0.95050 0.82239</td>
</tr>
<tr>
<td>6 to 12 months</td>
<td>182,283 99,485</td>
<td>0.94359 0.79409</td>
</tr>
<tr>
<td>1 to 2 years</td>
<td>39,519 71,058</td>
<td>0.75913 0.73179</td>
</tr>
<tr>
<td>2 to 5 years</td>
<td>- 39,519</td>
<td>- 0.75913</td>
</tr>
<tr>
<td>Total</td>
<td>334,374 304,907</td>
<td></td>
</tr>
</tbody>
</table>

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 loss in the event that counterparties fail to deliver the contracted amount.

At balance date $334,374,000 (2010: $304,907,000) was receivable (AUD equivalents).

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

NOTE 17. CURRENT ASSETS – CURRENT TAX ASSET

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>1,689</td>
</tr>
</tbody>
</table>
NOTE 18. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to related entities</td>
<td>12,204</td>
<td>11,642</td>
</tr>
<tr>
<td>Less impairment on loans to related entities</td>
<td>(11,007)</td>
<td>(11,007)</td>
</tr>
<tr>
<td></td>
<td>1,197</td>
<td>635</td>
</tr>
<tr>
<td>Prepayments</td>
<td>2,275</td>
<td>2,789</td>
</tr>
<tr>
<td>Other receivables</td>
<td>3,165</td>
<td>1,495</td>
</tr>
<tr>
<td></td>
<td>6,637</td>
<td>4,919</td>
</tr>
</tbody>
</table>

a) Impairment – Loan receivables
The provision for impairment relates to loans provided by a controlled entity to its related parties. At reporting date, these loans were determined to be unrecoverable and were fully impaired.

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 33. The carrying value less impairment provisions of trade receivables are assumed to approximate their fair value due to their short term nature.

c) Related parties.
Further information relating to loans to related parties and loans to executives is set out in notes 40 and 41.

NOTE 19. NON-CURRENT ASSETS – EQUITY ACCOUNTED ASSOCIATES

<table>
<thead>
<tr>
<th>Shares in associated companies (refer note 38)</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>764,498</td>
<td>685,739</td>
</tr>
</tbody>
</table>

NOTE 20. NON-CURRENT ASSETS – LONG TERM EQUITY INVESTMENTS

<table>
<thead>
<tr>
<th>Listed securities</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>504,558</td>
<td>544,476</td>
</tr>
<tr>
<td>Preference shares</td>
<td>3,317</td>
<td>3,228</td>
</tr>
<tr>
<td></td>
<td>507,875</td>
<td>547,704</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unlisted securities</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>507,878</td>
<td>547,707</td>
</tr>
</tbody>
</table>

Information regarding the Group entity’s exposure to price risk is set out in note 33.

Long term equity investments are traded in an active market. The fair value of the investments is based on quoted market prices at the reporting date. The quoted market price used by the Group is the bid price at reporting date.

NOTE 21. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

<table>
<thead>
<tr>
<th>Other financial assets – at cost</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,040</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Other financial assets at reporting date do not trade in an active market. The cost price approximates the fair value.
## NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

### Plant, fixtures, reserves and Mine

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land</td>
<td>Buildings</td>
</tr>
<tr>
<td>Cost or fair value</td>
<td>106,136</td>
<td>24,067</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>-</td>
<td>(2,932)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>106,136</td>
<td>21,135</td>
</tr>
<tr>
<td>Year ended 31 July 2011</td>
<td>106,136</td>
<td>21,135</td>
</tr>
<tr>
<td>Opening net book amount</td>
<td>106,136</td>
<td>21,135</td>
</tr>
<tr>
<td>Additions</td>
<td>8,029</td>
<td>50</td>
</tr>
<tr>
<td>Asset acquired by purchase of subsidiaries</td>
<td>772</td>
<td>629</td>
</tr>
<tr>
<td>Transfers in/(out)</td>
<td>-</td>
<td>2,849</td>
</tr>
<tr>
<td>Disposal of assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation/amortisation charge</td>
<td>-</td>
<td>(903)</td>
</tr>
<tr>
<td>Closing net book amount</td>
<td>114,937</td>
<td>23,760</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Motor vehicles</td>
<td>Motor vehicles</td>
</tr>
<tr>
<td>Cost or fair value</td>
<td>473,106</td>
<td>9,813</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>(172,900)</td>
<td>(6,700)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>300,206</td>
<td>3,113</td>
</tr>
<tr>
<td>Year ended 31 July 2011</td>
<td>300,206</td>
<td>3,113</td>
</tr>
<tr>
<td>Opening net book amount</td>
<td>300,206</td>
<td>3,113</td>
</tr>
<tr>
<td>Additions</td>
<td>67,064</td>
<td>-</td>
</tr>
<tr>
<td>Asset acquired by purchase of subsidiaries</td>
<td>12,667</td>
<td>246,847</td>
</tr>
<tr>
<td>Transfers in/(out)</td>
<td>(5,818)</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of assets</td>
<td>(193)</td>
<td>-</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>(1,166)</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation/amortisation charge</td>
<td>(33,931)</td>
<td>(317)</td>
</tr>
<tr>
<td>Closing net book amount</td>
<td>338,829</td>
<td>249,643</td>
</tr>
</tbody>
</table>

### Mine development

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost or fair value</td>
<td>59,286</td>
<td>28,116</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>(31,170)</td>
<td>(213,702)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>28,116</td>
<td>28,116</td>
</tr>
<tr>
<td>Year ended 31 July 2011</td>
<td>28,116</td>
<td>28,116</td>
</tr>
</tbody>
</table>

i. Pledged assets

For years ending 31 July 2011 and 2010, no assets of the Group were pledged as security.
### NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

#### Plant, Mining fixtures reserves and Mine Land Buildings motor vehicles leases development Total

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land $’000</td>
<td>Buildings $’000</td>
<td>Plant, fixtures $’000</td>
<td>Mining reserves $’000</td>
<td>Mine development $’000</td>
<td>Total $’000</td>
</tr>
<tr>
<td>At 1 August 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost or fair value</td>
<td>96,685</td>
<td>21,732</td>
<td>414,642</td>
<td>9,813</td>
<td>53,071</td>
<td>595,943</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>-</td>
<td>(2,189)</td>
<td>(147,240)</td>
<td>(6,366)</td>
<td>(24,027)</td>
<td>(179,822)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>96,685</td>
<td>19,543</td>
<td>267,402</td>
<td>3,447</td>
<td>29,044</td>
<td>416,121</td>
</tr>
</tbody>
</table>

#### Year ended 31 July 2010

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net book amount</td>
<td>96,685</td>
<td>19,543</td>
<td>267,402</td>
<td>3,447</td>
<td>29,044</td>
<td>416,121</td>
</tr>
<tr>
<td>Additions</td>
<td>6,428</td>
<td>6</td>
<td>71,661</td>
<td>-</td>
<td>4,283</td>
<td>82,378</td>
</tr>
<tr>
<td>Transfers in/(out)</td>
<td>3,023</td>
<td>2,329</td>
<td>(8,118)</td>
<td>-</td>
<td>1,970</td>
<td>(796)</td>
</tr>
<tr>
<td>Assets included in a disposal group classified as held for sale and other disposals</td>
<td>-</td>
<td>-</td>
<td>(1,249)</td>
<td>-</td>
<td>(38)</td>
<td>(1,287)</td>
</tr>
<tr>
<td>Depreciation/amortisation (charge)</td>
<td>-</td>
<td>(743)</td>
<td>(29,490)</td>
<td>(334)</td>
<td>(7,143)</td>
<td>(37,710)</td>
</tr>
</tbody>
</table>

#### At 31 July 2010

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost or fair value</td>
<td>106,136</td>
<td>24,067</td>
<td>473,106</td>
<td>9,813</td>
<td>59,286</td>
<td>672,408</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>-</td>
<td>(2,932)</td>
<td>(172,900)</td>
<td>(6,700)</td>
<td>(31,170)</td>
<td>(213,702)</td>
</tr>
</tbody>
</table>

### i. Pledged assets

For years ending 31 July 2010 and 2009, no assets of the Group were pledged as security.
**NOTE 23. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and evaluation at cost</td>
<td>8,508</td>
<td>3,030</td>
</tr>
</tbody>
</table>

**Reconciliation**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net book amount</td>
<td>3,030</td>
<td>2,572</td>
</tr>
<tr>
<td>Additions</td>
<td>5,478</td>
<td>458</td>
</tr>
<tr>
<td><strong>Closing net book amount</strong></td>
<td>8,508</td>
<td>3,030</td>
</tr>
</tbody>
</table>

**NOTE 24. NON-CURRENT ASSETS – DEFERRED TAX ASSETS**

The balance comprises temporary differences attributed to:

*Amounts recognised in income statement*

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions</td>
<td>12,120</td>
<td>10,185</td>
</tr>
<tr>
<td>Receivables and accrued expenses</td>
<td>808</td>
<td>1,036</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>1,650</td>
<td>1,970</td>
</tr>
<tr>
<td>Tax value of losses carried-forward</td>
<td>47,965</td>
<td>33,582</td>
</tr>
<tr>
<td>Other</td>
<td>4,651</td>
<td>2,949</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>67,194</td>
<td>49,722</td>
</tr>
</tbody>
</table>

*Amounts recognised directly in equity*

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term equity investments</td>
<td>5,208</td>
<td>5,394</td>
</tr>
<tr>
<td>Share issue costs</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72,416</td>
<td>55,133</td>
</tr>
</tbody>
</table>

Set-off of deferred tax liabilities pursuant to set-off provisions (note 30)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(28,237)</td>
<td></td>
<td>(11,696)</td>
</tr>
</tbody>
</table>

**Net deferred tax assets**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>44,179</td>
<td></td>
<td>43,437</td>
</tr>
</tbody>
</table>

**Movements:**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance at 1 August</td>
<td>55,133</td>
<td>48,925</td>
</tr>
<tr>
<td>Add: Gain of control of subsidiary</td>
<td>3,505</td>
<td>-</td>
</tr>
<tr>
<td>Credited to the income statement – operating profit (note 8)</td>
<td>13,816</td>
<td>1,043</td>
</tr>
<tr>
<td>(Charged)/credited to equity (note 8)</td>
<td>(38)</td>
<td>5,394</td>
</tr>
<tr>
<td>Less: (Loss) of control of subsidiary</td>
<td>-</td>
<td>(229)</td>
</tr>
<tr>
<td><strong>Closing balance at 31 July</strong></td>
<td>72,416</td>
<td>55,133</td>
</tr>
</tbody>
</table>
NOTE 25. NON-CURRENT ASSETS – INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th>Note</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>At 31 July 2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>16,308</td>
<td>6,382</td>
<td>22,690</td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td>(10,712)</td>
<td>(3,618)</td>
<td>(14,330)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>5,596</td>
<td>2,764</td>
<td>8,360</td>
</tr>
<tr>
<td>Year ended 31 July 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening net book amount</td>
<td>5,596</td>
<td>2,764</td>
<td>8,360</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Amortisation (charge)</td>
<td>-</td>
<td>(2,169)</td>
<td>(2,169)</td>
</tr>
<tr>
<td>Assets included in a disposed group and other disposals</td>
<td>-</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>Transfers in</td>
<td>-</td>
<td>796</td>
<td>796</td>
</tr>
<tr>
<td>Closing net book amount</td>
<td>5,596</td>
<td>1,395</td>
<td>6,991</td>
</tr>
<tr>
<td>At 31 July 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>16,308</td>
<td>7,178</td>
<td>23,486</td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td>(10,712)</td>
<td>(5,783)</td>
<td>(16,495)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>5,596</td>
<td>1,395</td>
<td>6,991</td>
</tr>
<tr>
<td>Year ended 31 July 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening net book amount</td>
<td>5,596</td>
<td>1,395</td>
<td>6,991</td>
</tr>
<tr>
<td>Additions</td>
<td>45,889</td>
<td>1,164</td>
<td>47,053</td>
</tr>
<tr>
<td>Amortisation (charge)</td>
<td>-</td>
<td>(961)</td>
<td>(961)</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>Transfers in</td>
<td>-</td>
<td>2,969</td>
<td>2,969</td>
</tr>
<tr>
<td>Closing net book amount</td>
<td>51,485</td>
<td>4,565</td>
<td>56,050</td>
</tr>
<tr>
<td>At 31 July 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>62,197</td>
<td>11,309</td>
<td>73,506</td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td>(10,712)</td>
<td>(6,744)</td>
<td>(17,456)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>51,485</td>
<td>4,565</td>
<td>56,050</td>
</tr>
</tbody>
</table>

