Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

ASX Code: SOL

Annual Report 2010

Company Profile

Washington H. Soul Pattinson and Company Limited 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, Washington H. Soul Pattinson and Company Limited 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 138 years later their single pharmacy would have evolved into a company as prominent and diversified as Washington H. Soul Pattinson and Company Limited.

WHSP is now a significant investment house with a portfolio encompassing many industries, including its traditional field of pharmaceutical as well as coal mining, building materials, equity investments, telecommunications 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.

160 Pitt Street, Sydney 1886

Contents and Corporate Directory

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CORPORATE CALENDAR

Final and Special Dividends	
Record date	22 November 2010
Payment date	6 December 2010
Annual General Meeting	3 December 2010 at 12.00 noon The Grand Ballroom Level 3, Sofitel Sydney Wentworth 61-101 Phillip Street, Sydney

DIRECTORS

Robert D Millner	Non-Executive Director - Chairman
Michael J Millner	Non-Executive Director - Deputy Chairman
Peter R Robinson	Executive Director
David J Fairfull	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

	2010 $'000	2009 $'000
Profit after tax before non-regular items	**181,555**	224,685
Profit after tax and non-regular items	**218,327**	1,112,652

DIVIDENDS PAID/RECOMMENDED

Interim Dividend	**14 cents**	13 cents
Final Dividend	**20 cents**	19 cents
Special Dividend	**12.5 cents**	25 cents
Total Dividends	**46.5 cents**	57 cents

PARENT ENTITY

Market value backing per share	**$17.23**	$17.07

This represents the market value per share of WHSP's underlying investments based on bid prices at 31 July 2010. As WHSP is a long term investor, this figure is before providing for tax on unrealised capital gains. In addition, WHSP held cash and deposits of $334,490,000 as at 31 July 2010.

Total shareholder return	**Total Return Per Annum**		
	5 Years	**10 Years**	**15 Years**
Washington H. Soul Pattinson and Company Limited	10.6%	18.0%	17.5%
All Ordinaries Accumulation Index	5.0%	7.6%	9.4%
Outperformance	**5.6%**	**10.4%**	**8.1%**

The above compound returns measure the change in value of investments by considering the movement in their market prices and assuming dividends are reinvested.

Chairman's Review

Dear Shareholders,

I am pleased to present the 2010 Annual Report for Washington H. Soul Pattinson and Company Limited (WHSP) on behalf of the Board of Directors of the Company.

The year ended 31 July 2010 has seen solid results for the Group and an increased market capitalisation of the Company to $3.11 billion.

Market Capitalisation	2010	2009
Washington H. Soul Pattinson and Company	$3.11 billion	$2.63 billion

Information as at 31 July 2010 and 2009

Consolidated Financial Performance

The profit of the Group, **after tax and before non-regular items**, attributable to shareholders for the year ended 31 July 2010 was **$181.6 million**, a decrease of 19.2% compared to the previous year. This net decrease of $43.1 million resulted mainly from lower contributions by New Hope Corporation Limited (New Hope) and Pitt Capital Partners Limited following their particularly strong results in 2009.

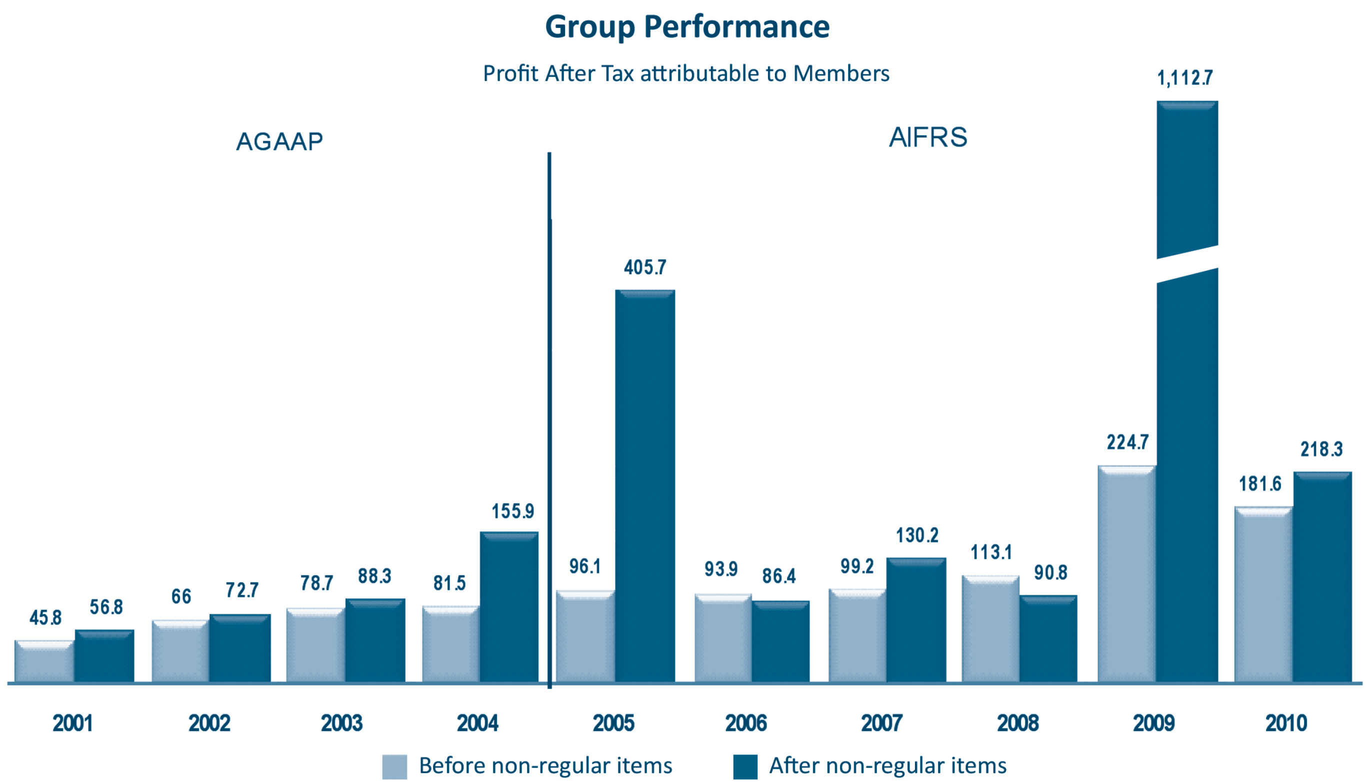
The profit of the Group, **after tax and non-regular items**, attributable to shareholders was **$218.3 million**, a decrease of $894.3 million compared to the previous year. Last year's result included the Group's $1.03 billion share of the profit on the sale of New Hope's New Saraji coal project. The result inclusive of non-regular items represents a 140.4% increase over that of 2008.

The net profit on non-regular items for the year was $36.8 million and was principally composed of gains on deemed disposals. During the year, Brickworks Limited and TPG Telecom Limited issued additional share capital via capital raisings and in doing so the Group's holdings in them were diluted. Under accounting standards the Group was deemed to have disposed of part of its holdings in those companies at a profit.

Comparisons with the prior two years are as follows:-

	2010 $'000	% Change 2009 to 2010	2009 $'000	2008 $'000
Revenue from continuing operations	**823,307**	+ 6.2%	774,953	681,640
Profit after tax before non-regular items	**181,555**	- 19.2%	224,685	113,146
Profit after tax and non-regular items	**218,327**	- 80.4%	1,112,652	90,828
Interim Dividend (paid in May each year)	**14 cents**	+ 7.7%	13 cents	12 cents
Final Dividend	**20 cents**	+ 5.3%	19 cents	18 cents
Special Dividend	**12.5 cents**		25 cents	-
Total Dividends	**46.5 cents**		57 cents	30 cents

The graph 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.

Total Shareholder Return

WHSP continues to deliver outstanding returns to its shareholders, consistently outperforming the ASX All Ordinaries Accumulation Index, as shown below.

	Total Return Per Annum		
	5 Years	**10 Years**	**15 Years**
Washington H. Soul Pattinson and Company Limited	10.6%	18.0%	17.5%
All Ordinaries Accumulation Index	5.0%	7.6%	9.4%
Outperformance	**5.6%**	**10.4%**	**8.1%**

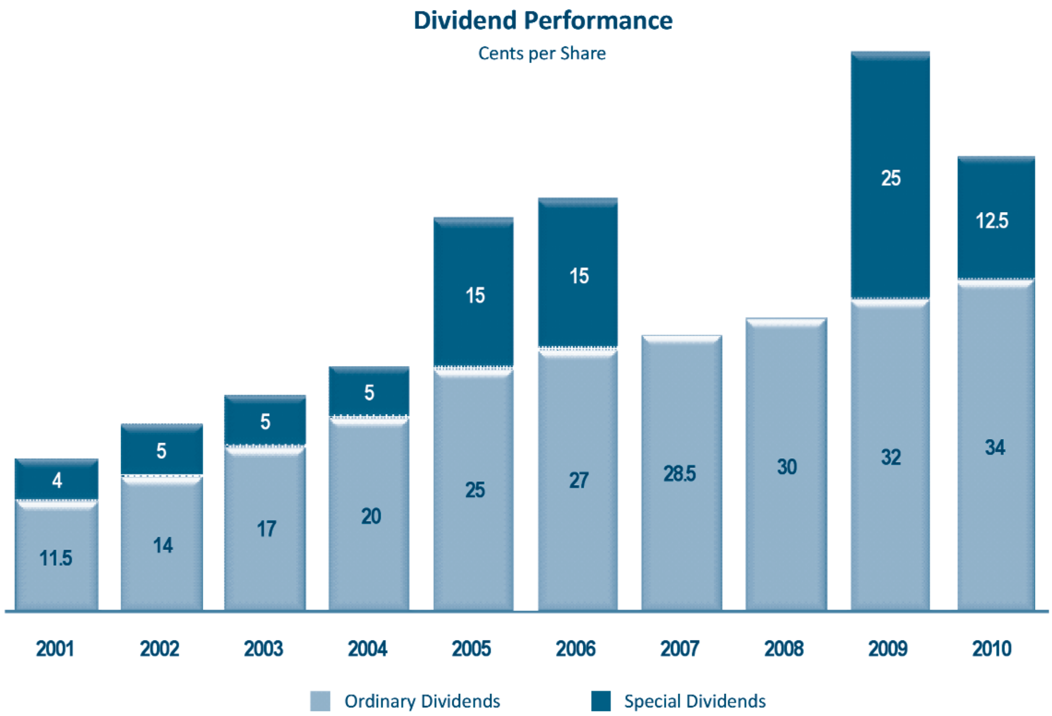
The above compound returns measure the change in value of investments by considering the movement in their market prices and assuming dividends are reinvested.

Chairman's Review (continued)

Dividends

While many companies listed on the ASX have begun to increase their dividends, having previously lowered them in response to balance sheet pressures, WHSP has continually increased its ordinary dividends year on year. WHSP has no borrowings from financial institutions and was therefore not impacted by the financing pressures brought about by the global financial crisis.

The graph below shows how the ordinary dividends paid or recommended by the company have continually increased over the last 10 years. Further, the eight special dividends which have been paid or are recommended for this period total 86.5 cents.