Amortisation of $961,000 (2010: $2,169,000) is charged to the income statement (note 7).

a) Impairment

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:

<table>
<thead>
<tr>
<th>Country of operation</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Coal mining</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>Australia</td>
<td></td>
</tr>
<tr>
<td>Carrying amount at beginning of year</td>
<td>5,596</td>
<td>5,596</td>
</tr>
<tr>
<td>Acquisition of subsidary</td>
<td>45,889</td>
<td>-</td>
</tr>
<tr>
<td>Sum</td>
<td>51,485</td>
<td>5,596</td>
</tr>
</tbody>
</table>
NOTE 25. NON-CURRENT ASSETS – INTANGIBLE ASSETS (continued)

The recoverable amount of the cash generating units has been determined based on value-in-use calculations and contracted business sales values, as appropriate. Assumptions and methodology applied to each cash-generating unit are as follows:

**Coal Mining**

Brought forward goodwill relates to the acquisition of a subsidiary from an independent third party in an arms length transaction. The increase in goodwill in the current year primarily relates to the acquisition of Northern Energy Corporation Limited in an arm’s length transaction as set out in Note 37. The recoverable amount of the cash generating units (being the mining tenements in Northern Energy Corporation Limited) are determined based on value in use calculations. These calculations use post-tax cash flow projections based on constant annual coal production over the life of the mines (12-30 years) discounted using a post-tax real discount rate, coal prices of US $85-$145 per tonne and a AUD/USD exchange rate of $0.80. The equivalent pre-tax discount rate is 10%. These assumptions are consistent with external sources of information.

NOTE 26. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables and other payables</td>
<td>62,467</td>
<td>64,113</td>
</tr>
</tbody>
</table>

NOTE 27. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

**a) Director deposits**

The Parent entity accepts deposits from Directors and Director related entities under normal commercial agreements and consistent with deposits received from other parties. Deposits are repayable at call and carry an interest rate of 5.78% (2010: 5.45%). Interest rates applicable to these deposits ensure a margin of at least 25 basis points to the parent entity.

**b) Fair value disclosures**

The carrying value of financial liabilities as disclosed approximate their fair values.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing arrangements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Unused at balance date</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total facilities</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

**Other facilities – bank guarantees**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total facilities</td>
<td>55,000</td>
<td>55,540</td>
</tr>
<tr>
<td>Unused at balance date</td>
<td>(37,578)</td>
<td>(36,748)</td>
</tr>
<tr>
<td>Total</td>
<td>17,422</td>
<td>18,792</td>
</tr>
</tbody>
</table>

The major facilities relate to bank guarantees of New Hope Corporation Limited, are unsecured, for no fixed term and bear variable rates:

**i. Mining restoration and rehabilitation**

The liability has been recognised by New Hope Corporation Limited in relation to its rehabilitation obligations.

**ii. Statutory body suppliers**

No liability was recognised by New Hope Corporation Limited in relation to these guarantees as no losses are foreseen on these contingent liabilities.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>37,578</td>
<td>36,748</td>
</tr>
</tbody>
</table>
### NOTE 28. CURRENT LIABILITIES – PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Mining restoration and site rehabilitation</td>
<td>1,923</td>
<td>2,453</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>19,634</td>
<td>17,488</td>
</tr>
<tr>
<td></td>
<td><strong>21,557</strong></td>
<td><strong>19,941</strong></td>
</tr>
</tbody>
</table>

#### Movements in total provisions 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of year</td>
<td>19,752</td>
</tr>
<tr>
<td>Additional provisions recognised</td>
<td>2,434</td>
</tr>
<tr>
<td>Carrying amount at end of year</td>
<td><strong>22,186</strong></td>
</tr>
</tbody>
</table>

Disclosed as:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>1,923</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td><strong>20,263</strong></td>
</tr>
<tr>
<td></td>
<td><strong>22,186</strong></td>
</tr>
</tbody>
</table>

### NOTE 29. NON-CURRENT LIABILITIES – PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Mining restoration and site rehabilitation</td>
<td>20,263</td>
<td>17,299</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>5,486</td>
<td>2,780</td>
</tr>
<tr>
<td></td>
<td><strong>25,749</strong></td>
<td><strong>20,079</strong></td>
</tr>
</tbody>
</table>

### NOTE 30. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributed to:

**Amounts recognised in income statement**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property plant and equipment</td>
<td>32,110</td>
<td>11,622</td>
</tr>
<tr>
<td>Mine reserves</td>
<td>66,384</td>
<td>934</td>
</tr>
<tr>
<td>Inventories</td>
<td>4,979</td>
<td>4,754</td>
</tr>
<tr>
<td>Investments</td>
<td>60,022</td>
<td>46,475</td>
</tr>
<tr>
<td>Receivables</td>
<td>14,299</td>
<td>22,206</td>
</tr>
<tr>
<td>Other</td>
<td>10,505</td>
<td>3,726</td>
</tr>
<tr>
<td></td>
<td><strong>188,299</strong></td>
<td><strong>89,717</strong></td>
</tr>
</tbody>
</table>

**Amounts recognised directly in equity**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term equity investments</td>
<td>56,198</td>
<td>204,440</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>12,206</td>
<td>8,204</td>
</tr>
<tr>
<td>Property plant and equipment</td>
<td>7,160</td>
<td>7,160</td>
</tr>
<tr>
<td>Other</td>
<td>665</td>
<td>767</td>
</tr>
<tr>
<td></td>
<td><strong>76,229</strong></td>
<td><strong>220,571</strong></td>
</tr>
</tbody>
</table>

Total deferred tax liabilities: 264,528

Set-off of deferred tax liabilities pursuant to set-off provisions (note 24): (28,237)

Net deferred tax liabilities: 236,291
### NOTE 30. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES (continued)

#### Movements:
- **Opening balance 1 August** 310,288 266,208
- **Charged to the income statement – operating profit (note 8)** 30,204 5,405
- **(Credited)/charged to equity (note 8c)** (144,346) 38,740
- **Gain (loss) of control of subsidiary** 68,382 (65)
- **Closing balance at 31 July** 264,528 310,288

### NOTE 31. SHARE CAPITAL

<table>
<thead>
<tr>
<th>Parent entity</th>
<th>2011</th>
<th>2011</th>
<th>2010</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of shares</td>
<td>$'000</td>
<td>No of shares</td>
<td>$'000</td>
<td></td>
</tr>
<tr>
<td>Fully paid ordinary shares</td>
<td>238,640,580</td>
<td>32,900</td>
<td>238,640,580</td>
<td>32,900</td>
</tr>
</tbody>
</table>

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. The Board also monitors the level of dividends ensuring that ordinary dividends are paid from profits before non-regular items.

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

The Group's capital consists of shareholders’ equity plus net debt. The movement in equity is shown in the statement of changes in equity.

At 31 July 2011, the Group has no external borrowings to financial institutions. The Group is not subject to any externally imposed capital requirements.

### NOTE 32. RESERVES AND RETAINED PROFITS

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$’000</strong></td>
<td><strong>$’000</strong></td>
</tr>
<tr>
<td>General reserve</td>
<td>404,548</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td>-</td>
</tr>
<tr>
<td>Asset revaluation reserve</td>
<td>144,892</td>
</tr>
<tr>
<td>Capital profits reserve</td>
<td>11,368</td>
</tr>
<tr>
<td>Hedging reserve</td>
<td>17,217</td>
</tr>
<tr>
<td>Share-based payments reserve</td>
<td>(73)</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(3,414)</td>
</tr>
<tr>
<td>Treasury share reserve</td>
<td>(327)</td>
</tr>
<tr>
<td>Equity reserve</td>
<td>(4,119)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>570,092</strong></td>
</tr>
</tbody>
</table>
### NOTE 32. RESERVES AND RETAINED PROFITS (continued)

#### b) Movements:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td><strong>General reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>404,548</td>
<td>404,548</td>
</tr>
<tr>
<td><strong>Capital redemption reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 1 August</td>
<td>2,800</td>
<td>2,800</td>
</tr>
<tr>
<td>Transfer to share capital of subsidiary</td>
<td>(2,800)</td>
<td>-</td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>-</td>
<td>2,800</td>
</tr>
<tr>
<td><strong>Asset revaluation reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 1 August</td>
<td>385,215</td>
<td>345,517</td>
</tr>
<tr>
<td>Revaluation of long term equity investments, gross</td>
<td>(14,512)</td>
<td>58,177</td>
</tr>
<tr>
<td>Revaluation of long term equity investments, deferred tax</td>
<td>4,208</td>
<td>(18,878)</td>
</tr>
<tr>
<td>Transfer on sale of long term equity investments to profit, gross</td>
<td>(309,409)</td>
<td>(2,556)</td>
</tr>
<tr>
<td>Transfer on sale of long term equity investments to profit, deferred tax</td>
<td>91,153</td>
<td>(417)</td>
</tr>
<tr>
<td>Transfer on impairment of long term equity investments to profit, gross</td>
<td>5,655</td>
<td>2,663</td>
</tr>
<tr>
<td>Transfer to profit of equity accounted investment previously classified as an long term equity investment</td>
<td>(13,552)</td>
<td>-</td>
</tr>
<tr>
<td>Share of associates increments</td>
<td>5</td>
<td>709</td>
</tr>
<tr>
<td>Elimination on acquisition of subsidiary – Northern Energy Limited</td>
<td>(3,871)</td>
<td>-</td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>144,892</td>
<td>385,215</td>
</tr>
<tr>
<td><strong>Capital profits reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>11,368</td>
<td>11,368</td>
</tr>
<tr>
<td><strong>Hedging reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 1 August</td>
<td>11,631</td>
<td>9,647</td>
</tr>
<tr>
<td>Revaluation, gross</td>
<td>42,978</td>
<td>19,769</td>
</tr>
<tr>
<td>Revaluation, deferred tax</td>
<td>(12,894)</td>
<td>(5,931)</td>
</tr>
<tr>
<td>Transfer to profit, gross</td>
<td>(35,012)</td>
<td>(16,934)</td>
</tr>
<tr>
<td>Transfer to profit, deferred tax</td>
<td>10,504</td>
<td>5,080</td>
</tr>
<tr>
<td>Shares of associates</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>17,217</td>
<td>11,631</td>
</tr>
<tr>
<td><strong>Share-based payment reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 1 August</td>
<td>1,842</td>
<td>3,222</td>
</tr>
<tr>
<td>Share-based payment and option expense</td>
<td>15</td>
<td>963</td>
</tr>
<tr>
<td>Transfer to share capital</td>
<td>(1,930)</td>
<td>(2,343)</td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>(73)</td>
<td>1,842</td>
</tr>
<tr>
<td><strong>Foreign currency translation reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 1 August</td>
<td>(2,667)</td>
<td>(2,587)</td>
</tr>
<tr>
<td>Exchange difference on translation of foreign controlled entity and associates</td>
<td>(14)</td>
<td>4</td>
</tr>
<tr>
<td>Share of associates (decrement)</td>
<td>(733)</td>
<td>(84)</td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>(3,414)</td>
<td>(2,667)</td>
</tr>
<tr>
<td><strong>Treasury share reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>(327)</td>
<td>(327)</td>
</tr>
<tr>
<td><strong>Equity reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 1 August</td>
<td>(4,167)</td>
<td>(5,246)</td>
</tr>
<tr>
<td>Movement</td>
<td>48</td>
<td>1,079</td>
</tr>
<tr>
<td>Balance 31 July</td>
<td>(4,119)</td>
<td>(4,167)</td>
</tr>
</tbody>
</table>
NOTE 32. RESERVES AND RETAINED PROFITS (continued)

c) Nature and purpose of reserves

**General reserve**
The general reserve records funds set aside for future requirements of the Group.

**Capital redemption reserve**
This reserve represents amounts allocated from retained profits that were preserved for capital redemption.

**Asset revaluation reserve**
This reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets. Changes in the fair value and exchange differences arising from translation of investments, such as equities classified as long term equity investments, are taken to the asset revaluation reserve as described in note 1(m). Amounts are recognised in income statement when the associated assets are sold or impaired.

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

**Hedging reserve**
The hedging reserve is used to record the gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are reclassified to income statement when the associated hedged transaction affects profit or loss.

**Share-based payment reserve**
The share-based payment reserve is used to recognise the fair value of options issued but not 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.

**Treasury share reserve**
The treasury share reserve represents the value of shares held by an equity compensation plan. The reserve will be reversed against share capital when the underlying shares vest with employees.

**Equity reserve**
This reserve includes amounts for tax adjustments that are unrelated to other specific reserves and are posted directly to equity.

d) Retained profits movements

**Increases in ownership of controlled entities**
In accordance with AASB 127 Consolidated and Separate Financial Statements and the Group’s accounting policy for changes in ownership of a subsidiary (without gain or loss of control), any excess purchase consideration paid to non-controlling interest holders, over the net assets acquired, is recognised directly in equity as a transaction between equity holders of the Group. The Group applies this policy by adjusting retained profits.

Refer to note 37 for the Parent entity’s interest in controlled entities.
NOTE 33. FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks; market risk (including currency risk, price risk and interest 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 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 is carried out in accordance with policies approved by the Board of Directors. These policies cover specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of forward exchange contracts and investment of excess liquidity.

The Group holds the following financial instruments:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>$’000</td>
<td>$’000</td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>79,783</td>
<td>109,821</td>
</tr>
<tr>
<td>Term deposits</td>
<td>1,927,911</td>
<td>1,655,365</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>147,578</td>
<td>64,224</td>
</tr>
<tr>
<td>Investments fair valued through profit and loss</td>
<td>37,587</td>
<td>49,011</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>40,687</td>
<td>27,348</td>
</tr>
<tr>
<td>Current assets classified as held for sale</td>
<td>-</td>
<td>576,211</td>
</tr>
<tr>
<td>Long term equity investments</td>
<td>507,878</td>
<td>547,707</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>7,040</td>
<td>5,000</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>2,748,464</td>
<td>3,034,687</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>62,467</td>
<td>64,113</td>
</tr>
<tr>
<td>Deposits accepted</td>
<td>44,168</td>
<td>41,193</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>106,635</td>
<td>105,306</td>
</tr>
</tbody>
</table>

a) Market Risk

i. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency. The Group is exposed to foreign exchange risk arising from currency exposures to the US Dollar.

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

The Group’s risk management policy is to hedge up to 60% of anticipated transactions (export coal sales) in US Dollars for the subsequent 5 years. All hedges of projected export coal sales qualify as “highly probable” forecast transactions for hedge accounting purposes.

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

<table>
<thead>
<tr>
<th>US dollar exposure</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD $’000</td>
<td>USD $’000</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>17,265</td>
<td>50,494</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>37,306</td>
<td>26,158</td>
</tr>
<tr>
<td>Forward exchange contracts – sell foreign currency (cash flow hedge)</td>
<td>309,000</td>
<td>239,000</td>
</tr>
<tr>
<td>Trade payables</td>
<td>1,500</td>
<td>9,415</td>
</tr>
<tr>
<td><strong>Total exposure to USD</strong></td>
<td><strong>365,071</strong></td>
<td><strong>325,067</strong></td>
</tr>
</tbody>
</table>
NOTE 33. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

Sensitivity analysis

Based on the trade receivables and cash held at 31 July 2011, 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 $3,981,000/($3,257,000) (2010: $5,819,000/($4,761,000)), mainly as a result of foreign exchange gains/losses on translation of US dollar receivables 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 2011, 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 $25,644,000/($28,209,000) (2010: $16,925,000/($20,686,000)). There is no effect on post-tax profits. Equity in 2011 is more sensitive to movements in the Australian dollar/USD exchange rates than in 2010 because of increased value of forward exchange contracts in 2011.

ii. Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as either long term equity investments or investments fair valued through profit and loss. The majority of the Group’s investments are publicly traded on the Australian Securities Exchange.

Investments held for the long-term are classified on 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. Long term equity investments represent 13.0% (2010: 14.3%) of the Group’s net assets.

Investments held for the short to medium term and classified on the statement of financial position as ‘investments fair valued through profit and loss’. 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 fair valued through profit and loss’ represent 1.0% (2010: 1.3%) of the Group’s net assets.

The performance of the investment portfolios are monitored by the individual Board’s of the Group. The Group seeks to reduce market risk by ensuring that it is not exposed to one Group or one particular sector of the market.

Sensitivity analysis

The following table summarises the financial impacts of a hypothetical 5% decrease in the market value of investments for the Group as at reporting date. Where this decrease results in an individual security being valued below its cost, the reduction below cost has been recognised in the income statement. 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.

<table>
<thead>
<tr>
<th>Impact to post-tax profit</th>
<th>Impact on reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>$’000</td>
<td></td>
</tr>
<tr>
<td>Investments fair valued through profit and loss</td>
<td>(1,271)</td>
</tr>
<tr>
<td>Long term equity investment</td>
<td>(1,222)</td>
</tr>
<tr>
<td>Total</td>
<td>(2,493)</td>
</tr>
</tbody>
</table>

iii. Fair value interest rate risk

Refer to (e) below.
NOTE 33. FINANCIAL RISK MANAGEMENT (continued)

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, 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, term deposits and cash transactions 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 27c). 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 of 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:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>79,783</td>
<td>109,821</td>
</tr>
<tr>
<td>Term deposits</td>
<td>1,927,911</td>
<td>1,655,365</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>147,578</td>
<td>64,224</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>40,687</td>
<td>27,348</td>
</tr>
<tr>
<td></td>
<td>2,195,959</td>
<td>1,856,758</td>
</tr>
</tbody>
</table>

The loans and receivables balances as stated above reflect the recoverable value and are net of any impairments or provisions. Refer notes 12 and 18 for further description on certain impairments.

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.

In addition, 13.9% (2010: 30.7%) of the Group’s net assets are in the form of readily tradeable listed investments which could be liquidated through on-market sales if necessary.

Financing arrangements

At 31 July 2011, the Group had no external borrowings from financial institutions. Details of financial facilities available are set out in note 27(c).

d) Maturity of financial liabilities

The Group’s trade and other payables are all payable within one year.

The Group’s maturity analysis for derivative financial instrument is set out in note 16.

The Group’s maturity analysis for other financial liabilities is described in note 27(a).
NOTE 33. FINANCIAL RISK MANAGEMENT (continued)

e) Cash flow and fair value interest rate risk

The Group currently has significant interest-bearing assets which are placed with reputable investment counterparties 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 term deposits and other fixed interest bearing assets. Refer to notes 10 and 11 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 $14.1 million (2010: $12.4 million). This scenario assumes all cash and term deposits at balance date continue to remain invested for the whole year.

At 31 July 2011, the Group has no external borrowings and therefore their income statements and operating cash flows are substantially independent of changes in market interest lending rates.

f) Fair value estimation

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

NOTE 34. CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 July in respect of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Not secured by a charge on the Consolidated entity’s assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Undertakings and guarantees issued by a Controlled entity's bankers to the Department of Minerals &amp; Energy, Statutory Power Authorities and various other entities.</td>
<td>15,017</td>
<td>14,454</td>
</tr>
<tr>
<td>ii. Undertakings and guarantees issued by a Controlled entity's bankers for stages 1 and 2 of the Wiggins Island Coal Export Terminal expansion project and expansion of rail facilities.</td>
<td>11,892</td>
<td>-</td>
</tr>
<tr>
<td>iii. Undertakings and guarantees issued by a Controlled entity to related party</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>32,909</td>
<td>20,454</td>
</tr>
</tbody>
</table>

For contingent liabilities relating to associates refer to note 38.

NOTE 35. COMMITMENTS FOR EXPENDITURE

a) Capital commitments

Capital expenditure contracted for at the reporting date

Property, plant and equipment

Payable:

Within one year

13,263

10,934

b) Lease commitments:

Commitments in relation to leases consist of:

i. Operating leases

The Group’s main leases relates to the leasing of port facilities under non-cancellable operating leases expiring within one to nineteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>13,540</td>
<td>3,168</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>20,660</td>
<td>13,347</td>
</tr>
<tr>
<td>Later than five years</td>
<td>57,795</td>
<td>60,368</td>
</tr>
<tr>
<td></td>
<td>91,995</td>
<td>76,883</td>
</tr>
</tbody>
</table>

For commitments relating to associates refer to note 38.
NOTE 36. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

<table>
<thead>
<tr>
<th>Statement of financial position</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$’000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,528</td>
<td>2,990</td>
</tr>
<tr>
<td>Term deposits</td>
<td>317,500</td>
<td>331,500</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,045</td>
<td>1,198</td>
</tr>
<tr>
<td>Inventories</td>
<td>11,253</td>
<td>9,832</td>
</tr>
<tr>
<td>Total current assets</td>
<td>390,045</td>
<td>353,236</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>4,067</td>
<td>-</td>
</tr>
<tr>
<td>Long term equity investments</td>
<td>415,861</td>
<td>458,893</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>421,725</td>
<td>382,551</td>
</tr>
<tr>
<td>Property plant and equipment</td>
<td>3,362</td>
<td>3,578</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>31,011</td>
<td>35,826</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>876,026</td>
<td>880,848</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,266,071</td>
<td>1,234,084</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>932</td>
<td>772</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>44,249</td>
<td>41,274</td>
</tr>
<tr>
<td>Current tax liability</td>
<td>4,596</td>
<td>-</td>
</tr>
<tr>
<td>Provisions</td>
<td>521</td>
<td>414</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>50,298</td>
<td>42,460</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>43,382</td>
<td>56,078</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,149</td>
<td>1,043</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>44,531</td>
<td>57,121</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>94,829</td>
<td>99,581</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>1,171,242</td>
<td>1,134,503</td>
</tr>
</tbody>
</table>

**Equity**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$’000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>32,900</td>
<td>32,900</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General reserve</td>
<td>402,206</td>
<td>402,206</td>
</tr>
<tr>
<td>Asset revaluation reserve</td>
<td>103,690</td>
<td>142,500</td>
</tr>
<tr>
<td>Retained profits</td>
<td>632,446</td>
<td>556,897</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,171,242</td>
<td>1,134,503</td>
</tr>
</tbody>
</table>

**Profit or loss for the year**

- 188,903

**Other comprehensive income**

- Net movement in the fair value of long term equity investments, net of tax
  - (39,771)

**Total comprehensive income for the year**

- 149,132
NOTE 36. PARENT ENTITY FINANCIAL INFORMATION (continued)

b) Guarantees entered into by the parent entity
The Parent entity did not provide any guarantees as at 31 July 2011 or 31 July 2010.

c) Contingent liabilities of the parent entity
The Parent entity did not have any contingent liabilities as at 31 July 2011 or 31 July 2010.

d) Contractual commitments for the acquisition of property, plant or equipment
The Parent entity did not have any contractual commitments as at 31 July 2011 or 31 July 2010.