Final Dividend

Directors recommend the payment of a fully franked final dividend of 20 cents per share in respect of the year ended 31 July 2010 (2009: 19 cents fully franked).

This dividend is to be approved by Shareholders at the Annual General Meeting and will be payable on 6 December 2010. The record date for this dividend will be 22 November 2010.

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 recommended based on that profit.

Special Dividend

Directors recommend the payment of a fully franked special dividend of 12.5 cents per share in respect of the Group's share of New Hope's non-regular profit on the disposal of its shares in Arrow Energy Limited in August 2010.

This dividend is to be approved by Shareholders at the Annual General Meeting and will be payable on 6 December 2010. The record date for this dividend will be 22 November 2010.

Special dividends are generally paid out of non-regular profits.

Chairman's Review (continued)

Parent Company Investments

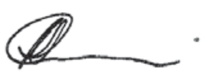
As at 31 July 2010 WHSP held equity investments valued at $4.1 billion. Details of the largest investments, which also represented significant holdings in those companies are included below.

	WHSP Holdings	Market Value of WHSP's Holding $ million	Total Market Capitalisation of each investment $ million
Listed Investments at Market Value			
New Hope Corporation Limited	59.9%	2,335	3,899
Brickworks Limited	44.6%	775	1,739
TPG Telecom Limited	26.6%	368	1,382
BKI Investment Company Limited	13.6%	67	496
Aust. Pharmaceutical Industries Limited	24.6%	49	200
Ruralco Holdings Limited	23.5%	35	149
Apex Healthcare Berhad	30.3%	26	85
		3,655	
Other Listed Investments		420	
Unlisted Investments at Cost		36	
Total Parent Company Investments		**4,111**	

Parent Company Cash

As at 31 July 2010	$ million
WHSP cash and deposits	334

On behalf of the Board, I wish to thank the management and staff of the Washington H. Soul Pattinson Group for their contribution in 2010. I would also like to thank you, and all the Shareholders, for your continued support.



R D MILLNER
Chairman

Review of Group Entities

Parent Company

The market value of the listed investment portfolio, which includes controlled entities and associates, was $4.07 billion as at 31 July 2010 compared with $4.04 billion as at 31 July 2009.

Excluding controlled entities and associates, the market value of the listed investment portfolio increased by 15.9%, from $396 million to $459 million. Under the Group's accounting policies the movements in market values are taken up in other comprehensive income or reflected within the profit for the year as impairments. Impairments totalling $3.2 million were made during the year.

Listed Investment Portfolio based on market value as at 31 July 2010

(excluding controlled and associated entities)

	Market Value $ million
Milton Corporation Limited	67
BKI Investment Company Limited	67
BHP Billiton Limited	55
Choiseul Investments Limited	43
Commonwealth Bank of Australia	32
National Australia Bank Limited	20
Perpetual Limited	15
Bank of Queensland Limited	14
Telstra Corporation Limited	12
Westpac Banking Corporation	12
Total - Ten largest	337
Other	122
Total	459

A total of $110.8 million was invested in the listed equities market during the year. The main purchases were Australian Pharmaceutical Industries Limited, Commonwealth Bank of Australia, Quickstep Holdings Limited, Telstra Corporation Limited and TPG Telecom Limited. Purchases of shares in associates totalled $43.0 million.

Proceeds from disposals totalled $4.3 million for the year, being from the sale of Brambles Limited and Rio Tinto Limited shares.

Dividend and distribution income received from the listed investment portfolio, excluding those from controlled and associated entities, was $18.7 million, down 6.7% compared to last year. This reflects the wide spread reduction of dividends paid by listed investments over the last two years.

Interest income for the year totalled $15.1 million, an increase of 125.4% compared to $6.7 million last year.

New Hope Corporation Limited

Controlled entity: 59.9% held*

Contribution to Group profit: $110.7 million

Total Market Capitalisation: $3.90 billion*

Market Value of WHSP's Holding: $2.34 billion*

ASX code: NHC

New Hope Corporation Limited (New Hope) has reported a net profit after tax (excluding non-regular items) of $183.8 million ($112.6 million from operations and $71.2 million from investments) for the year ended 31 July 2010 (2009: $262.3 million), a 29.9% decrease from the previous corresponding period. The previous corresponding period also included a non-regular profit after tax of $1.688 billion on the sale of the New Saraji coal assets.

Basic earnings per share (excluding non-regular items) for the year were 22.3 cents compared to 32.3 cents per share earned in the previous corresponding period.

New Hope has declared a final dividend of 4.5 cents per share (2009: 4.5 cents per share), and a special dividend of 14 cents per share (2009: 72.75 cents per share). Both of these dividends are fully franked and payable on 9 November 2010.

Compared to the previous corresponding period, the result for the full year ended 31 July 2010 benefited from:

- Continued saleable coal production growth, which was up 15.2% to 5.9 million tonnes – a new production record for the Group;
- Higher export sales volume of 4.9 million tonnes, up 26.2% (excluding traded coal sales) – a new export sales record for the Group; and
- Increased prices for domestic coal sales.

offset by:

- Lower sales volume of domestic coal due to the closure of two units at the CS Energy Swanbank Power Station;
- Lower export coal prices in $US terms, compounded by higher $A:$US foreign exchange rates;
- Increased costs of production due to a greater proportion of production being sourced from the higher cost West Moreton operations;
- Increased rail and road haulage costs for transportation of saleable coal; and
- Reduced interest income from cash on deposit following the payment of the special dividend and tax on the New Saraji asset sale.

Mining Operations

Total saleable coal production from New Hope's operations for the year ended 31st July 2010 was 5.9 million tonnes, 15.2% higher than the previous corresponding period. Increased production from the New Acland mine and the ramp up in production from the reactivation of the Jeebropilly mine were the main contributors to the higher production.

Total coal sold for the year was 18.3% higher at 5.9 million tonnes, compared with 5.0 million tonnes sold in the previous corresponding period. Coal export volumes rose by 1.0 million tonnes (or 26.2%) to 4.9 million tonnes while domestic sales were some 107,000 tonnes lower (or 9.7%) at 996,000 tonnes.

Queensland Bulk Handling (QBH)

QBH's coal loading facility continued to operate effectively, with a record 6.7 million tonnes loaded during the year ended 31 July 2010, 9.0% higher than the previous corresponding period. The QBH facility continues to operate essentially demurrage free.

Work on the coal stockpile expansion is continuing on schedule. At full capacity in late 2010, the port will be capable of handling up to a nominal 10 million tonnes per annum, subject to rail performance and shipping schedules.

*As at 31 July 2010

New Hope Corporation Limited (continued)

Exploration

New Hope's exploration strategy continues to be directed towards evaluating open cut and underground coking coal resources in Central Queensland, open cut thermal coal in South East Queensland and evaluating coals as potential sources of gasification and liquefaction.

New Hope's Central Queensland focus has been on the New Lenton Project with preparation of target areas and the deployment of drilling and geological assessment assets to the project area. Approximately $3 million has been spent on the New Lenton exploration program during the last year. This work is targeted at identifying a coal quantity of up to 200 million tonnes within the project area.

The remaining efforts have been directed at New Hope's operating mines in South East Queensland. At New Acland, drilling results allowed New Hope to revise its resources and reserves estimates, with a subsequent increase in resources to 879 million tonnes (Inferred 11mt; Indicated 546mt; Measured 322mt).

At Jeebropilly the drilling results allowed New Hope to revise its resources and reserves estimates, with the subsequent reporting of resources of 8 million tonnes (Inferred 3mt; Indicated 2mt; Measured 3mt).

Land

New Hope has completed preliminary studies to identify the most appropriate future land use post mining at its West Moreton operations. For those landholdings around Rosewood and Amberley (approximately 2,700 hectares), various conceptual plans have been prepared for a combination of urban, commercial, recreational, industrial and ecological use and presented to both Ipswich City Council and the Queensland Department of Infrastructure and Planning to contribute to the review of the South East Queensland Regional Plan.

Coal to Synfuels

On 14 September 2010, New Hope announced that it had acquired an initial 25% equity in a 25 year, exclusive worldwide, licensed technology creating high value carbon products using a direct coal liquefaction process. The technology produces a pitch product from thermal grades of coal using an environmentally superior liquefaction process. The pitch can further be processed into synthetic crude oil with a by product that can be a metallurgical coke substitute.

New Hope's initial investment will fund the commercialisation programme and the related technology research over the next few years. New Hope has the right to acquire up to 51% of the worldwide licence for the technology at an agreed cost.

Detailed engineering is underway and should be completed by the end of 2010 with the construction of a "proof of concept" plant in 2011 providing process results during 2012.

Arrow Energy Limited

As at 31 July 2010, New Hope held 122.6 million shares in Arrow Energy Limited (Arrow), equivalent to 16.7% of the company, at an adjusted total cost of $110.0 million.

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 (Dart) - comprised of Arrow's international business and early stage Australian assets.

In July 2010 Arrow shareholders approved the demerger and acquisition schemes at an extraordinary general meeting. As a result of the demerger and participation in an initial capital raising, New Hope now owns approximately 17% of the issued capital of Dart.

The sale of the company's 16.7% interest in Arrow settled on 23 August 2010, with New Hope receiving $576 million from the sale. New Hope will recognise an after tax profit on the sale of $326 million in the 2011 financial year.

Outlook

Planning is underway to take advantage of a potential new mining lease at the New Acland mine, which if granted in 2011, will enable production capacity to be incrementally increased to a maximum of 10 million tonnes per annum, subject to market conditions, rail and port capacity.

New Hope Corporation Limited (continued)

Jeebropilly will continue at a nominal production capacity of 900,000 tonnes per annum during 2010/11, with continued New Oakleigh nominal production of 230,000 tonnes per annum during the same period.

The QBH port expansion, which will provide a total nominal site throughput of up to 10 million tonnes per annum, is on schedule and within budget, with final completion due in December 2010.

Interest income from cash on deposit will continue to provide short term profit, with the proceeds from the sale of Arrow Energy shares adding further to cash on deposit post year end.

New Hope has advised production guidance for 2011 of around 6.0 million tonnes, subject to finalisation of coal sale contract negotiations with major Asian customers over coming months and achievement of sufficient rail capacity.

As a result of WHSP's 59.9% holding in the issued capital of the company, New Hope contributed a net profit of $110.7 million to the Group (2009: $1.2 billion, 60.7% holding). WHSP's holding was diluted during 2010 following the exercise of management options.

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 New Hope and reviewed by Mr Wes Nichols, Geology Manager New Hope and Member of AusIMM (no. 202058). Mr Nichols 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 Nichols consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Pitt Capital Partners Limited

PCP PITT CAPITAL PARTNERS

Controlled entity: 78.3% held*

Contribution to Group result: $0.3 million loss

Unlisted entity

Pitt Capital Partners Limited (PCP) is a corporate advisory firm specialising in mergers, strategic advice, equity capital markets, private equity, restructuring and debt advisory work.

2010 was an extremely challenging year for the corporate advisory market as a result of reduced mergers and acquisitions activity and increased competition in the mid-market area which has led to reduced fees in the sector.