NOTE 37. SUBSIDIARIES

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Country of incorporation</th>
<th>Equity holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>a) Parent entity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington H. Soul Pattinson and Company Limited *</td>
<td>Australia</td>
<td></td>
</tr>
<tr>
<td>b) Controlled entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP Laboratories Pty. Limited *</td>
<td>Australia</td>
<td>100.0</td>
</tr>
<tr>
<td>SP Newcastle Pty. Limited *</td>
<td>Australia</td>
<td>100.0</td>
</tr>
<tr>
<td>SP Runaway Bay Pty. Limited *</td>
<td>Australia</td>
<td>100.0</td>
</tr>
<tr>
<td>CopperChem Limited</td>
<td>Australia</td>
<td>52.4</td>
</tr>
<tr>
<td>Souls Financial Solutions Pty. Limited</td>
<td>Australia</td>
<td>65.0</td>
</tr>
<tr>
<td>Souls Private Equity Limited +*</td>
<td>Australia</td>
<td>13.4</td>
</tr>
<tr>
<td>PCP Holdings 1 Pty. Limited*</td>
<td>Australia</td>
<td>13.4</td>
</tr>
<tr>
<td>PCP Holdings 2 Pty. Limited*</td>
<td>Australia</td>
<td>13.4</td>
</tr>
<tr>
<td>Cromford Group Pty. Limited*</td>
<td>Australia</td>
<td>13.4</td>
</tr>
<tr>
<td>Cromford Pipe Pty. Limited (formerly Australian Film and Pipe Manufacturing Pty. Limited)</td>
<td>Australia</td>
<td>13.4</td>
</tr>
<tr>
<td>Food and Beverage Company Limited</td>
<td>Australia</td>
<td>13.4</td>
</tr>
<tr>
<td>Pitt Capital Partners Limited</td>
<td>Australia</td>
<td>78.3</td>
</tr>
<tr>
<td>Corporate &amp; Administrative Services Pty. Ltd</td>
<td>Australia</td>
<td>78.3</td>
</tr>
<tr>
<td>Pitt Capital Nominees Pty. Ltd</td>
<td>Australia</td>
<td>78.3</td>
</tr>
<tr>
<td>Pitt Capital Asia Ltd</td>
<td>Hong Kong</td>
<td>78.3</td>
</tr>
<tr>
<td>New Hope Corporation Limited*</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Jeebopilly Collieries Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Fowlers Engineering Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Tivoli Coal (Hawaii) Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>New Hope Collieries Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Tivoli Collieries Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Andrew Wright Holdings Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Tetard Holdings Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Queensland Bulk Handling Pty. Limited</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>New Oakleigh Coal Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>New Hope Exploration Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Seven Mile Coal Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>New Acland Coal Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Acland Pastoral Co. Pty Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
<tr>
<td>Arkdale Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
</tr>
</tbody>
</table>
### b) Controlled entities (continued)

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Country of incorporation</th>
<th>Equity holding</th>
<th>Year 2011</th>
<th>Year 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Hope Corporation Limited</strong> (continued)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Lenton Coal Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>New Saraji Coal Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>New Hope Water Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>New Hope Coal Marketing Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>New Hope Energy Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>New Hope Services Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>Hueridge Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>Uniford Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>eCOALogical Pty. Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>Lenton Management and Marketing Pty Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Krestlake Pty Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Mattvale Pty Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Estwood Pty Limited *</td>
<td>Australia</td>
<td>59.7</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Northern Energy Corporation Limited ++</td>
<td>Australia</td>
<td>48.3</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Taroom Coal Proprietary Limited ++</td>
<td>Australia</td>
<td>48.3</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Colton Coal Pty. Limited ++</td>
<td>Australia</td>
<td>48.3</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Yamala Coal Pty. Limited ++</td>
<td>Australia</td>
<td>48.3</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

* Companies marked with an asterisk are part of tax consolidation groups.

+ Souls Private Equity Limited and its subsidiaries have been consolidated on the basis of control of the board of directors and management control.

++ On 3 October 2011, New Hope Corporation Limited, increased its shareholding from 80.8% to 98.7%.

### c) Acquisition of controlled entities

#### i) Acquisitions during the year included:

During the year ended 31 July 2011, the Group acquired control of the following entities:

**CopperChem Limited (CopperChem) – Held by WHSP**

In September 2009, WHSP acquired a 50% share of CopperChem for $21,000,000. On 1 October 2010, WHSP acquired an additional 2.38% share of CopperChem for $3,000,000 and on this date, WHSP obtained control of CopperChem. As a result of this transaction, the initial 50% investment held by WHSP was fair valued, resulting in a gain on acquisition of $4,150,000. All consideration has been settled in cash and was paid directly by WHSP to CopperChem in exchange for issue of shares in CopperChem. There is no contingent consideration.

The fair value of CopperChem’s assets and liabilities at acquisition date was $50,300,000, with goodwill recognised on consolidation of $231,000. The fair value of assets acquired includes property, plant and equipment of $63,966,000 and cash balances of $742,000.

In accordance with the Group’s accounting policies, WHSP elected to recognise the non-controlling interests in CopperChem at its proportionate share of the acquired net identifiable assets, being $25,381,000.

The revenues and profits contributed by CopperChem to the WHSP consolidated revenues and profits for the year ended 31 July 2011 are considered to be of an immaterial nature.
NOTE 37. SUBSIDIARIES (continued)

c) Acquisition of controlled entities (continued)

i) Acquisitions during the year included:

Northern Energy Corporation Limited (Northern Energy) – Held by New Hope Corporation Limited

On 28 February 2011, New Hope’s wholly owned subsidiary, Arkdale Pty Ltd, acquired 80.8% of the issued share capital of Northern Energy. Northern Energy is a coal exploration company with interests in a portfolio of coking and thermal coal projects in Queensland and New South Wales that are being progressed towards development.

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

<table>
<thead>
<tr>
<th>Purchase consideration (refer below)</th>
<th>$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid – prior years</td>
<td>3,286</td>
</tr>
<tr>
<td>Cash paid – current years</td>
<td>183,634</td>
</tr>
<tr>
<td>Total purchase consideration</td>
<td>186,920</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Fair Value</th>
<th>$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>11,674</td>
</tr>
<tr>
<td>Term deposits</td>
<td>10,255</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2,289</td>
</tr>
<tr>
<td>Property, plant and equipment (iv)</td>
<td>218,563</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(112)</td>
</tr>
<tr>
<td>Provision</td>
<td>(107)</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>(56,982)</td>
</tr>
<tr>
<td>Net identifiable assets acquired</td>
<td>185,580</td>
</tr>
<tr>
<td>Less: non-controlling interests (ii)</td>
<td>(44,318)</td>
</tr>
<tr>
<td>Add: Goodwill (i)</td>
<td>45,658</td>
</tr>
<tr>
<td>Net assets acquired</td>
<td>186,920</td>
</tr>
</tbody>
</table>

(i) Goodwill arising on consolidation of $45,658,000 is calculated in accordance with the requirement in IFRS to recognise a deferred tax liability on the difference between the provisional fair value of newly consolidated assets and liabilities and their tax base.

(ii) Non-controlling interests

In accordance with the group accounting policies, the group elected to recognise the non-controlling interest in Northern Energy Corporation Limited at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $415,000 and net loss of $703,000 to the group for the period from 28 February 2011 to 31 July 2011.

(iv) Property, plant and equipment

On acquisition mining reserves and leases of $218,484,000 have been capitalised and included in the value of property plant and equipment.

It has been deemed as impracticable to determine the effect on consolidated revenue and profit for the year ended 31 July 2011, if the acquisition had occurred on 1 August 2010. Further, the impact is considered to be of an immaterial nature.
NOTE 37. SUBSIDIARIES (continued)

c) Acquisition of controlled entities (continued)

<table>
<thead>
<tr>
<th>Purchase consideration</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
</tr>
<tr>
<td>Outflow of cash to acquire subsidiary, net of cash acquired</td>
<td></td>
</tr>
<tr>
<td>Cash consideration</td>
<td>183,634</td>
</tr>
<tr>
<td>Less: Cash balances acquired</td>
<td>(11,674)</td>
</tr>
<tr>
<td>Outflow of cash – investing activities</td>
<td>171,960</td>
</tr>
</tbody>
</table>

Acquisition Related Costs

Acquisition related costs of $3,400,000 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

ii) Details of acquisitions completed during the prior year include:

The Group did not acquire any controlled entities during the prior year.

d) Loss of control and disposals of controlled entities

i) Transactions during the year:

The Group did not dispose of any controlled entities during the year ending 31 July 2011.

ii) Transactions during the prior year:

Souls Funds Management Limited (SFM)

SFM was disposed of on 11 November 2009. From this date, SFM was no longer controlled by the Group.

Rundle Capital Limited (Rundle) – Held by Pitt Capital Partners Limited

Rundle was disposed of on 1 October 2009. From this date, Rundle was no longer controlled by the Group.

Heritage Brands Limited (formerly known as SODA Brands Limited) – (Heritage) – Held by SPEL

As a result of capital raisings by Heritage on the 1 December 2009, the Group’s shareholding in Heritage was reduced from 50.3% to 47.9% and further reduced to 25.1% from 1 July 2010. From the date of this change in shareholding below 50%, Heritage ceased to be accounted for as a subsidiary of SPEL and is equity accounted as an associate entity.
## NOTE 38. INVESTMENTS IN ASSOCIATES

### a) Carrying amounts

Investments in associates are accounted for using the equity method of accounting. Information relating to investments in associates is set out in (f) below.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amounts</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Carrying amount at 1 August</td>
<td>685,739</td>
<td>526,798</td>
</tr>
<tr>
<td>New investments during the period</td>
<td>43,525</td>
<td>66,021</td>
</tr>
<tr>
<td>BKI Investment Company Limited transferred from Long term equity investment to an equity accounted associate</td>
<td>53,309</td>
<td>-</td>
</tr>
<tr>
<td>Gain on BKI Investment Company Limited fair valued on transfer to equity accounted associate</td>
<td>14,847</td>
<td>-</td>
</tr>
<tr>
<td>Gain on deemed disposal of equity accounted associates</td>
<td>873</td>
<td>60,665</td>
</tr>
<tr>
<td>Equity accounted associate transferred (to) controlled entity</td>
<td>(21,000)</td>
<td>-</td>
</tr>
<tr>
<td>Share of profits/(losses) after income tax, before writedowns</td>
<td>36,582</td>
<td>40,985</td>
</tr>
<tr>
<td>Impairment (expense)/reversal of equity accounted associate</td>
<td>(26,795)</td>
<td>1,487</td>
</tr>
<tr>
<td>Dividends received/receivable</td>
<td>(43,113)</td>
<td>(38,732)</td>
</tr>
<tr>
<td>Add back share of dividends received by associate</td>
<td>21,626</td>
<td>26,443</td>
</tr>
<tr>
<td>Share of associates (decrement)/increment in reserves</td>
<td>(1,095)</td>
<td>2,072</td>
</tr>
<tr>
<td><strong>Carrying amount at 31 July</strong></td>
<td><strong>764,498</strong></td>
<td><strong>685,739</strong></td>
</tr>
</tbody>
</table>

### c) Summarised share of associates financial information

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Brickworks Limited</td>
<td>1,989,190</td>
<td>1,833,282</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>(751,521)</td>
<td>(719,649)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td><strong>1,237,669</strong></td>
<td><strong>1,113,633</strong></td>
</tr>
</tbody>
</table>

The share of associates net assets of $1,237,669,000 (2010: $1,113,633,000) includes the Group’s share of the total net assets of Brickworks Limited. Brickworks Limited owns 42.85% (2010: 42.85%) of the issued capital in Washington H. Soul Pattinson and Company Limited. The equity accounted carrying value of this associate of $377,504,000 (2010: $375,044,000) excludes the Group’s share of Brickworks Limited equity accounted carrying value of Washington H. Soul Pattinson and Company Limited.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,752,865</td>
<td>1,681,959</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>52,616</td>
<td>57,729</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(16,034)</td>
<td>(16,744)</td>
</tr>
<tr>
<td>Profit after income tax</td>
<td>36,582</td>
<td>40,985</td>
</tr>
</tbody>
</table>

### d) Share of associates’ expenditure commitments

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital commitments</td>
<td>23,914</td>
<td>14,488</td>
</tr>
<tr>
<td>Lease commitments</td>
<td>115,743</td>
<td>134,864</td>
</tr>
</tbody>
</table>

### e) Contingent liabilities of associates

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of incurred jointly with other investors</td>
<td>9,934</td>
<td>22,542</td>
</tr>
</tbody>
</table>
NOTE 38. INVESTMENTS IN ASSOCIATES (continued)

f) Details of investments and results in associates

<table>
<thead>
<tr>
<th>Name and Principal Activity</th>
<th>Balance date</th>
<th>Group’s percentage of holding at balance dates</th>
<th>Contribution to Group net profit</th>
<th>Fair value of listed investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Balance date Company %</td>
<td>Balance date Associate %</td>
<td>2011 $’000</td>
</tr>
<tr>
<td>Associates – held by WHSP</td>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Brickworks Limited (i)</td>
<td>31 July</td>
<td>44.5</td>
<td>44.6</td>
<td>44.5</td>
</tr>
<tr>
<td>Manufacturer of clay products</td>
<td></td>
<td>Australian Pharmaceutical Industries Limited</td>
<td>Pharmaceutical wholesaler</td>
<td>31 Aug</td>
</tr>
<tr>
<td>Ruralco Holdings Limited</td>
<td>30 Sept</td>
<td>23.5</td>
<td>23.5</td>
<td>23.5</td>
</tr>
<tr>
<td>Rural supplies and services</td>
<td></td>
<td>Apex Healthcare Berhad</td>
<td>Pharmaceutical manufacturer and distributor</td>
<td>30 June</td>
</tr>
<tr>
<td>Telco Computer Limited (ii)</td>
<td>31 July</td>
<td>26.8</td>
<td>26.6</td>
<td>26.8</td>
</tr>
<tr>
<td>Telecommunications and internet provider</td>
<td></td>
<td>Clover Corporation Limited</td>
<td>Refinement and processing of natural oil</td>
<td>31 July</td>
</tr>
<tr>
<td>TPG Telecom Limited (ii)</td>
<td></td>
<td>Australian Pharmaceutical Industries Limited</td>
<td>Listed investment company</td>
<td>30 June</td>
</tr>
<tr>
<td>BHI Investment Company Limited (iii)</td>
<td></td>
<td>KH Roberts Group Pte Ltd. (formerly Keith Harris &amp; Company (Far East) Pte Limited)</td>
<td>Manufacturer of flavours, essences and colours</td>
<td>31 July</td>
</tr>
</tbody>
</table>

Jointly controlled entity – held by WHSP

| CopperChem Limited (iv) | 31 July | 50.0 | - | 50.0 | - | - | n/a | n/a |

Associates – held by Controlled entities (Souls Private Equity Limited and New Hope Corporation Limited)

| Ampcontrol Pty Limited | 30 June | 45.0 | 45.0 | 45.0 | 45.0 | 4,644 | 3,166 |
| Austrains Pty Limited | 30 June | 48.0 | 48.0 | 48.0 | 48.0 | (56) | (1,611) |
| Belamena Coffee Pty Ltd | 30 June | 40.0 | 40.0 | 40.0 | 40.0 | 310 | 197 |
| Bridgeport Energy Ltd (v) | 30 June | 35.0 | - | 35.0 | - | (18) | - |
| BW Partners Pty Limited (vi) | 31 July | 50.0 | - | 50.0 | - | (314) | - |
| InterRisk Australia Pty Ltd | 30 June | 40.0 | 40.0 | 40.0 | 40.0 | 547 | 333 |
| Heritage Brands (formerly SODA Brands Limited) (vii) | 30 June | 25.1 | 25.1 | 25.1 | 47.9 | (102) | (837) |
| Developing Coal to liquid oil technologies | 31 July | 25.0 | - | 25.0 | - | (185) | - |
| Quantex Research Corporation (viii) | 31 July | 25.0 | - | 25.0 | - | (244) | - |
| Reasearching Coal to liquid oil technologies | 30 June | 26.5 | 31.5 | 26.5 | 21.3 | 250 | 329 |
| Specialist Oncology Property Pty Limited | 30 June | 34.6 | 30.2 | 34.6 | 30.2 | 155 | (22) |

Share of results from equity accounted associates before impairment 36,582 40,985

Impairment (expense)/ reversal
- Australian Pharmaceutical Industries Limited (33,005) -
- Ruralco Holdings Limited 6,210 -
- Other associates - 1,487

Total impairment (expense)/ reversal of investment in associates (26,795) 1,487

Share of results and impairment from equity accounted associates 9,787 42,472
NOTE 38. INVESTMENTS IN ASSOCIATES (continued)

With the exception of Apex Healthcare Berhad and KH Roberts Group Pte Ltd (KHR), all associates as listed above are incorporated in Australia. Apex Healthcare Berhad is incorporated in Malaysia. KHR is incorporated in Singapore.

The percentage holding of each Associate represents the Group’s total holding in each associate.

Contribution to Group net profit represents the amount included in profit after tax including the non-controlling interest’s share.

(i) On the 1 November 2010, Brickworks Limited issued shares as part of their employee share scheme. As a result of this transaction, of which WHSP did not participate, WHSP’s percentage holding in Brickworks decreased by 0.1% to 44.5%.

(ii) WHSP participated in the TPG Telecom Limited dividend reinvestment plan (DRP) issued on 17 November 2010 and 24 May 2011. As a result of the DRP, WHSP increased its shareholding from 26.6% (31 July 2010) to 26.8% (31 July 2011).

(iii) On 21 March 2011 an additional investment in BKI Investment Company Limited (BKI) of $1.3 million was made by WHSP resulting in WHSP’s ownership interest in BKI increasing by 0.25% to 13.7% and during the year, the CEO of BKI (Mr Tom Millner) was appointed to the WHSP Board of Directors. As a result of these events, on 21 March 2011, BKI went from being accounted for as a long term equity investment to an equity accounted associate. From this date, BKI has been equity accounted.

(iv) On 1 October 2010, WHSP acquired an additional 2.4% of CopperChem Limited for $3 million and at this date, WHSP obtained control of CopperChem Limited. Prior to this date, CopperChem was jointly controlled and was equity accounted by the Group.

(v) On 20 April 2011, a controlled entity of WHSP, New Hope Corporation (NHC), acquired a 35% interest in Bridgeport Energy Limited for consideration of $17.2 million. NHC as of this date equity account Bridgeport Energy Limited as an associate.

(vi) On 1 November 2010, the controlled entity Pitt Capital Partners Limited, acquired a 50% shareholding in BW Partners Pty Limited (BWP) for $1 million. From that date, BWP was equity accounted by the Group.

(vii) As a result of a capital raising by Heritage Brands Limited (Heritage) (Formerly SODA Brands Limited), on the 18th December 2009, the Group’s shareholding in Heritage was reduced from 50.3% to 47.9%. From the date of this change in shareholding, Heritage ceased to be accounted for as a subsidiary of Souls Private Equity Limited and is equity accounted as an associate entity. On 1 July 2010, SPEL further reduced its holding in Heritage to 25.1%.

(viii) On the 13 September 2010, a controlled entity of WHSP, New Hope Corporation (NHC), acquired a 25% shareholding in a stapled investment including Quantex Energy Inc. and Quantex Research Corporation for consideration of $15.4 million. NHC as of this date equity accounts both companies.

9) Fair value

The recoverable amount of investments in equity accounted associates is reviewed at each reporting date after taking into consideration any applicable impairment indicators. During the year ended 31 July 2011, $6,210,000 (2010: $1,487,000) of this impairment has been reversed.

The fair value of listed equity accounted investments represents:

i. unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm’s length basis; or

ii. the equity accounted carrying value where Directors consider the current quoted market price is not reflective of the long term underlying value of the business. In these instances, alternative valuation techniques have been applied to determine the fair value, using a combination of market observable and unobservable inputs, including management’s judgement in selecting appropriate assumptions and estimates (refer note 2).
NOTE 39. INVESTMENTS IN JOINT VENTURES

a. Lenton Project and Joint Venture
On 19 May 2011, the New Hope Corporation (New Hope) announced that the terms of sale of a 10% interest in the Lenton project has been executed between member companies of New Hope and Mai-Liao Power Corporation (MPC), a member of the Formosa Plastic Group of Taiwan. At 31 July 2011, an amount of $58.04 million has been recognised as a receivable in the financial statements which represents the sale of a 10% interest in the Lenton Project.

b. Taroom-Yamala Joint Venture
In March 2006, Northern Energy Corporation Limited, entered into a joint venture in relation to its Yamala (EPC927) project on the follow terms:
An external company will earn a 30% Joint Venture interest in the Yamala project (EPC927) through sole funding a three-stage $5.3 million exploration and evaluation programme designed to take the project from its current status as an exploration target to completion of a bankable feasibility study for establishment of a mine within the tenement. On completion of the funding of the $5.3 million farm-in, the external company will have the option to acquire a further 10% joint venture interest for $6.7 million. As at 31 July 2011 the first two stages had been completed by funding of $3.0 million and had earned a 17% interest in the project. At 31 July $nil is carried as exploration expenditure in relation to EPC927.