In 2009, among other transactions completed during the year, PCP was the sole advisor to New Hope Corporation Limited in their sale of the New Saraji coal project to the BHP Billiton Mitsubishi Alliance. As a result of this transaction, PCP earned significant advisory fees last year. Due to market conditions, PCP was not engaged in any significant corporate transactions during 2010, it did however, participate in a number of capital raisings.

PCP's profit before non-regular items was $0.9 million for the year, however due to restructuring costs associated with the closure of its Hong Kong office and the exit from its Adelaide office, PCP reported a net loss for the year of $0.4 million.

As a result of WHSP's 78.3% interest in the issued capital of the company, PCP contributed a net loss to the Group of $0.3 million (2009: $13.0 million profit).

*As at 31 July 2010

Review of Group Entities (continued)

Australian Pharmaceutical Industries Limited

Associated entity: 24.6% held*

Contribution to Group profit: $5.5 million

Total Market Capitalisation: $200 million*

Market Value of WHSP's Holding: $49 million*

ASX code: API

Australian Pharmaceutical Industries Limited's (API) financial year ended on 31 August 2010. The results for the full-year will not be released to the market until 28 October 2010.

API released its half-year result on 29 April 2010. For the 6 months, sales increased 6.7% to $1.85 billion and net profit after tax by 54.5% to $10.3 million.

Sales growth in Pharmacy Distribution grew by 7.4% with margins maintained. The company advised that this division has focused on working capital and customer trading terms whilst at the same time planning for continued PBS reforms being led by the Federal Government.

Priceline, API's mass market health and beauty retailing division, posted retail sales growth of 5.3% and comparable store sales growth of 2.0% in what was and continues to be a very competitive retail environment. The company stated that the performance was satisfactory given the uncertainty in consumer confidence created by the global financial crisis during 2009. Priceline's ClubCard Loyalty program continues to attract new members with the member base now exceeding 3.2 million members.

API declared a fully franked interim dividend of 1 cent per share which was paid on 3 June 2010.

WHSP has equity accounted API's result for the 12 months to February 2010. As a result of WHSP's 24.6% holding in the issued capital of the company, API contributed a net profit of $5.5 million to the Group (2009: $3.9m).

Brickworks Limited

Associated entity: 44.6% held*

Contribution to Group profit: $13.0 million

Total Market Capitalisation: $1.74 billion*

Market Value of WHSP's Holding: $775 million*

ASX code: BKW

Brickworks Limited (Brickworks) posted a net profit after tax and before non-regular items for the year ended 31 July 2010 of $110.2 million, down 3.1% from $113.7 million for the year ended 31 July 2009. After non-regular items, the profit for the year was $138.8 million, down 54.5% from $305.2 million in the previous year. These results include the equity accounted profit contribution from WHSP.

Building Products posted a much improved result for the year with EBIT up 44.3% to $53.4 million, driven by government stimulus spending and improving market demand. This offset the weaker result from both Land and Development and Investments and again demonstrates the stability of earnings afforded by the diversified business model. Brickworks' overall result was assisted by lower borrowing costs as a consequence of reduced debt levels.

Normalised earnings per share were 76.7 cents per share, down from 85.6 cents per share for the previous year due to the increased number of ordinary shares on issue.

The directors of Brickworks have declared a final dividend of 27 cents fully franked, taking the full year dividend to 40 cents fully franked, up 1 cent from the previous year.

Cash flow from operations increased 11.0% to $146.5 million in the year ended 31 July 2010, from $132.0 million in the previous year.

*As at 31 July 2010

Brickworks Limited (continued)

Borrowing costs decreased to $24.5 million due to the reduction in average debt levels following a share purchase plan which raised $175.0 million in November 2010.

Capital expenditure increased to $25.2 million in the year ended 31 July 2010. Spending on acquisitions totalled $53.1 million for the year, after no acquisitions were made in the previous year. Equity investments of $16.1 million were made to assist the refinancing of the property trusts.

Divisional Results

Austral Bricks delivered a significantly improved result due to increased sales volume, to meet demand generated by government stimulus measures, and improved margins. Overall brick sales volumes for the year ended 31 July 2010 were up 14.5% compared to the prior year. Margins were able to be increased during the year with net average selling prices up 3.0% while unit manufacturing costs only increased by 2.0%.

Austral Masonry delivered an improved result through increased sales volumes, up 9.8% over the previous corresponding period, and improved margins. A disciplined sales strategy enabled average selling prices to be increased by 3.8% against determined competition. Following the acquisition of a plant at Port Kembla, masonry products can be supplied along the east coast from Victoria to Cairns.

Bristile Roofing achieved an improved result driven by strong performance on the east coast. Sales volumes increased over 20% compared to the previous corresponding year, due to the surge in first home owner activity.

Sasso Precast (now Austral Precast), a manufacturer of precast concrete panels, was acquired by Brickworks in March 2010, increasing exposure to the commercial and industrial construction markets. The business has performed to expectations in spite of weak activity levels in these segments of the construction market. There are signs that the bottom of the current cycle in the industrial market in Sydney may have been reached, with volumes and prices improving at the end of the year.

Auswest Timbers delivered a substantially improved result for the year ended 31 July 2010 due to improved sales volumes and average selling prices. Sales volumes were up 4.7% due to strong batten demand in both pine and hardwood.

Land and Development produced a profit of $28.4 million for the year ended 31 July 2010, down 30.0% from $40.6 million in the previous corresponding period largely due to depressed conditions in the industrial property market.

Property Sales contributed a profit of $17.9 million for the year.

The Property Trust generated a profit of $10.3 million from Development Profit, Trust Income and Revaluations. No new facilities were completed by the Trust during the year.

Significant Items since Reporting Date

Brickworks acquired the precast concrete panel businesses assets of the Girotto Precast Pty Limited and Gocrete Pty Limited from Boral Limited on 1 September 2010 for $13.8 million plus stock. The businesses have been merged with Brickworks' existing Austral Precast business and rebranded Austral Precast. Austral Precast is the only truly national supplier in the precast concrete panel industry with automated production facilities in Sydney and Perth and manual facilities in Melbourne and Brisbane.

Brickworks suffered a minor loss of stock in the recent earthquake in Christchurch, New Zealand. It is anticipated that there will be a lull in building activity in the short term before the opportunities associated with the rebuilding process present themselves.

As a result of WHSP's 44.6% holding in the issued capital of the company, Brickworks contributed a $17.5 million regular profit to the Group (2009: $17.2m, holding 49.4%). In addition, WHSP's share of non regular expenses was $4.5 million (2009: $41.3m). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

Review of Group Entities (continued)

Clover Corporation Limited

CLOVER CORPORATION

Associated entity: 28.6% held*

Contribution to Group result: $0.3 million loss

Total Market Capitalisation: $44 million*

Market Value of WHSP's Holding: $12 million*

ASX code: CLV

Clover Corporation Limited (Clover) reported a net profit before tax (before joint venture impact and non-regular items) for the financial year ended 30 June 2010 of $7.3 million (2009: $4.9 million), an increase of 48.8%.

However, due to the full impairment of the investment in, shareholder loan to and interest accrued in respect of, the joint venture Future Foods Ingredients Pty Limited (FFI) and its share of operational losses of $0.98 million, the net result of Clover decreased from a profit of $3.08 million in 2009 to a net loss after tax in 2010 of $0.97 million.

Despite the impact of the full impairment and the share of the operational losses from FFI on the Clover result there was a substantial increase in sales revenue and improved cash position.

Total sales revenue increased 65.4% to $35.9 million during the period under review.

Clover directors have declared a fully franked dividend of 1.25 cents per share (2009: 1 cent per share) in respect of the year ended 30 June 2010, subject to the amendment of the company's constitution. Provided the amendment is approved by shareholders, payment of the dividend will be due on 15 December 2010.

Clover's core business of value-added encapsulated oil products had another impressive year with sales revenue increasing by 67.6% to $33.7 million (2009: $20.1 million). The significant expansion of sales was as a result of the company focusing on the Asian region, in particular, in infant formula and children's food applications.

Sales revenue has also been driven by product innovation and development with 50% of current sales being attributable to products commercialised over the past four years. Clover's research and innovation department continues to expand its strategic position with a long term linkage with CSIRO to improve encapsulation technology and the recently enacted Technical Cooperation Agreement with Corn Products International Inc. to facilitate the development of specialty nutritional bioactive combinations and delivery systems.

Clover directors have announced the intended divestment of its associate, FFI and have stated that the company is now focused on its core Omega-3 and encapsulated nutritional product business with particular emphasis on the high growth potential Asian markets including China.

Clover directors have also advised that the company has had a sound start to the new financial year.

As a result of WHSP's 28.6% holding in the issued capital of the company, Clover contributed a net loss of $0.3 million to the Group (2009: $0.9 million profit). The contribution to regular profit was $1.2 million while the Group's share of the non-regular expenses was $1.5 million.

Ruralco Holdings Limited

Ruralco HOLDINGS LIMITED

Associated entity: 23.5% held*

Contribution to Group profit: $2.7 million

Total Market Capitalisation: $149 million*

Market Value of WHSP's Holding: $35 million*

ASX code: RHL

Ruralco Holdings Limited's (Ruralco) financial year ends 30 September 2010. Ruralco's results for the full year are scheduled to be released to the market on 23 November 2010.

Ruralco released its half year profit result on 25 May 2010. For the six months to March 2010, sales increased 4% to $429.9 million and net profit after tax by 23% to $7.8 million on the previous corresponding period.

Ruralco reported improved seasonal conditions in eastern and southern Australia, a more buoyant residential

*As at 31 July 2010

Ruralco Holdings Limited (continued)

market and higher commodity prices which assisted the livestock and wool results. Offsetting these positive trends were lower milk and grain prices which had a negative impact on stockfeed and seed and grain results and lower prices for commodity chemicals and fertilisers.

An interim dividend of 8 cents per share fully franked was paid in June 2010 (2009: 6 cents per share).

As a result of WHSP's 23.5% holding in the issued capital of the company, Ruralco contributed a net profit of $2.7 million to the Group (2009: $2.6m).

TPG Telecom Limited

Associated entity: 26.6% held*

Contribution to Group profit: $15.4 million

Total Market Capitalisation: $1.4 billion*

Market Value of WHSP's Holding: $368 million*

ASX code: TPM

At its 2009 Annual General Meeting SP Telemedia Limited changed its name to TPG Telecom Limited (TPG).

TPG's earnings before interest, tax, depreciation and amortisation (EBITDA) of $171.1m and net profit after tax of $55.7m, represented increases of 41% and 216% respectively compared to the prior year. These results incorporate 4.5 months post acquisition contribution from the operations of PIPE Networks (PIPE).

Earnings per share for the year of 7.6 cents represent a 192% increase on the 2.6 cents per share last year.

TPG's excellent cash generation has continued with net cash inflow from operations before interest, tax and capex during the year of $189.1m, $18.0m in excess of its EBITDA result.

TPG has declared a fully franked final dividend of 2 cents per share, payable on 17 November 2010 to shareholders on the register at 20 October 2010, bringing total dividends for the year to 4 cents.