NOTE 40. KEY MANAGEMENT PERSONNEL

a) Directors
The following persons were Directors of Washington H. Soul Pattinson and Company Limited during the financial year:

i. Chairman – non-executive
Mr R D Millner

ii. Deputy Chairman – non-executive
Mr M J Millner

iii. Executive Director
Mr P R Robinson

iv. Non-executive Directors
Mr D J Fairfull
Mr R G Westphal
Mr D E Wills
Mr T C D Millner (appointed 1 January 2011)

b) Other key management personnel
The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr I D Bloodworth</td>
<td>Company Secretary</td>
<td>Washington H. Soul Pattinson and Company Limited</td>
</tr>
<tr>
<td>Ms M R Roderick</td>
<td>Chief Financial Officer</td>
<td>Washington H. Soul Pattinson and Company Limited</td>
</tr>
<tr>
<td>Mr M L Bailey</td>
<td>Chief Operations Officer</td>
<td>New Hope Corporation Limited</td>
</tr>
<tr>
<td></td>
<td>(resigned 10 September 2010)</td>
<td></td>
</tr>
<tr>
<td>Mr M J Busch</td>
<td>Financial Controller and Company Secretary</td>
<td>New Hope Corporation Limited</td>
</tr>
<tr>
<td>Mr B D Denny</td>
<td>Chief Operations Officer</td>
<td>New Hope Corporation Limited</td>
</tr>
<tr>
<td></td>
<td>(appointed 2 November 2010)</td>
<td></td>
</tr>
<tr>
<td>Mr B J Garland</td>
<td>General Manager – Resource Development</td>
<td>New Hope Corporation Limited</td>
</tr>
<tr>
<td></td>
<td>(resigned 30 September 2010)</td>
<td></td>
</tr>
<tr>
<td>Mr R C Neale</td>
<td>Managing Director and Chief Executive Officer</td>
<td>New Hope Corporation Limited</td>
</tr>
<tr>
<td>Mr S O Stephan</td>
<td>Chief Financial Officer</td>
<td>New Hope Corporation Limited</td>
</tr>
</tbody>
</table>
c) Key management personnel (KMP) compensation

<table>
<thead>
<tr>
<th></th>
<th>Paid to KMP of the Consolidated entity</th>
<th>Paid to KMP of the Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Short-term employee benefits</td>
<td>6,219</td>
<td>6,153</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>466</td>
<td>405</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>24</td>
<td>620</td>
</tr>
<tr>
<td>Total</td>
<td>6,709</td>
<td>7,178</td>
</tr>
</tbody>
</table>

Key management personnel remuneration has been included in the Remuneration Report section of the Directors’ Report.

d) Equity instrument disclosures relating to key management personnel

i. Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration can be found in the Remuneration Report section of the Directors’ Report. Terms and conditions of options are detailed in note 44.

ii. Share holdings

The numbers of shares in each Group entity held during the financial year by each Director of Washington H. Soul Pattinson and Company Limited and other key management personnel of the Group, including their personally related parties, are set out below:

<table>
<thead>
<tr>
<th>Shares in Washington H. Soul Pattinson and Company Limited</th>
<th>Balance at start of year</th>
<th>Acquired during year</th>
<th>Received on exercise of options</th>
<th>Sold during year</th>
<th>Balance at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors of Washington H. Soul Pattinson and Company Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>19,272,146</td>
<td>205,000</td>
<td>-</td>
<td>2,890a</td>
<td>19,474,256</td>
</tr>
<tr>
<td>M J Millner</td>
<td>18,907,126</td>
<td>190,000</td>
<td>-</td>
<td>-</td>
<td>19,097,126</td>
</tr>
<tr>
<td>P R Robinson</td>
<td>74,210</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>74,210</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>60,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>60,000</td>
</tr>
<tr>
<td>T C D Millner</td>
<td>N/A</td>
<td>16,545,869b</td>
<td>-</td>
<td>-</td>
<td>16,547,669</td>
</tr>
<tr>
<td>R G Westphal</td>
<td>5,000</td>
<td></td>
<td>-</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td>D E Wills</td>
<td>123,866</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>138,866</td>
</tr>
<tr>
<td>Other key management personnel of the Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R C Neale</td>
<td>4,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,000</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors of Washington H. Soul Pattinson and Company Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>19,104,996</td>
<td>167,150</td>
<td>-</td>
<td>-</td>
<td>19,272,146</td>
</tr>
<tr>
<td>M J Millner</td>
<td>18,739,976</td>
<td>167,150</td>
<td>-</td>
<td>-</td>
<td>18,907,126</td>
</tr>
<tr>
<td>P R Robinson</td>
<td>74,210</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>74,210</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>60,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>60,000</td>
</tr>
<tr>
<td>R G Westphal</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>D E Wills</td>
<td>113,866</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>123,866</td>
</tr>
<tr>
<td>Other key management personnel of the Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C C Hopkins</td>
<td>850</td>
<td></td>
<td>-</td>
<td>-</td>
<td>850</td>
</tr>
<tr>
<td>R C Neale</td>
<td>4,000</td>
<td></td>
<td>-</td>
<td>-</td>
<td>4,000</td>
</tr>
</tbody>
</table>

a. R D Millner ceased to have a relevant interest in a family related holding of 2,890 shares.

b. T C Milliner gained a relevant interest in family related holdings totalling 16,504,869 shares following his appointment as a Director of family related companies.
NOTE 40. KEY MANAGEMENT PERSONNEL (continued)

d) Equity instrument disclosures relating to key management personnel (continued)

### Shares in New Hope Corporation Limited

<table>
<thead>
<tr>
<th>Shares in New Hope Corporation Limited</th>
<th>Balance at start of year</th>
<th>Acquired during year</th>
<th>Received on exercise of options</th>
<th>Sold during year</th>
<th>Balance at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of New Hope Corporation Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>3,620,573</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>3,670,573</td>
</tr>
<tr>
<td>R C Neale</td>
<td>2,005,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,005,500</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,000</td>
</tr>
<tr>
<td>W H Grant</td>
<td>20,000</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>30,000</td>
</tr>
<tr>
<td>P R Robinson</td>
<td>109,234</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>109,234</td>
</tr>
<tr>
<td>D C Williamson</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Other key management personnel of the Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M L Bailey (to 10 September 2010)</td>
<td>5,000</td>
<td>(885,000)</td>
<td>1,500,000</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>M J Busch</td>
<td>675,000</td>
<td>(25,000)</td>
<td>-</td>
<td>-</td>
<td>650,000</td>
</tr>
<tr>
<td>B J Garland (to 30 September 2010)</td>
<td>-</td>
<td>(1,000,000)</td>
<td>1,000,000</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of New Hope Corporation Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>3,570,573</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>3,620,573</td>
</tr>
<tr>
<td>R C Neale</td>
<td>1,005,500</td>
<td>-</td>
<td>2,000,000</td>
<td>1,000,000</td>
<td>2,005,500</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,000</td>
</tr>
<tr>
<td>W H Grant</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td>P R Robinson</td>
<td>67,447</td>
<td>41,787</td>
<td>-</td>
<td>-</td>
<td>109,234</td>
</tr>
<tr>
<td>D C Williamson</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Other key management personnel of the Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M L Bailey</td>
<td>-</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>C C Hopkins</td>
<td>-</td>
<td>-</td>
<td>1,250,000</td>
<td>1,212,770</td>
<td>37,230</td>
</tr>
</tbody>
</table>

### Shares in Souls Private Equity Limited

<table>
<thead>
<tr>
<th>Shares in Souls Private Equity Limited</th>
<th>Balance at start of year</th>
<th>Acquired during year</th>
<th>Received on exercise of options</th>
<th>Sold during year</th>
<th>Balance at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of Souls Private Equity Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>1,725,193</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,725,193</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>8,700,001</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,700,001</td>
</tr>
<tr>
<td>R G Westphal</td>
<td>370,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>370,000</td>
</tr>
<tr>
<td>D E Wills</td>
<td>423,277</td>
<td>200,000</td>
<td>-</td>
<td>-</td>
<td>623,277</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of Souls Private Equity Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>1,225,193</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td>1,725,193</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>8,700,001</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,700,001</td>
</tr>
<tr>
<td>R G Westphal</td>
<td>370,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>370,000</td>
</tr>
<tr>
<td>D E Wills</td>
<td>423,277</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>423,277</td>
</tr>
<tr>
<td><strong>Other key management personnel of the Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C J Photakis (Deceased 7 August 2009)</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
</tbody>
</table>
d) Equity instrument disclosures relating to key management personnel (continued)

iii. Option holdings

The numbers of options over ordinary shares in each Group entity held during the financial year by each Director of Washington H. Soul Pattinson and Company Limited and other key management personnel of the Group, including their personally related parties, are set out below:

<table>
<thead>
<tr>
<th>New Hope Corporation Limited - options</th>
<th>Balance at start of year</th>
<th>Expired during year</th>
<th>Exercised during year</th>
<th>Issued during year</th>
<th>Balance at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of New Hope Corporation Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other key management personnel of the Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M L Bailey (to 10 September 2010)</td>
<td>1,500,000</td>
<td>-</td>
<td>1,500,000</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>B J Garland (to 30 September 2010)</td>
<td>1,000,000</td>
<td>-</td>
<td>1,000,000</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>The above options were vested and exercisable during the year.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of New Hope Corporation Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R C Neale</td>
<td>2,000,000</td>
<td>-</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>The above options were vested and exercisable during the year.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other key management personnel of the Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M L Bailey</td>
<td>1,500,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,500,000</td>
</tr>
<tr>
<td>B J Garland</td>
<td>1,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,000,000</td>
</tr>
<tr>
<td>C C Hopkins</td>
<td>1,250,000</td>
<td>-</td>
<td>1,250,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>The above options were not vested at the end of the year.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Souls Private Equity Limited - options</th>
<th>Balance at start of year</th>
<th>Expired during year</th>
<th>Exercised during year</th>
<th>Issued during year</th>
<th>Balance at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of Souls Private Equity Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>153,151</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>153,151</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>1,087,501</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,087,501</td>
</tr>
<tr>
<td>R G Westphal</td>
<td>46,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,250</td>
</tr>
<tr>
<td>D E Wills</td>
<td>52,910</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52,910</td>
</tr>
<tr>
<td>The above options were vested and exercisable at the end of the year.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Directors of Souls Private Equity Limited</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R D Millner</td>
<td>87,524</td>
<td>87,524</td>
<td>-</td>
<td>153,151</td>
<td>153,151</td>
</tr>
<tr>
<td>D J Fairfull</td>
<td>1,037,500</td>
<td>1,037,500</td>
<td>-</td>
<td>1,087,501</td>
<td>1,087,501</td>
</tr>
<tr>
<td>R G Westphal</td>
<td>10,000</td>
<td>10,000</td>
<td>-</td>
<td>46,250</td>
<td>46,250</td>
</tr>
<tr>
<td>D E Wills</td>
<td>27,909</td>
<td>27,909</td>
<td>-</td>
<td>52,910</td>
<td>52,910</td>
</tr>
<tr>
<td>The above options were vested and exercisable at the end of the year.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE 40. KEY MANAGEMENT PERSONNEL (continued)

e) Loans to key management personnel
No loans have been made to the Directors of Washington H. Soul Pattinson and Company Limited (WHSP) or other key management personnel of the Group.

f) Other transactions with key management personnel
The key management personnel and their related entities received dividends during the year in respect of their shareholdings in the Group companies consistent with other shareholders.