TPG has continued to lead the broadband consumer marketplace in providing high speed services of excellent value with the result that Australian internet users are increasingly expecting unlimited broadband access. TPG added more than 100,000 net new broadband subscribers during the year, with the 2nd half of the year representing a record 6 months of on-net subscriber growth for the Company of over 54,000 subscribers. This on-net growth was supported strongly by TPG's broadband and home phone bundle offering with over 18,000 active subscribers being added to-date since its launch in April 2010. TPG's total number of broadband subscribers is expected to exceed 500,000 by September 2010.

PIPE's domestic backhaul and metropolitan fibre when combined with TPG's data and voice services is presenting excellent corporate revenue and margin growth opportunities. Corporate and wholesale customers are benefitting from the increased speed and reliability of fibre-based services where TPG's 100Mbps services are now available to businesses in Sydney, Melbourne and Brisbane. In the period since its acquisition by TPG, PIPE's domestic business has also continued to grow very strongly in its own right.

As a result of WHSP's 26.6% holding in the issued capital of the company, TPG contributed $15.4 million to the net profit of the Group (2009: $4.9m, 28.5% holding).

*As at 31 July 2010

Directors' Report

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP) present their report and the financial statements of the consolidated entity, being the company and its subsidiaries, for the financial year ended 31 July 2010.

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

PRINCIPAL ACTIVITIES

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

In November 2009 the consolidated entity sold its funds management company, Soul Funds Management Limited. There were no other significant changes in the nature of the consolidated entity's principal activities during the year.

DIVIDENDS

Dividends paid or recommended by the Company since the end of the previous financial year were:-

	Cents Per Share	Total amount $'000	Franking %	Date of Payment
Declared and paid during the year				
Final ordinary dividend 2009	19	45,342	100%	7 December 2009
Special dividend 2009	25	59,660	100%	7 December 2009
Interim ordinary dividend 2010	14	33,410	100%	13 May 2010
Dealt with in the financial report as dividends	58	138,412		
Recommended after the end of the year				
Proposed final ordinary dividend 2010	20	47,728	100%	6 December 2010
Proposed special dividend 2010	12.5	29,830	100%	6 December 2010
	32.5	77,558		

REVIEW OF OPERATIONS

The profit of the Group, after tax and before non-regular items, attributable to shareholders for the year ended 31 July 2010 was $181.6 million, a decrease of 19.2% compared to the previous year. This net decrease of $43.1 million resulted mainly from lower contributions by New Hope Corporation Limited and Pitt Capital Partners Limited following their particularly strong results in 2009.

The profit of the Group, after tax and non-regular items, attributable to shareholders was $218.3 million, a decrease of $894.3 million compared to the previous year. Last year's result included the Group's $1.03 billion share of the profit on the sale of New Hope's New Saraji coal project. The result inclusive of non-regular items represents a 140.4% increase over that of 2008.

The net profit on non-regular items for the year was $36.8 million and was principally composed of gains on deemed disposals. During the year, Brickworks Limited and TPG Telecom Limited issued additional share capital via capital raisings and in doing so the Group's holdings in them were diluted. Under accounting standards the Group was deemed to have disposed of part of its holdings in those companies at a profit.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Comparisons with the prior two years are as follows:-

	2010 $000	2009 $000	% Change
Revenue from continuing operations	823,307	774,953	+ 6.2%
Profit after tax before non-regular items	181,555	224,685	- 19.2%
Profit after tax and non-regular items	218,327	1,112,652	- 80.4%
Interim Dividend (paid in May each year)	14 cents	13 cents	+ 7.7%
Final Dividend	20 cents	19 cents	+ 5.3%
Special Dividend	12.5 cents	25 cents	
Total Dividends	46.5 cents	57 cents	

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 14 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 34 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 46 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 under Queensland's Environmental Protection Act 1994. New Hope's coal export port facility, Queensland Bulk Handling (QBH), operates under a site-based Environmental Management Plan to meet the conditions of its development approval issued under the Integrated Planning Act 1997.

Each of New Hope's operational sites (mines, exploration tenements and port facility) function under a separate, site specific environmental authority/development approval.

An Environmental Impact Statement (EIS) for the New Acland Stage 3 expansion project was lodged with the Department of Infrastructure and Planning during October 2009 and was approved by Queensland's Coordinator General for public comment and submissions between 14 November 2009 and 3 February 2010. New Hope is currently compiling a Supplementary EIS to address the submissions received regarding the EIS during the public comment period. The Supplementary EIS will be submitted to the Department of Infrastructure and Planning early in the 2010/11 financial year.

New Hope has continued its participation in the Commonwealth Energy Efficiency Opportunities (EEO) program. Baseline energy data was collated and analysed to give New Hope a detailed understanding of its energy use. Electricity and diesel opportunity workshops were held at all operational sites and potential projects were investigated to establish whether they would be viable for the business. The annual EEO Public Report was published on New Hope's website in December 2009.

All three mine sites and QBH submitted reports as required under the National Pollutant Inventory program.

Directors' Report (continued)

ENVIRONMENTAL COMPLIANCE (continued)

New Hope meets the corporate threshold for participation under the National Greenhouse and Energy Reporting Act (2007). The 2008/09 report was submitted to the federal government by the 31 October 2009 deadline.

New Hope developed and implemented an Environmental Management System (EMS) in accordance with ISO4001 during the 2009-2010 financial year. The EMS improves environmental performance by increasing environmental awareness, optimising operational control and monitoring compliance. The EMS demonstrates the commitment New Hope has to the continual improvement of environmental management.

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 until 4 December 2009.

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 (current) Chairman since 2000
- Milton Corporation Limited – Appointed 1998 (current) Chairman since 2002
- New Hope Corporation Limited – Appointed 1995 (current) Chairman since 1998
- 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. Chairman of the Nomination Committee and member of the Audit and Remuneration Committees.

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)
- Choiseul Investments Limited – Appointed 2001, Resigned 2008
- Ruralco Holdings Limited – Appointed 2007 (current)
- TPG Telecom Limited – Appointed 2000, Resigned 2008

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

Executive Director.

Joined the Company 1978, appointed Director 1984.

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)
- TPG Telecom Limited – Appointed 2000, Resigned 2008

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, Remuneration and Nomination Committees.

Mr Fairfull is a merchant banker and professional company director with over 40 years experience in corporate finance. He is a consultant to Pitt Capital Partners Limited which is a Group Company.

Other listed company directorships held during the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000, Resigned 2007
- KH Foods Limited – Appointed 2008 (company delisted 2009)
- New Hope Corporation Limited – Appointed 1997 (current)
- Souls Private Equity Limited – Appointed 2004 (current)
- TPG Telecom Limited – Appointed 2000, Resigned 2008

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 Committee. Member of the Nomination Committee since 4 December 2009.

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. He is a consultant to Pitt Capital Partners Limited which is a Group Company 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)

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 Committee. Member of the Nomination Committee since 4 December 2009.

Mr Wills is a Chartered Accountant, having been a partner in 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
- 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' Report (continued)

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:

		Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
		Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
Mr R D Millner	R,N	17	17	-	-	1	1	1	1
Mr M J Millner	A,R,N	15	15	5	5	1	1	1	1
Mr P R Robinson		17	16	-	-	-	-	-	-
Mr D J Fairfull	A,R,N	15	15	5	5	1	1	1	1
Mr R G Westphal	A,R,N	17	14	5	5	1	1	-	-
Mr D E Wills	A,R,N	15	14	5	5	1	1	-	-

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
Mr R D Millner	19,372,146
Mr M J Millner	19,007,126
Mr P R Robinson	74,210
Mr D J Fairfull	60,000
Mr R G Westphal	10,000
Mr D E Wills	133,866

REMUNERATION REPORT (AUDITED)

Scope of Report

The scope of this Remuneration Report covers the parent entity and the unlisted controlled entities Pitt Capital Partners Limited, Souls Financial Solutions Pty. Limited and Souls Funds Management Limited (for the period to disposal on 13 November 2009). The other controlled entities of the Group are publicly listed and, accordingly, have their own Remuneration Committees. It is the policy of the Board to allow those controlled entities to produce their own Remuneration Report in accordance with Section 300A of the Corporations Act 2001 to be voted on by their shareholders.

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 executive directors, senior executives and non-executive directors.

The Remuneration Committee ensures that remuneration levels for directors, senior managers 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)

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 2010 fees paid to the non-executive directors by the parent entity amounted to $705,000 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 consists of a fixed remuneration package comprising a base salary, superannuation and fringe benefits, where taken. In addition to the foregoing, the remuneration of certain executives of Pitt Capital Partners Limited and Souls Funds Management Limited may include other components which are subject to annual assessment by the Boards of those companies.

In respect of the parent entity and the unlisted controlled entities, no employment contracts for either executive directors or senior executives were in place at any time during the financial year.

Company Performance, Shareholder Wealth and Remuneration

In its review of remuneration policies, the Remuneration Committee has regard to the following measures of the consolidated entity's performance for the current and previous four financial years.

	2007*	2008	2009	2010
	$'000	$'000	$'000	$'000
Revenue from continuing activities	$750,618	$681,640	$774,953	$823,307
Profit after tax (before non-regular items)	$99,192	$113,146	$224,685	$181,555
Share price at year end	$9.27	$10.45	$11.00	$13.02
Ordinary dividends paid/recommended	28.5 cents	30 cents	32 cents	34 cents
Special dividends paid	-	-	25 cents	12.5 cents

* 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 R G Westphal

Mr D E Wills

Executive Director

Mr P R Robinson

Other key management personnel of the Parent Entity

Ms M R Roderick – Chief Financial Officer

Mr I D Bloodworth – Company Secretary

Key management personnel of the Consolidated Entity

Mr M L Bailey – Chief Operations Officer and Acting Chief Financial Officer, New Hope Corporation Limited

Mr B J Garland – General Manager – Resource Development, New Hope Corporation Limited

Mr C C Hopkins – General Manager – Marketing, New Hope Corporation Limited

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Key management personnel of the Consolidated Entity (continued)

Mr P K Mantell – Chief Financial Officer and Company Secretary, New Hope Corporation Limited (Resigned 16 March 2009)

Mr R C Neale – Managing Director and Chief Executive Officer, New Hope Corporation Limited

Mr C J Photakis (Deceased 7 August 2009) – Managing Director, Pitt Capital Partners Limited

Mr S O Stephan – Chief Financial Officer, New Hope Corporation Limited (Appointed 31 August 2009)

Other executives being one of the five highest paid executives of the Consolidated Entity.