Unsecured deposits are accepted from Directors and their related entities and interest is paid at normal commercial rates. Interest paid during the current financial year amounted to $2,668,331 (2010: $2,156,425). The balance of deposits at 31 July 2011 was $44,167,955 (2010: $41,192,836).

Deposits were received from Mr R D Millner, Mr M J Millner and Mr D J Fairfull and/or their related entities.

Mr R D Millner and Mr P R Robinson are Directors of Pitt Capital Partners Limited (PCP) which is a 78.3% (2010: 78.3%) controlled entity of Washington H. Soul Pattinson and Company Limited.

Mr R G Westphal received consultancy fees from PCP in the prior year of $49,992. Richvale Pty Ltd, an associated company of Mr D J Fairfull, received consultancy fees from PCP of $18,333 during the year (2010: $350,000). These consultancy service arrangements were terminated in August 2010.

During the current financial year PCP provided services to Group related entities:

1. Clover Corporation Limited $59,060 (2010: $135,638);
2. Brickworks Limited $nil (2010: $50,000); and

WHSP charged BKI Investment Company Limited $6,880 for rental of office space in its own premises during the financial year.

PCP provided services to Drill Torque Limited of $440,000 (2010: $nil) during the current year. This company is considered a related party as Mr D J Fairfull is Chairman of Drill Torque Limited.

In the prior year, WHSP disposed of Souls Funds Management Limited (SFM) to Treasury Group Limited on 11 November 2009. The management agreement between SFM and PCP was also terminated on this date. Up until the date of disposal, SFM received $33,401 from PCP for management fees.

Mr R D Millner, Mr P R Robinson and Mr R G Westphal were also directors of SFM. $Nil director’s fees were paid by SFM in the period to November 2009.

NOTE 41. RELATED PARTIES

a) Parent entity
The ultimate Parent entity is Washington H. Soul Pattinson and Company Limited.

b) Subsidiaries, Associates and Joint Ventures
Interests in Subsidiaries, Associates and Joint Ventures are set out in note 37, note 38 and note 39 respectively.

c) Key management personnel
Disclosures relating to key management personnel are set out in note 40.

d) Related parties transactions and balances

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 each parent company and its subsidiaries, which are related parties of that company, are eliminated on consolidation and are not disclosed in this note.
NOTE 41. RELATED PARTIES (continued)

d) Related parties transactions and balances (continued)

  
  ii. associates

Transactions with associates are at normal commercial terms and conditions.

Transactions consist of the supply of pharmaceutical products to the Parent entity, consulting, management and advisory fees received from associates, loans advanced and repaid, interest and dividend payments.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory, consulting, underwriting and management fees received from subsidiaries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- by subsidiaries from associates</td>
<td>168</td>
<td>1,396</td>
</tr>
<tr>
<td>Purchases of pharmaceutical products from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Associates</td>
<td>4,838</td>
<td>5,456</td>
</tr>
<tr>
<td>Interest income from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Associates</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

Loans to associates

At the 31 July 2010, the net impaired loan balance owing to the Parent entity from KH Roberts Private Limited (Formerly Keith Harris and Company (Far East) Private Limited) was $7,338 which was repaid to the Parent during 2011. At 31 July 2011, the loan balance, net is $3,386. Interest is charged at market rates.

NOTE 42. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>a) Audit Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moore Stephens Sydney for audit and review of financial reports and other audit work under the Corporations Act 2001</td>
<td>277</td>
<td>201</td>
</tr>
<tr>
<td>Other audit firms for the audit or review of financial reports of any entity in the Group</td>
<td>482</td>
<td>458</td>
</tr>
<tr>
<td>Total remuneration for audit services</td>
<td>759</td>
<td>659</td>
</tr>
<tr>
<td>b) Other services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moore Stephens Sydney</td>
<td>20</td>
<td>28</td>
</tr>
<tr>
<td>Other auditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction advisory services</td>
<td>430</td>
<td>422</td>
</tr>
<tr>
<td>Tax compliance services</td>
<td>340</td>
<td>250</td>
</tr>
<tr>
<td>Other services</td>
<td>309</td>
<td>377</td>
</tr>
<tr>
<td>Total remuneration for other services</td>
<td>1,099</td>
<td>1,077</td>
</tr>
</tbody>
</table>
NOTE 43. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW /(OUTFLOW) FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax for the year</td>
<td>558,250</td>
<td>291,092</td>
</tr>
<tr>
<td>Adjustments for non-cash items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>41,819</td>
<td>39,879</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>41,492</td>
<td>706</td>
</tr>
<tr>
<td>Bad and doubtful debts</td>
<td>907</td>
<td>22</td>
</tr>
<tr>
<td>Dividends received (non-cash)</td>
<td>(8,628)</td>
<td>(6,055)</td>
</tr>
<tr>
<td>Net (gains) on financial assets</td>
<td>(23,296)</td>
<td>(9,429)</td>
</tr>
<tr>
<td>Net (profit) on sale of non-current assets</td>
<td>(524,120)</td>
<td>(111)</td>
</tr>
<tr>
<td>Share based payments</td>
<td>25</td>
<td>692</td>
</tr>
<tr>
<td>Share of losses/(profits) of associates not received as dividends or distributions</td>
<td>6,530</td>
<td>(2,252)</td>
</tr>
<tr>
<td>Net exchange losses</td>
<td>7,526</td>
<td>3,184</td>
</tr>
<tr>
<td>Gain on acquisition of controlled entity</td>
<td>(4,150)</td>
<td>-</td>
</tr>
<tr>
<td>Gain on transfer of BKI Investment Company Limited to an equity accounted associate</td>
<td>(14,847)</td>
<td>-</td>
</tr>
<tr>
<td>Gain on deemed disposal of associate</td>
<td>(873)</td>
<td>(60,665)</td>
</tr>
<tr>
<td>Mining exploration and evaluation costs</td>
<td>16,294</td>
<td>13,402</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, net of effects from purchase and sales of business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/decrease in trade debtors, other debtors and prepayments</td>
<td>(32,404)</td>
<td>99,267</td>
</tr>
<tr>
<td>(Increase) in inventory</td>
<td>(20,575)</td>
<td>(7,666)</td>
</tr>
<tr>
<td>(Decrease)/increase in trade creditors and accruals</td>
<td>(3,622)</td>
<td>24,848</td>
</tr>
<tr>
<td>Increase in employee entitlements, other liabilities and provisions</td>
<td>9,583</td>
<td>2,266</td>
</tr>
<tr>
<td>Increase/(decrease) in current tax payable</td>
<td>156,376</td>
<td>(722,905)</td>
</tr>
<tr>
<td>Increase in deferred tax liability</td>
<td>14,871</td>
<td>5,405</td>
</tr>
<tr>
<td>(Increase) in deferred tax asset</td>
<td>(648)</td>
<td>(1,043)</td>
</tr>
<tr>
<td>Net cash inflow/(outflow) from operating activities</td>
<td>220,510</td>
<td>(329,363)</td>
</tr>
</tbody>
</table>

NOTE 44. SHARE-BASED PAYMENTS

Entities within the Group grant options and shares to employees through entity specific agreements. Details of these transactions are set out below for each entity.

New Hope Corporation Limited

Options are granted under the New Hope Corporation Limited Employee Share Option Plan. Membership of the Plan is open to those senior employees 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.

Options are granted for no consideration. Options are granted for a 5 year period, and vest after the third anniversary of the date of the grant. Total expense arising from options issued under the employee share option plan during the financial year was $25,000 (2010: $692,000).
### New Hope Corporation Limited (continued)

Set out below are the summaries of options granted under the plan:

#### 2011

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Expiry date</th>
<th>Exercise price</th>
<th>Balance at beginning of the year</th>
<th>Granted during the year</th>
<th>Exercised during the year</th>
<th>Expired during the year</th>
<th>Balance at the end of the year</th>
<th>Exercisable at the end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Aug 2007</td>
<td>12 Aug 2012</td>
<td>$2.104</td>
<td>2,500,000</td>
<td>-</td>
<td>2,500,000</td>
<td>-</td>
<td>2,500,000</td>
<td>-</td>
</tr>
</tbody>
</table>

- Weighted average exercise price: 2.1040

The weighted average share price at the date of exercise of options exercised during the 2011 year was $4.79 (2010: $5.45).

#### 2010

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Expiry date</th>
<th>Exercise price</th>
<th>Balance at beginning of the year</th>
<th>Granted during the year</th>
<th>Exercised during the year</th>
<th>Expired during the year</th>
<th>Balance at the end of the year</th>
<th>Exercisable at the end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Jan 2006</td>
<td>2 Jan 2011</td>
<td>$1.235</td>
<td>9,218,000</td>
<td>-</td>
<td>(9,218,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8 May 2006</td>
<td>7 May 2011</td>
<td>$1.288</td>
<td>500,000</td>
<td>-</td>
<td>(500,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2 Jan 2007</td>
<td>1 Jan 2012</td>
<td>$1.413</td>
<td>1,000,000</td>
<td>-</td>
<td>(1,000,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>19 Jan 2007</td>
<td>18 Jan 2012</td>
<td>$1.360</td>
<td>500,000</td>
<td>-</td>
<td>(500,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13 Aug 2007</td>
<td>12 Aug 2012</td>
<td>$2.104</td>
<td>2,500,000</td>
<td>-</td>
<td>-</td>
<td>2,500,000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

- Total: 13,718,000
- Weighted average exercise price: 1.4128

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.0 years (2010 – 0.1 years).

The fair value of options granted under the New Hope Corporation Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options. Options are exercisable by current employees during the nominated vesting period or by Directors’ consent. Detailed vesting conditions are set out in the Directors’ report.
NOTE 44. SHARE-BASED PAYMENTS (continued)

New Hope Corporation Limited (continued)

The fair value at grant date is independently determined using a Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The inputs and assumptions for each grant made during the year are as follows:

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Expiry date</th>
<th>Exercise price</th>
<th>Share price at grant date</th>
<th>Expected volatility</th>
<th>Expected dividend yield</th>
<th>Risk free interest rate</th>
<th>Assessed fair value at grant date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Jan 2006</td>
<td>2 Jan 2011</td>
<td>$1.235</td>
<td>$1.230</td>
<td>41.3%</td>
<td>4.6%</td>
<td>5.1%</td>
<td>$0.346</td>
</tr>
<tr>
<td>8 May 2006</td>
<td>7 May 2011</td>
<td>$1.288</td>
<td>$1.280</td>
<td>40.5%</td>
<td>3.8%</td>
<td>5.6%</td>
<td>$0.384</td>
</tr>
<tr>
<td>2 Jan 2007</td>
<td>1 Jan 2012</td>
<td>$1.413</td>
<td>$1.430</td>
<td>38.0%</td>
<td>6.2%</td>
<td>5.9%</td>
<td>$0.338</td>
</tr>
<tr>
<td>19 Jan 2007</td>
<td>18 Jan 2012</td>
<td>$1.360</td>
<td>$1.370</td>
<td>38.0%</td>
<td>6.4%</td>
<td>5.9%</td>
<td>$0.318</td>
</tr>
<tr>
<td>13 Aug 2007</td>
<td>12 Aug 2012</td>
<td>$2.104</td>
<td>$2.220</td>
<td>44.0%</td>
<td>4.0%</td>
<td>6.0%</td>
<td>$0.745</td>
</tr>
</tbody>
</table>

Expected volatility was estimated using the weekly (continuously-compounded) returns to New Hope Corporation Limited since its listing in 2003. There are no market related vesting conditions.

Souls Private Equity Limited

Souls Private Equity Limited previously established an Employee Share Option Plan ("ESOP") under which Directors and eligible employees of the Company, its controlled and associated entities may be granted management options.

All unlisted options expired on 16 December 2009 and no new options were issued. No shares were issued following exercise of any management options in 2011 (2010: nil).

The movement in the number of management options for the prior year held by eligible employees is summarised below:

Movement during year ended 31 July 2010

<table>
<thead>
<tr>
<th>Class of options</th>
<th>Expiry and exercise date</th>
<th>Exercise price</th>
<th>Balance at 01/08/09 Number</th>
<th>Expired during 2010 Number</th>
<th>Exercisable at the end of 2010 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1</td>
<td>16 Dec 2009</td>
<td>$0.30</td>
<td>1,220,000</td>
<td>(1,220,000)</td>
<td>-</td>
</tr>
<tr>
<td>Class 2</td>
<td>16 Dec 2009</td>
<td>$0.32</td>
<td>1,220,000</td>
<td>(1,220,000)</td>
<td>-</td>
</tr>
<tr>
<td>Class 3</td>
<td>16 Dec 2009</td>
<td>$0.35</td>
<td>1,220,000</td>
<td>(1,220,000)</td>
<td>-</td>
</tr>
<tr>
<td>Class 4</td>
<td>16 Dec 2009</td>
<td>$0.38</td>
<td>1,220,000</td>
<td>(1,220,000)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>4,880,000</td>
<td>(4,880,000)</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 45. EVENTS AFTER THE REPORTING DATE

Since the end of the financial year the following matters or circumstances not referred to elsewhere in this report have arisen that have or will significantly affect the operations of the Group, the results of those operations or the state of affairs or the Group in subsequent financial years:


On 17 August 2011, CMA Corporation Limited received shareholder approval for a recapitalisation of the company through which $77.5 million was raised by way of rights issue to be conducted at $0.01 per share. Washington H. Soul Pattinson and Company Limited acquired 853 million shares and its controlled entity, Souls Private Equity Limited acquired 300 million shares in CMA Corporation Limited via the rights issue.

New Hope Corporation Limited – Northern Energy Corporation Limited Takeover Offer

Subsequent to year end, on 29 August 2011, New Hope Corporation Limited, through one of its subsidiaries, announced an unconditional, cash offer for Northern Energy Corporation Limited of $2.00 per Northern Energy Corporation Limited share. As of 3 October 2011, New Hope Corporation Limited has a relevant interest of 98.7% of Northern Energy Corporation Limited’s shares and this off market takeover offer is to acquire all outstanding Northern Energy Corporation Limited shares not already owned by New Hope Corporation Limited.

New Hope Corporation Limited – Lenton Project and Joint Venture

On 6 September 2011, New Hope Corporation Limited received $58.04 million in cash for the sale of 10% of the Lenton Project. Upon receipt of these funds, a subsidiary of New Hope Corporation Limited together with Mai-Liao Power Corporation have formed the Lenton Joint Venture with the objective of furthering the exploration and development of the Lenton Project. The subsidiary has a 90% interest in the joint venture and is entitled to 90% of the output of the joint venture. The Group’s interest in the assets employed in the joint venture are included in the statement of financial position in accordance with the accounting policies.

Washington H. Soul Pattinson and Company Limited - Souls Private Equity Limited Takeover Offer

On 19 September 2011, Washington H. Soul Pattinson and Company Limited announced a proposal to acquire all of the outstanding Souls Private Equity Limited (ASX: SOE) shares not already owned by Washington H. Soul Pattinson and Company Limited for $0.163 per share. The proposal values Souls Private Equity Limited at approximately $97.5 million (fully diluted, including options). Under the proposal, Souls Private Equity Limited shareholders will be able to receive consideration in cash or in Washington H. Soul Pattinson and Company Limited shares. The proposal is to be effected by way of a scheme of arrangement.

New Hope Corporation Limited – Formal process for potential bidders

On 5 October 2011, New Hope Corporation Limited announced that it had received a number of preliminary and incomplete proposals from third parties in relation to potential change of control transactions. In view of ongoing interest from a number of parties, New Hope’s Board of Directors is undertaking a formal process to determine whether a proposal for New Hope is available at a price, and on terms, that are in the best interests of all its shareholders.

Washington H. Soul Pattinson and Company Limited’s - Increase in shareholding of CopperChem Limited

On 9 October 2011, Washington H. Soul Pattinson and Company Limited’s shareholding in CopperChem Limited increased from 52.4% to 93.4% on conversion of Class B shares into ordinary shares of the company. No additional consideration was paid in respect of the conversion.

Other than declared in these financial statements, no other events have occurred after reporting date which would materially affect the full year financial statements.
Directors’ Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 32 to 93 are in accordance with the Corporations Act 2001 and:
   a) comply with Accounting Standards and the Corporations Regulations 2001 and;
   b) give a true and fair view of the financial position as at 31 July 2011 and the performance for the year ended on that date of the consolidated group;

2. the Executive Director and Financial Controller have each declared that:
   a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b) the financial statements and notes for the financial year comply with Accounting Standards; and
   c) the financial statements and notes for the financial year give a true and fair view;

3. in the Directors’ opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

R D MILLNER  
Director

P R ROBINSON  
Director

Dated this 25th day of October 2011.
INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

We have audited the accompanying financial report of Washington H. Soul Pattinson and Company Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31st July 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors’ declaration of the consolidated entity comprising Washington H. Soul Pattinson and Company Limited and the entities it controlled at the year ended or from time to time during the financial year.

Directors’ Responsibility for the Financial Report
The directors of Washington H. Soul Pattinson and Company Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation of the financial report that gives a true and fair view 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 entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporation Act 2001, provided to the directors of Washington H. Soul Pattinson and Company Limited on 24th October 2011, would be in the same terms if provided to the directors as at the date of signing this auditor’s report.
Independent Auditor’s Report (continued)

Auditor’s Opinion
In our opinion the financial report of Washington H. Soul Pattinson and Company Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Washington H. Soul Pattinson and Company Limited’s consolidated financial position as at 31st July 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 20 to 24 of the directors’ report for the year ended 31st July 2011. The directors of Washington H. Soul Pattinson and Company Limited 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.

Auditor’s Opinion

Moore Stephens Sydney
Chartered Accountants

Martin J. (Joe) Shannon
Partner
Dated in Sydney this 25th day of October 2011.

Moore Stephens Sydney ABN 90 773 984 843. Liability limited by a scheme approved under Professional Standards Legislation*

*Other than for the acts or omissions of financial services licensees. An independent member of Moore Stephens International Limited - members in principal cities throughout the world. The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.
## DISTRIBUTION OF EQUITY SECURITIES AS AT 11 OCTOBER 2011

<table>
<thead>
<tr>
<th>Size of Shareholding</th>
<th>Number of Shareholders</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000</td>
<td>3,038</td>
<td>1,733,659</td>
</tr>
<tr>
<td>1,001 – 5,000</td>
<td>3,653</td>
<td>9,537,289</td>
</tr>
<tr>
<td>5,001 – 10,000</td>
<td>919</td>
<td>7,071,574</td>
</tr>
<tr>
<td>10,001 – 100,000</td>
<td>799</td>
<td>20,436,227</td>
</tr>
<tr>
<td>100,001 and over</td>
<td>83</td>
<td>199,861,831</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,492</strong></td>
<td><strong>238,640,580</strong></td>
</tr>
</tbody>
</table>

**Holding less than a marketable parcel**

<table>
<thead>
<tr>
<th>Number of Shareholders</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>160</td>
<td>653</td>
</tr>
</tbody>
</table>

## SUBSTANTIAL SHAREHOLDERS AS AT 11 OCTOBER 2011

As disclosed in notices received by the Company.

<table>
<thead>
<tr>
<th>Ordinary Shares Held</th>
<th>% of Issued Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brickworks Limited</td>
<td>102,257,830</td>
</tr>
<tr>
<td>Perpetual Limited</td>
<td>29,318,700</td>
</tr>
</tbody>
</table>

## TOP 20 SHAREHOLDERS AS AT 11 OCTOBER 2011

<table>
<thead>
<tr>
<th>Ordinary Shares Held</th>
<th>% of Issued Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brickworks Limited</td>
<td>102,257,830</td>
</tr>
<tr>
<td>RBC Dexia Investor Services Australia Nominees Pty Limited (Pipoled A/C)</td>
<td>15,029,212</td>
</tr>
<tr>
<td>Milton Corporation Limited</td>
<td>9,094,840</td>
</tr>
<tr>
<td>Dixon Trust Pty Limited</td>
<td>8,499,940</td>
</tr>
<tr>
<td>J S Millner Holdings Pty Limited</td>
<td>7,573,110</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>6,863,350</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>6,434,155</td>
</tr>
<tr>
<td>T G Millner Holdings Pty Limited</td>
<td>3,151,051</td>
</tr>
<tr>
<td>Perpetual Trustee Company Limited</td>
<td>2,837,472</td>
</tr>
<tr>
<td>Hexham Holdings Pty Limited</td>
<td>2,753,127</td>
</tr>
<tr>
<td>Mr Robert Dobson Millner &amp; Mr Michael John Millner (Est James S Millner A/C)</td>
<td>2,514,477</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited (Colional First State Inv A/C)</td>
<td>2,340,688</td>
</tr>
<tr>
<td>Argo Investments Limited</td>
<td>2,182,606</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>2,180,134</td>
</tr>
<tr>
<td>RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/C)</td>
<td>1,846,588</td>
</tr>
<tr>
<td>Cogent Nominees Pty Limited</td>
<td>1,838,806</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited</td>
<td>1,451,982</td>
</tr>
<tr>
<td>Farjoy Pty Ltd</td>
<td>1,300,000</td>
</tr>
<tr>
<td>UBS Nominees Pty Ltd</td>
<td>1,202,557</td>
</tr>
<tr>
<td>Dixson Trust Pty Limited (A/C NO 1)</td>
<td>1,175,290</td>
</tr>
</tbody>
</table>
**VOTING RIGHTS**

Votes of Members – The Company’s Constitution provides:

Subject to the Constitution, the Listing Rules, the Corporations Act and to any rights or restrictions attaching to any class of shares, at a meeting of the Company’s members:

a) one vote for each fully paid share held by that member; and

b) subject to section 250L(4) 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.

**UNQUOTED EQUITY SECURITIES**

The Company had no unquoted equity securities at any time during the year ended 31 July 2011 or for the period to the date of this report.

**AUSTRALIAN SECURITIES EXCHANGE LISTING**

Washington H. Soul Pattinson and Company Limited shares are listed on the Australian Securities Exchange under the ASX Code SOL.
This page was left blank intentionally
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 139 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, its traditional field of pharmaceutical, as well as coal mining, building materials, equity investments, telecommunications, agriculture and corporate consulting.

OBJECTIVE

WHSP’s objective is to hold a diversified portfolio of assets which generate a growing income stream for distribution to shareholders in the form of increasing fully franked dividends and to provide capital growth in the value of the shareholders' investments.

DIVIDEND POLICY

Ordinary dividends are generally paid out of profits before non-regular items.

Special dividends are generally paid out of profits from non-regular items. Non-regular items typically include those which are outside of the normal course of business.