Mr D Brown-Kenyon – General Manager – Corporate Development and Government Relations, New Hope Corporation Limited (Resigned 19 March 2010)

Key Management Personnel	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total	Received from	
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options		Parent entity	Controlled entities
Name	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-executive Directors – 2010									
Mr R D Millner	480	-	21	41	-	-	542	232	310
Mr M J Millner	117	-	-	10	-	-	127	127	-
Mr D J Fairfull	577	-	-	20	-	-	597	108	489
Mr R G Westphal	202	-	-	13	-	-	215	124	91
Mr D E Wills	167	-	-	15	-	-	182	114	68
								705	958
Executive Director – 2010									
Mr P R Robinson (1)(2)	689	-	65	123	-	-	877	724	153
Key Management Personnel of the Parent Entity – 2010									
Mr I Bloodworth (2)	208	-	9	19	-	-	236	236	-
Ms M R Roderick (2)	360	-	14	33	-	-	407	407	-
Key Management Personnel of the Consolidated Entity – 2010									
Mr R C Neale (1)	802	432	30	29	-	-	1,293	-	1,293
Mr M L Bailey (1)	483	161	28	14	-	372	1,058	-	1,058
Mr B J Garland (1)	344	117	26	15	-	248	750	-	750
Mr C C Hopkins	272	134	28	19	-	-	453	-	453
Mr C J Photakis (Deceased 7 Aug 2009)	13	-	-	2	38	-	53	-	53
Mr S O Stephan (Appointed 31 Aug 2009)	374	-	-	14	-	-	388	-	388
Other Executives of the Consolidated Entity – 2010									
Mr D Brown-Kenyon (1) (Resigned 19 March 2010)	163	69	24	12	309	-	577	-	577
Total	**5,251**	**913**	**245**	**379**	**347**	**620**	**7,755**	**2,072**	**5,683**

(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.

REMUNERATION REPORT (AUDITED) (continued)

Key Management Personnel	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total	Received from	
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options		Parent entity	Controlled entities
Name	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-executive Directors – 2009									
Mr R D Millner	350	150	20	32	-	-	552	181	371
Mr M J Millner	97	-	-	9	-	-	106	106	-
Mr D J Fairfull	497	-	-	15	-	-	512	88	424
Mr R G Westphal	209	-	-	11	-	-	220	98	122
Mr D E Wills	143	-	-	13	-	-	156	88	68
								561	985
Executive Director – 2009									
Mr P R Robinson (2)	580	150	63	105	-	-	898	631	267
Key Management Personnel of the Parent Entity – 2009									
Mr I Bloodworth (2)	192	-	-	17	-	-	209	209	-
Ms M R Roderick (2)	295	-	14	26	-	-	335	335	-
Key Management Personnel of the Consolidated Entity – 2009									
Mr R C Neale (1)	687	1,906	37	26	-	98	2,754	-	2,754
Mr M L Bailey (1)	460	579	29	14	-	372	1,454	-	1,454
Mr B J Garland (1)	328	453	25	14	-	248	1,068	-	1,068
Mr C C Hopkins (1)	260	563	23	18	-	62	926	-	926
Mr C J Photakis (1) (Deceased 7 Aug 2009)	578	900	-	52	-	-	1,530	-	1,530
Mr P K Mantell (Resigned 16 March 2009)	197	134	20	17	202	74	644	-	644
Total	**4,873**	**4,835**	**231**	**369**	**202**	**854**	**11,364**	**1,736**	**9,628**

(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.

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.

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 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.

Directors' Report (continued)

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 $27,695 for providing these other services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 43 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 2010 has been received and is included on page 24.

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	**P R ROBINSON**
Director	Director

Dated this 26th day of October 2010.

Auditor's Independence Declaration

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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 31 July 2010, 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 25th day of October 2010

Moore Stephens Sydney ABN 90 773 984 843
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Email: sydney@moorestephens.com.au Web: www.moorestephens.com.au

Corporate Governance Statement

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 six 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 five 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

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 two 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. They also 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 and Mr Michael 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 at the date of this statement 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 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, one third of the Board is required to retire from office each year. Retiring Directors may stand for re-election 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 Directors and senior executives 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.

  At times other than those referred to above, Directors and senior executives, may trade with the prior approval of the Chairman, or in his absence, two Directors. Subsequent confirmation of any such trades is to be given to the Chairman or the Directors who approved the trade.
- 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 and Company Secretary 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.

The Executive Director and the Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer have made this statement in respect of the current reporting period.

Corporate Governance Statement (continued)

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 all the 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 renumerated 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 renumerated 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**.

Contents

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 26th October 2010.

Consolidated Income Statement
For the year ended 31 July 2010

	Notes	2010 $'000	2009 $'000
Revenue from continuing operations	5	**823,307**	774,953
Other income	6	**70,205**	2,429,851
Cost of sales		**(393,133)**	(259,768)
Selling and distribution expenses		**(124,719)**	(88,966)
Administration expenses		**(33,651)**	(46,442)
Other expenses		**(1,943)**	(4,470)
Impairment of assets	7	**(706)**	(147,705)
Finance costs		**(2,437)**	(1,478)
Share of results from equity accounted associates		**40,985**	(5,493)
Profit before income tax		**377,908**	2,650,482
Income tax (expense)	8a	**(86,816)**	(798,595)
Profit after tax from continuing operations		**291,092**	1,851,887
(Loss) after tax from discontinued operations		**-**	(578)
Profit after tax for the year		**291,092**	1,851,309
Profit after tax attributable to non-controlling interest		**(72,765)**	(738,657)
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		**218,327**	1,112,652

	Notes	2010 $'000	2009 $'000
Non statutory information			
Profit before non-regular items from ordinary activities after tax attributable to members		**181,555**	224,685
Profit from non-regular items after income tax attributable to members	4	**36,772**	887,967
Profit after tax and non-regular items attributable to members		**218,327**	1,112,652

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	**2010 cents**	2009 cents
Basic and diluted earnings per share to ordinary equity holders of Washington H. Soul Pattinson and Company Limited		
Continuing operations	**91.49**	466.49
Discontinued operations	**0.00**	(0.24)
Earnings per share from all operations	**91.49**	466.25

	No. of shares	
Weighted average number of shares used in calculating basic and diluted earnings per share	**238,640,580**	238,640,580

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 2010

	2010 $'000	2009 $'000
Profit after tax for the year	**291,092**	1,851,309
Other comprehensive income		
Net movement in the fair value of long term equity investments, net of tax	**67,403**	63,713
Net movement in hedge reserve, net of tax	**3,269**	4,685
Net movement in foreign currency translation reserve, net of tax	**(72)**	(1,418)
Net movement in equity reserve, net of tax	**915**	(3,488)
Total other comprehensive income for the year, net of tax	**71,515**	63,492
Total comprehensive income for the year	**362,607**	1,914,801
Total comprehensive income attributable to non-controlling interest	**(101,763)**	(774,818)
Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited	**260,844**	1,139,983

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 2010

	Notes	31 July 2010 $'000	31 July 2009 $'000
Current assets			
Cash and cash equivalents	10	**109,821**	228,530
Term deposits	11	**1,655,365**	2,619,238
Trade and other receivables	12	**59,305**	48,144
Inventories	13	**53,087**	45,421
Investments fair valued through profit and loss	15	**49,011**	45,056
Derivative financial instruments	16	**15,673**	14,525
Current tax asset	17	**1,689**	812
Current assets classified as held for sale	14	**576,211**	-
Other assets		**346**	124
Total current assets		**2,520,508**	3,001,850
Non-current assets			
Trade and other receivables	18	**4,919**	4,607
Equity accounted associates and joint ventures	19	**685,739**	526,798
Long term equity investments	20	**547,707**	924,907
Other financial assets	21	**5,000**	12,553
Derivative financial instruments	16	**11,675**	8,157
Property, plant and equipment	22	**458,706**	416,121
Exploration and evaluation assets	23	**3,030**	2,572
Investment property	24	**-**	35
Deferred tax assets	25	**43,437**	38,700
Intangible assets	26	**6,991**	8,360
Total non-current assets		**1,767,204**	1,942,810
Total assets		**4,287,712**	4,944,660
Current liabilities			
Trade and other payables	27	**64,113**	43,264
Interest bearing liabilities	28	**41,193**	33,827
Current tax liabilities		**24,154**	746,156
Provisions	29	**19,941**	20,103
Total current liabilities		**149,401**	843,350
Non-current liabilities			
Deferred tax liabilities	31	**298,592**	255,983
Provisions	30	**20,079**	17,942
Other		**-**	122
Total non-current liabilities		**318,671**	274,047
Total liabilities		**468,072**	1,117,397
Net assets		**3,819,640**	3,827,263
Equity			
Share capital	32	**32,900**	32,900
Reserves	33	**810,243**	768,942
Retained profits	33	**1,937,108**	1,841,068
Parent entity interest		**2,780,251**	2,642,910
Non-controlling interest		**1,039,389**	1,184,353
Total equity		**3,819,640**	3,827,263

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 2010

Year ended 31 July 2010	Share capital $'000	Retained profits $'000	Reserves $'000	Total members equity $'000	Non-controlling interests $'000	Total $'000
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**	**-**	**218,327**	**72,765**	**291,092**
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	**-**	**-**	**(1,380)**	**(1,380)**	**(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**
Year ended 31 July 2009						
Total equity at the beginning of the year						
1 August 2008	32,900	793,887	744,033	1,570,820	445,175	2,015,995
Net profit for the year after tax	-	1,112,652	-	1,112,652	738,657	1,851,309
Other comprehensive income for the year						
Net movement in the asset revaluation reserve, net of tax	-	-	29,674	29,674	34,039	63,713
Net movement in hedge reserve	-	-	2,568	2,568	2,117	4,685
Net movement in foreign currency translation reserve	-	-	(1,423)	(1,423)	5	(1,418)
Net movement in equity reserve	-	-	(3,488)	(3,488)	-	(3,488)
Total comprehensive income for the year	-	1,112,652	27,331	1,139,983	774,818	1,914,801
Transactions with owners						
Dividends declared and paid	-	(58,296)	-	(58,296)	(51,409)	(109,705)
Contributions of equity, net of transaction costs	-	-	-	-	10,546	10,546
Net movement in share-based payments reserve	-	-	(2,422)	(2,422)	629	(1,793)
Acquisition of additional ownership in subsidiaries	-	44	-	44	(3,593)	(3,549)
Equity transfer from members on issue of share capital in controlled entities	-	(7,219)	-	(7,219)	8,187	968
Total equity at the end of the year 31 July 2009	32,900	1,841,068	768,942	2,642,910	1,184,353	3,827,263

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 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		**729,199**	626,789
Receipt of GST on the sale of the New Saraji coal project		**-**	245,000
Payments to suppliers and employees inclusive of GST		**(531,978)**	(388,656)
Payment of GST on the sale of the New Saraji coal project		**-**	(245,000)
		197,221	238,133
Dividends received		**53,846**	53,124
Interest received		**225,392**	40,059
Finance costs		**(313)**	(280)
Income taxes paid		**(805,509)**	(65,417)
Net cash (outflow)/inflow from operating activities	44	**(329,363)**	265,619
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		**(82,376)**	(120,138)
Proceeds from sale of property, plant and equipment		**440**	2,450,523
Costs incurred on the sale of the New Saraji coal project		**-**	(670)
Payments for exploration and evaluation activities		**(13,860)**	(8,289)
Net proceeds from/(payments for) term deposits		**855,998**	(2,223,898)
Payments for investments		**(177,815)**	(80,326)
Proceeds from sale of investments		**27,698**	28,943
Cash outflow from loss of control of a subsidiary		**(2,070)**	(1,751)
Loans advanced		**(3,739)**	(1,544)
Loan repayments received		**2,117**	1,066
Net cash inflow from investing activities		**606,393**	43,916
Cash flows from financing activities			
Proceeds from issues of equity		**14,042**	9,967
Dividends paid		**(411,911)**	(125,385)
Proceeds from interest bearing liabilities		**5,314**	3,961
Net cash (outflow) from financing activities		**(392,555)**	(111,457)
Net (decrease)/increase in cash and cash equivalents		**(115,525)**	198,078
Cash and cash equivalents at the beginning of the year		**228,530**	34,337
Effects of exchange rate changes on cash and cash equivalents		**(3,184)**	(3,885)
Cash and cash equivalents at the end of the year	10a	**109,821**	228,530

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

Contents of the Notes to the Financial Statements

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 37.

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 applied the revised AASB 101 *Presentation of Financial Statements* which became effective for financial years beginning on 1 January 2009. The following provides current terms adopted under the new standard and previously used terms under the old standard:

Old terminology	**New terminology**
Balance Sheet	Statement of financial position
Cash flow statement	Statement of cash flows
Minority interest or Outside equity interest	Non-controlling interest

The Group has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

'Plain English' terminology	**AASB Terminology**
Share capital	Contributed equity
Investments fair valued through profit and loss	Other financial assets at fair value through profit or loss
Long term equity investments	Available for sale financial assets
Equity accounted associates and joint ventures	Investments accounted for using the equity method
Term deposits	Held to maturity investments

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 2010 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 interest in a joint venture is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Segment reporting (continued)

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a re-allocation between reportable segments presented. Comparatives for 2009 have been restated.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 repect 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.

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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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 by 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 considated 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 contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Business Combinations (continued)

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.

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.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Trade receivables (continued)

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.

Coal stocks are valued at the lower of cost, including an appropriate proportion of fixed and variable mining overheads, and net realisable value in the normal course of business.

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.

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 the 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Investments and other financial assets (continued)

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.

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 income statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Derivatives - Forward foreign exchange contracts (continued)

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

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. 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 Group 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.

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:

Class of Property, plant and equipment:	Depreciation rate
Buildings	2½ – 5%
Machinery	5 – 33⅓%
Vehicles	15 – 33⅓ %
Furniture, fittings and equipment	5 – 40%
Mining reserves & leases	Over productive life of mine
Mine development costs	Over productive life of mine

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Property, plant and equipment (continued)

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. 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) Investment Property

Investment property, principally comprised of land is not occupied by the Group, and is carried at cost.

s) 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. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

t) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Intangible assets (continued)

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:

Class of intangible	Useful life
Goodwill	Indefinite life
Software	3 – 5 years

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.

u) 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.

v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i. Restoration, rehabilitation and environmental expenditure

Provisions are raised for restoration, rehabilitation and environmental expenditure as soon as an obligation exists, with the cost being charged 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.

w) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Employee benefits (continued)

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 45.

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 45.

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.

x) 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.

y) 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.

z) 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.

aa) Parent entity financial information

The financial information for the Parent entity, Washington H. Soul Pattinson and Company Limited, disclosed in note 37 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 profit or loss, rather than being deducted from the carrying amount of these investments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

bb) 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

cc) 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.

dd) 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.

ee) Comparative figures

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

ff) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2010 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 its full impact. However, initial indications are that it may affect the Group's accounting for its 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 debt investments, for example, will therefore have to be recognised directly in profit or loss.

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Sharebased Payment Transactions* [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group's share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 August 2010. There will be no impact on the Group's financial statements.

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ff) New Accounting standards and interpretations (continued)

AASB 2009-10 Amendments to Australian Accounting Standards – *Classification of Rights Issues*

[AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 August 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

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 – coal 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 coal reserves and coal resources

The Group estimates its coal reserves and coal 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;

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Critical accounting estimates and assumptions (continued)

- 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.

b) Critical judgements in applying the Group's accounting policies

i. Exploration and development expenditure

During the year, the controlled entity New Hope Corporation Limited (New Hope), 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.

ii. Investment in Arrow Energy Limited

At 31 July 2010, the controlled entity, New Hope held an investment in Arrow Energy Limited (Arrow). At this time Arrow had accepted a takeover offer from CS CSG (Australia) Pty Ltd and as a result New Hope's investment in Arrow has been reclassified as a current asset held for sale. The Arrow investment was previously classified as a non-current asset, long term equity investment. Further information regarding the Arrow takeover is provided in note 46.

iii. Investments in Plant Gas Limited and WestSide Corporation Limited

The investments in Planet Gas Limited and WestSide Corporation Limited have been classified as long term equity investments on the grounds that the Group does not exert significant influence over their operations.

iv. 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 2010 include the assessment of the recoverable amounts for financial assets, including investments in associates and long term equity investments (refer to notes 7 and 40).

NOTE 3. SEGMENT INFORMATION

Business Segments

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

Continuing operations

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.

Discontinued operations

Bakery

In the prior year, the Group controlled KH Foods Limited, an entity involved in the manufacture and sale of bakery products.

NOTE 3. SEGMENT INFORMATION (continued)

Business segments

2010	**Investing activities $'000**	**Coal mining $'000**	**Consulting $'000**	**Intersegment eliminations /unallocated $'000**	**Consolidated $'000**
Revenue from external customers	166,510	643,196	3,144	10,457	823,307
Intersegment revenue	415,380	-	2,823	(418,203)	-
Total revenue	581,890	643,196	5,967	(407,746)	823,307
Share of results from equity accounted associates	40,688	-	(31)	328	40,985
Other income	70,205	127	(127)	-	70,205
Total segment revenue/income	692,783	643,323	5,809	(407,418)	934,497
Segment results	651,147	142,797	(157)	(415,879)	377,908
Income tax (expense)					(86,816)
Net profit/(loss) for the year					291,092
Segment assets	3,735,137	570,631	14,433	(32,489)	4,287,712
Investments in associates	692,388	-	-	(6,649)	685,739
Depreciation and amortisation (expense)	(1,815)	(37,983)	(81)	-	(39,879)
Impairment (expense)	(706)	-	-	-	(706)

NOTE 3. SEGMENT INFORMATION (continued)

Business segments

2009	Investing activities	Coal mining	Consulting	Intersegment eliminations /unallocated	**Total continuing operations**	Discontinued operations - Bakery	Intersegment eliminations /unallocated	**Total discontinued operations**	**Consolidated**
	$'000	$'000	$'000	$'000	**$'000**	$'000	$'000	**$'000**	**$'000**
Revenue from external customers	217,850	540,834	4,755	11,514	**774,953**	202	-	**202**	**775,155**
Intersegment revenue	82,083	-	31,272	(113,355)	**-**	-	-	**-**	**-**
Total revenue	299,933	540,834	36,027	(101,841)	**774,953**	202	-	**202**	**775,155**
Share of results from equity accounted associates	(1,915)	-	87	(3,665)	**(5,493)**	-	-	**-**	**(5,493)**
Other income	(10,326)	2,411,177	-	29,000	**2,429,851**	-	-	**-**	**2,429,851**
Total segment revenue/income	287,692	2,952,011	36,114	(76,506)	**3,199,311**	202	-	**202**	**3,199,513**
Segment results	94,896	2,614,561	24,883	(83,858)	**2,650,482**	(473)	247	**(226)**	**2,650,256**
Income tax (expense)					**(798,595)**			**-**	**(798,595)**
(Loss) on disposal of discontinued after tax					**-**	(352)	-	**(352)**	**(352)**
Net profit/(loss) for the year					**1,851,887**			**(578)**	**1,851,309**
Segment assets	4,442,098	508,343	29,894	(35,675)	**4,944,660**	-	-	**-**	**4,944,660**
Investments in associates	536,244	-	327	(9,773)	**526,798**	-	-	**-**	**526,798**
Depreciation and amortisation (expense)	(2,125)	(28,622)	(147)	-	**(30,894)**	-	-	**-**	**(30,894)**
Impairment (expense)	(147,705)	-	-	-	**(147,705)**	-	-	**-**	**(147,705)**

Notes to the Financial Statements (continued) For the year ended 31 July 2010

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 represents the member's share of non-regular gains and losses.

	2010 $'000	2009 $'000
Profit on disposal of investments	**670**	8,452
Profit on sale of the New Saraji coal project	**-**	1,031,082
Gain on deemed disposal in equity accounted associates	**42,443**	-
Loss on disposal of a controlled entity	**(1,047)**	(352)
Impairment expense	**(1,157)**	(138,498)
Share of non-regular items from associates	**(6,734)**	(43,382)
Tax credits	**2,597**	32,286
Other non-regular items	**-**	(1,621)
Total non-regular items	**36,772**	887,967

NOTE 5. REVENUE

	2010 $'000	2009 $'000
From operating activities		
Sales revenue	**667,269**	577,101
Other revenue		
Dividends received		
- Other corporations	**19,693**	21,834
Interest received		
- Associates	**4**	7
- Other corporations	**117,929**	169,022
Rental income	**845**	718
Other	**17,567**	6,271
Total other revenue	**156,038**	197,852
Total revenue from continuing operation	**823,307**	774,953
Revenue from discontinued operations	**-**	202

NOTE 6. OTHER INCOME

	2010 $'000	2009 $'000
From continuing operations		
Gain on sale of the New Saraji coal project	**-**	2,440,352
Gain on deemed disposal in equity accounted associates	**60,665**	344
Gains/(losses) on financial assets fair valued through profit and loss	**8,692**	(19,161)
Net gain on sale of long term equity investments	**1,914**	6,525
Net (loss)/gain on sale of related entities	**(1,023)**	1,936
Other items	**(43)**	(145)
	70,205	2,429,851

NOTE 7. EXPENSES

	2010 $'000	2009 $'000
Profit before income tax expense includes the following specific expenses:		
Depreciation		
Buildings	**743**	406
Plant and equipment	**29,490**	22,167
Total depreciation	**30,233**	22,573
Amortisation		
Non-current assets		
Mining reserves and mine development	**7,477**	6,018
Intangible assets	**2,169**	2,303
Total amortisation – non-current assets	**9,646**	8,321
Impairment charges/(reversals)		
Intangibles - Goodwill	**-**	4,953
Investments – Associates (a)	**(1,487)**	127,901
Investments – Long term equity investments (b)	**3,215**	14,480
Other assets	**(1,022)**	371
Total impairment	**706**	147,705
Employee benefits expense	**81,512**	77,852
Finance Costs		
Interest and finance charges paid/payable	**2,437**	1,478
Rental expense relating to operating leases	**2,768**	2,202
Exploration costs expensed	**13,402**	7,693

a) The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2010. 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. In the current year ended 31 July 2010, an impairment expense relating to Clover Corporation Limited of $1.49 million was reversed. Refer to note 40.

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 considers 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.

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 8. INCOME TAX EXPENSE

	2010 $'000	2009 $'000
a) Income tax expense		
Current tax	**87,903**	796,813
Deferred tax – excluding gain on sale of discontinued operations	**4,362**	5,447
(Over)/under provided in prior years	**(5,449)**	(3,665)
	86,816	798,595
Income tax expense is attributed to:		
Profit from continuing operations	**86,816**	798,595
Aggregate income tax expense for operations	**86,816**	798,595
Deferred income tax/(revenue) included in income tax expense		
(Increase) in deferred tax assets – (note 25)	**(1,043)**	(24,090)
Increase in deferred tax liabilities – (note 31)	**5,405**	29,537
	4,362	5,447
b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	**377,908**	2,650,482
(Loss) from discontinued operations before income tax	**-**	(578)
	377,908	2,649,904
Tax at the Australian tax rate of 30% (2009: 30%)	**113,372**	794,971
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Goodwill impairment & other amortisation	**(872)**	41,699
Non-assessable income	**107**	(22,021)
Franked dividends and other investment income	**(14,574)**	(11,145)
Tax losses and timing differences for which no deferred tax assets are recognised	**1,645**	4,605
Share-based payment expense	**(6,315)**	(4,808)
Sundry items	**(1,098)**	(1,041)
Total tax expense	**92,265**	802,260
(Over) provision in prior years	**(5,449)**	(3,665)
Income tax expense	**86,816**	798,595
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 25 and 31).	**(33,346)**	(26,184)
d) Tax effect of impairments and unused tax losses		
Impairments and unused tax losses for which no deferred tax asset has been recognised	**188,934**	180,408
Potential tax benefit at 30%	**56,680**	54,122

NOTE 9. DIVIDENDS - WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

	2010 $'000	2009 $'000
a) Ordinary shares		
Final dividend for the year ended 31 July 2009 of 19 cents (2008: 18 cents) per fully paid share paid on 7 December 2009 (2008: 8 December 2008) fully franked based on tax paid at 30%	**45,342**	42,955
Special dividend for the year ended 31 July 2009 of 25 cents (2008: nil) per fully paid share paid on 7 December 2009 fully franked based on tax paid at 30%.	**59,660**	-
Interim dividend for the year ended 31 July 2010 of 14 cents (2009: 13 cents) per fully paid share paid on 13 May 2010 (2009: 14 May 2009) fully franked based on tax paid at 30%	**33,410**	31,023
Total dividends provided for or paid	**138,412**	73,978
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 20 cents per fully paid ordinary share, (2009: 19 cents) fully franked based on tax paid at 30%.	**47,728**	45,342
A special dividend of 12.5 cents per fully paid ordinary share, (2009: 25 cents) fully franked based on tax paid at 30%.	**29,830**	59,660
The aggregate amount of the proposed dividends expected to be paid on 6 December 2010 (2009: 7 December 2009) out of retained profits as at 31 July 2010, but not recognised as a liability at year end is	**77,558**	105,002
c) Franked Dividends		
The franked portions of the final dividends recommended after 31 July 2010 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 2010.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2009: 30%)	**344,723**	198,365
The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.		
Subsequent to year end, the franking account will be reduced by the proposed final and special dividends to be paid on 6 December 2010 (2009: 7 December 2009).	**(33,239)**	(45,001)
	311,484	153,364

d) Dividend reinvestment plans

There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash at bank and on hand	**109,821**	228,530

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:-

Cash and cash equivalents	**109,821**	228,530

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 4.8% (2009: 0% and 3.6%).

c) Risk exposure

Information about the Group's exposure to credit risk and foreign exchange risk is detailed in note 34.

NOTE 11. CURRENT ASSETS –TERM DEPOSITS

	2010 $'000	2009 $'000
Term deposits	**1,655,365**	2,619,238

Term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 5.46% (2009: 6.43%).

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 34.

NOTE 12. CURRENT ASSETS –TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Trade receivables	**45,100**	36,022
Less: provision for impairment of receivables	**(53)**	(286)
	45,047	35,736
Loans and receivables to related entities	**3,409**	208
Less: impairment loss	**(156)**	(156)
	3,253	52
Loans to other parties – secured	**-**	1,536
Other receivables	**7,479**	7,414
Prepayments	**3,526**	3,406
	59,305	48,144

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 34.

b) Fair value of receivables

The fair value of receivables approximates their carrying values.

NOTE 13. CURRENT ASSETS – INVENTORIES

	2010 $'000	2009 $'000
Raw materials and stores – at cost	**18,546**	16,356
Finished goods – at cost	**34,541**	29,065
	53,087	45,421

Inventory expense

Inventories recognised as expense during the year ended 31 July 2010 amounted to $223,739,000 (2009: $159,941,000).

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

	2010 $'000	2009 $'000
Listed securities		
Equity securities*	**576,211**	-
Reconciliation		
Opening net book value	**-**	-
Transfer from long term equity investments	**576,211**	-
At end of year	**576,211**	-

* Represents the investment in Arrow Energy Limited held by controlled entity New Hope Corporation Limited, which at 31 July 2010 was valued at $576,211,000. In the prior year, this investment was classified as a long term equity investment. Refer to note 20.

Information about the Group's exposure to price risk is included in note 34.

Information about the sale of the investment in Arrow Energy Limited is included in note 46.

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

	2010 $'000	2009 $'000
Investments held for the short to medium term		
- Listed equity securities	**48,076**	44,956
- Other securities	**935**	100
	49,011	45,056

Information regarding the Group's exposure to price risk is set out in note 34.

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.

Notes to the Financial Statements (continued) For the year ended 31 July 2010

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):

	2010 $'000	2009 $'000
Current assets		
- Forward exchange contracts	**15,673**	14,525
Non-current assets		
- Forward exchange contracts	**11,675**	8,157
	27,348	22,682

Sell US dollars	Buy Australian dollars		Average exchange rate	
Maturity	**2010 $'000**	2009 $'000	**2010**	2009
0 to 6 months	**94,845**	88,109	**0.82239**	0.74907
6 to 12 months	**99,485**	89,879	**0.79409**	0.74545
1 to 2 years	**71,058**	76,396	**0.73179**	0.74611
2 to 5 years	**39,519**	91,878	**0.75913**	0.72922
	304,907	346,262		

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 $304,907,000 (2009: $346,262,000) was receivable (AUD equivalents).

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

NOTE 17. CURRENT ASSETS – CURRENT TAX ASSET

	2010 $'000	2009 $'000
Current tax asset	**1,689**	812

NOTE 18. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Loans to related entities	**11,642**	11,107
Less impairment on loans to related entities	**(11,007)**	(11,007)
	635	100
Prepayments	**2,789**	3,305
Other receivables	**1,495**	1,202
	4,919	4,607

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 34.

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 41 and 42.

NOTE 19. NON-CURRENT ASSETS – EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

	2010 $'000	2009 $'000
Shares in associated and joint venture companies (refer note 40)	**685,739**	526,798

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

Listed securities		
Equity securities	**544,476**	920,834
Preference shares	**3,228**	3,033
	547,704	923,867
Unlisted securities		
Equity securities	**3**	3
Floating rate notes	**-**	1,037
	3	1,040
	547,707	924,907

Information regarding the Group entity's exposure to price risk is set out in note 34.

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

Units in unlisted trusts – at cost	**-**	11,046
Convertible notes – at cost	**-**	1,500
Other financial assets – at cost	**5,000**	7
	5,000	12,553

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

2010	Land $'000	Buildings $'000	Plant, fixtures and motor vehicles $'000	Mining reserves and leases $'000	Mine development $'000	Total $'000
At 1 August 2009						
Cost or fair value	96,685	21,732	414,642	9,813	53,071	595,943
Accumulated depreciation/amortisation	-	(2,189)	(147,240)	(6,366)	(24,027)	(179,822)
Net book amount	96,685	19,543	267,402	3,447	29,044	416,121
Year ended 31 July 2010						
Opening net book amount	96,685	19,543	267,402	3,447	29,044	416,121
Additions	6,428	6	71,661	-	4,283	82,378
Transfers in/(out)	3,023	2,329	(8,118)	-	1,970	(796)
Assets included in a disposal group classified as held for sale and other disposals	-	-	(1,249)	-	(38)	(1,287)
Depreciation/amortisation (charge)	-	(743)	(29,490)	(334)	(7,143)	(37,710)
Closing net book amount	106,136	21,135	300,206	3,113	28,116	458,706
At 31 July 2010						
Cost or fair value	106,136	24,067	473,106	9,813	59,286	672,408
Accumulated depreciation/amortisation	-	(2,932)	(172,900)	(6,700)	(31,170)	(213,702)
Net book amount	106,136	21,135	300,206	3,113	28,116	458,706

i. Pledged assets

For years ending 31 July 2010 and 2009, no assets of the Group were pledged as security.

NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

2009	Land $'000	Buildings $'000	Plant, fixtures and motor vehicles $'000	Mining reserves and leases $'000	Mine development $'000	Total $'000
At 1 August 2009						
Cost or fair value	88,592	14,895	324,666	9,813	43,563	481,529
Accumulated depreciation/amortisation	-	(1,528)	(127,971)	(5,736)	(18,640)	(153,875)
Net book amount	88,592	13,367	196,695	4,077	24,923	327,654
Year ended 31 July 2009						
Opening net book amount	88,592	13,367	196,695	4,077	24,923	327,654
Additions	8,093	5,412	95,333	-	8,725	117,563
Transfers in/(out)	-	1,170	(1,974)	-	784	(20)
Assets included in a disposal group classified as held for sale and other disposals	-	-	(492)	-	-	(492)
Depreciation/amortisation (charge)	-	(406)	(22,167)	(630)	(5,388)	(28,591)
Foreign exchange adjustment	-	-	7	-	-	7
Closing net book amount	96,685	19,543	267,402	3,447	29,044	416,121
At 31 July 2009						
Cost or fair value	96,685	21,732	414,642	9,813	53,071	595,943
Accumulated depreciation/amortisation	-	(2,189)	(147,240)	(6,366)	(24,027)	(179,822)
Net book amount	96,685	19,543	267,402	3,447	29,044	416,121

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 23. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	2010 $'000	2009 $'000
Exploration and evaluation at cost	**3,030**	2,572
Reconciliation		
Opening net book amount	**2,572**	1,976
Additions	**458**	596
Closing net book amount	**3,030**	2,572

NOTE 24. NON-CURRENT ASSETS – INVESTMENT PROPERTY

The Group has elected to apply the cost model to accounting for investment properties.

Freehold land at cost	**-**	35
Reconciliation		
Opening net book amount	**35**	35
Additions/(disposals)	**(35)**	-
Closing net book amount	**-**	35

a) Amounts recognised in profit and loss for investment property

No rental income was recognised in the profit and loss during the year (2009: $12,000).

No direct operating expenses from income generating properties was recognised in the profit and loss during the year. (2009: ($2,000)).

b) Contractual obligations

There are no contractual obligations to purchase, construct or develop investment property or for any repairs, maintenance or enhancements.

NOTE 25. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributed to:

Amounts recognised in profit and loss		
Provisions	**10,185**	9,002
Receivables and accrued expenses	**1,036**	1,177
Impairment losses	**1,970**	2,308
Tax value of losses carried-forward	**33,582**	33,749
Other	**2,949**	2,654
	49,722	48,890
Amounts recognised directly in equity		
Long term equity investments	**5,394**	-
Share issue costs	**17**	35
	55,133	48,925
Set-off of deferred tax liabilities pursuant to set-off provisions (note 31)	**(11,696)**	(10,225)
Net deferred tax assets*	**43,437**	38,700
Movements:		
Opening balance at 1 August	**48,925**	24,918
Credited to the income statement – operating profit (note 8)	**1,043**	24,090
Credited to equity (note 8)	**5,394**	-
Less : (Loss) of control of subsidiary	**(229)**	-
Other adjustments	**-**	(83)
Closing balance at 31 July	**55,133**	48,925

*The deferred tax assets attributed to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

NOTE 26. NON-CURRENT ASSETS INTANGIBLE ASSETS

	Goodwill $'000	Other $'000	Total $'000
At 1 August 2008			
Cost	15,699	7,028	22,727
Accumulated amortisation and impairment	(5,759)	(2,318)	(8,077)
Net book amount	9,940	4,710	14,650
Year ended 31 July 2009			
Opening net book amount	9,940	4,710	14,650
Additions	609	344	953
Impairment (charge)	(4,953)	-	(4,953)
Amortisation (charge)	-	(2,303)	(2,303)
Assets included in a disposed group and other disposals	-	(7)	(7)
Transfers in	-	20	20
Closing net book amount	5,596	2,764	8,360
At 31 July 2009			
Cost	16,308	6,382	22,690
Accumulated amortisation and impairment	(10,712)	(3,618)	(14,330)
Net book amount	5,596	2,764	8,360
Year ended 31 July 2010			
Opening net book amount	**5,596**	**2,764**	**8,360**
Additions	**-**	**6**	**6**
Amortisation (charge)	**-**	**(2,169)**	**(2,169)**
Assets included in a disposed group and other disposals	**-**	**(2)**	**(2)**
Transfers in	**-**	**796**	**796**
Closing net book amount	**5,596**	**1,395**	**6,991**
At 31 July 2010			
Cost	**16,308**	**7,178**	**23,486**
Accumulated amortisation and impairment	**(10,712)**	**(5,783)**	**(16,495)**
Net book amount	**5,596**	**1,395**	**6,991**

Amortisation of $2,169,000 (2009: $2,303,000) 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:

	Country of operation	2010 $'000	2009 $'000
Coal mining			
- Goodwill	Australia	**5,596**	5,596

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

Goodwill relates to the acquisition of a subsidiary of an independent third party in an arms length transaction based on the market value for the entity as a the date of acquisition. Since that date, there have been no adverse movements in the key assumptions used in the market value, namely expected future throughput and revenues and anticipated useful asset life.

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 26. NON-CURRENT ASSETS INTANGIBLE ASSETS (continued)

b) Impairment charges

Continuing operations

Operational investments

In the prior year, an impairment charge of $4,953,000 was recognised in relation to goodwill allocated to the Group's 'Distribution' and 'Manufacturing' cash-generating units. Management assessed the recoverable amount of the goodwill allocated to both 'Distribution' and 'Manufacturing' and determined that the amounts were not recoverable. The whole amount was impaired.

NOTE 27. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Trade payables and other payables	**64,113**	43,264

NOTE 28. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Deposits from related parties - Directors (a)	**41,193**	33,827

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 5.45% (2009: 3.73%). Interest rates applicable to these deposits ensures a margin of at least 25 basis points to the Group.

b) Fair value disclosures

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

c) Financing arrangements	2010 $'000	2009 $'000
The Group has access to facilities as follows:		
Bank overdraft	**1,000**	1,000
Used at balance date	**-**	-
Unused at balance date	**1,000**	1,000
Other facilities – bank guarantees		
Total facilities	**55,540**	44,247
Used at balance date	**(36,748)**	(28,219)
Unused at balance date	**18,792**	16,028
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	**22,401**	13,747
The liability has been recognised by New Hope Corporation Limited in relation to its rehabilitation obligations.		
ii. Statutory body suppliers	**14,347**	14,470
No liability was recognised by New Hope Corporation Limited in relation to these guarantees as no losses are foreseen on these contingent liabilities.		
	36,748	28,217

NOTE 29. CURRENT LIABILITIES – PROVISIONS

	2010 $'000	2009 $'000
Mining restoration and site rehabilitation	**2,453**	2,453
Employee benefits	**17,488**	17,650
	19,941	20,103

Movements in total provisions 2010	**Mining Restoration and site rehabilitation $'000**	**Premises 'make good' $'000**	**Total $'000**
Carrying amount at beginning of year	**17,919**	55	**17,974**
Additional provisions recognised	**1,833**	-	**1,833**
Less provisions for subsidiary no longer controlled	**-**	(55)	**(55)**
Carrying amount at end of year	**19,752**	-	**19,752**
Disclosed as:			
Current liabilities	**2,453**	-	**2,453**
Non-current liabilities	**17,299**	-	**17,299**
	19,752	-	**19,752**

NOTE 30. NON-CURRENT LIABILITIES – PROVISIONS

	2010 $'000	2009 $'000
Mining restoration and site	**17,299**	15,466
Premises 'make good'	**-**	55
	17,299	15,521
Employment benefits	**2,780**	2,421
	20,079	17,942

NOTE 31. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributed to:

Amounts recognised in profit and loss		
Property, plant and equipment	**11,622**	10,263
Mine reserves	**934**	1,034
Inventories	**4,754**	4,410
Investments	**46,475**	24,969
Receivables	**22,206**	40,505
Other	**3,726**	1,246
	89,717	82,427
Amounts recognised directly in equity		
Long term equity investments	**204,440**	169,100
Cash flow hedges	**8,204**	6,805
Property, plant and equipment	**7,160**	7,160
Other	**767**	716
	220,571	183,781
Total deferred tax liabilities	**310,288**	266,208
Set-off of deferred tax liabilities pursuant to set-off provisions (note 25)	**(11,696)**	(10,225)
Net deferred tax liabilities	**298,592**	255,983

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 31. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES (continued)

	2010 $'000	2009 $'000
Movements:		
Opening balance 1 August	**266,208**	211,322
Charged to the income statement – operating profit (note 8)	**5,405**	29,537
Charged to equity (note 8c)	**38,740**	26,184
Less: Loss of control of subsidiary	**(65)**	-
Other adjustments	**-**	(835)
Closing balance at 31 July	**310,288**	266,208

NOTE 32. SHARE CAPITAL

	Parent entity		Parent entity	
	2010 No of shares	2010 $'000	2009 No of shares	2009 $'000
Share capital				
Fully paid ordinary shares	**238,640,580**	**32,900**	238,640,580	32,900

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 2010, the Group has no external borrowings to financial institutions.

The Group is not subject to any externally imposed capital requirements.

NOTE 33. RESERVES AND RETAINED PROFITS

	2010 $'000	2009 $'000
a) Reserves		
General reserve	**404,548**	404,548
Capital redemption reserve	**2,800**	2,800
Asset revaluation reserve	**385,215**	345,517
Capital profits reserve	**11,368**	11,368
Hedging reserve	**11,631**	9,647
Share-based payments reserve	**1,842**	3,222
Foreign currency translation reserve	**(2,667)**	(2,587)
Treasury share reserve	**(327)**	(327)
Equity reserve	**(4,167)**	(5,246)
	810,243	768,942

NOTE 33. RESERVES AND RETAINED PROFITS (continued)

	2010 $'000	2009 $'000
b) Movements:		
General reserve		
Balance 31 July	**404,548**	404,548
Capital redemption reserve		
Balance 31 July	**2,800**	2,800
Asset revaluation reserve		
Balance 1 August	**345,517**	315,843
Revaluation of long term equity investments, gross	**58,177**	44,350
Revaluation of long term equity investments, deferred tax	**(18,878)**	(11,379)
Transfer on sale of long term equity investments to profit, gross	**(2,556)**	(12,935)
Transfer on sale of long term equity investments to profit, deferred tax	**(417)**	1,503
Transfer on impairment of long term equity investments to profit, gross	**2,663**	10,824
Transfer on impairment of long term equity investments to profit, deferred tax	**-**	(2,545)
Share of associates increments/(decrements)	**709**	(144)
Balance 31 July	**385,215**	345,517
Capital profits reserve		
Balance 31 July	**11,368**	11,368
Hedging reserve		
Balance 1 August	**9,647**	7,079
Revaluation, gross	**19,769**	(20,455)
Revaluation, deferred tax	**(5,931)**	6,137
Transfer to profit, gross	**(16,934)**	24,716
Transfer to profit, deferred tax	**5,080**	(7,414)
Shares of associates (decrements)	**-**	(416)
Balance 31 July	**11,631**	9,647
Share-based payment reserve		
Balance 1 August	**3,222**	5,644
Share-based payment and option expense	**963**	984
Transfer to share capital	**(2,343)**	(3,406)
Balance 31 July	**1,842**	3,222
Foreign currency translation reserve		
Balance 1 August	**(2,587)**	(1,164)
Exchange difference on translation of foreign controlled entity and associates	**4**	16
Share of associates (decrement)	**(84)**	(1,439)
Balance 31 July	**(2,667)**	(2,587)
Treasury share reserve		
Balance 31 July	**(327)**	(327)
Equity reserve		
Balance 1 August	**(5,246)**	(1,758)
Movement	**1,079**	(3,488)
Balance 31 July	**(4,167)**	(5,246)

NOTE 33. 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 profit or loss 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.

For both the current and prior years, there were no significant increases in ownership of controlled entities, refer to note 38 for the Parent entity's interest in controlled entities.

NOTE 34. 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, ie 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:	**2010 $'000**	2009 $'000
Financial assets		
Cash and cash equivalents	**109,821**	228,530
Term deposits	**1,655,365**	2,619,238
Loans and receivables	**64,224**	52,751
Investments fair valued through profit and loss	**49,011**	45,056
Derivative financial instruments	**27,348**	22,682
Current assets classified as held for sale	**576,211**	-
Long term equity investments	**547,707**	924,907
Other financial assets	**5,000**	12,553
Total financial assets	**3,034,687**	3,905,717
Financial liabilities		
Trade and other payables	**64,113**	43,264
Deposits accepted	**41,193**	33,827
Total financial liabilities	**105,306**	77,091

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:

US dollar exposure	**2010 USD $'000**	2009 USD $'000
Cash and cash equivalents	**50,494**	12,219
Trade receivables	**26,158**	16,620
Forward exchange contracts – sell foreign currency (cash flow hedge)	**239,000**	257,000
Trade payables	**9,415**	-
Total exposure to USD	**325,067**	285,839

NOTE 34. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

Sensitivity analysis

Based on the trade receivables and cash held at 31 July 2010, 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 $5,819,000/($4,761,000) (2009 $2,709,000/($2,216,000), 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 2010, 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 $16,925,000/($20,686,000) (2009 $19,749,000/($24,138,000)). There is no effect on post-tax profits. Equity in 2010 is less sensitive to movements in the Australian dollar / USD exchange rates than in 2009 because of the decreased value of forward exchange contracts in 2010.

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 14.3% (2009: 24.2%) of the Group’s net assets.

Investments held for the short to medium term are 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 1.3% (2009: 1.2%) 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 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.

	Impact to post-tax profit		**Impact on reserves**	
	2010 $’000	2009 $’000	**2010 $’000**	2009 $’000
Investments fair valued through profit and loss	**(1,683)**	(1,573)	**-**	-
Long term equity investment	**-**	(3,555)	**(40,751)**	(30,458)
Total	**(1,683)**	(5,128)	**(40,751)**	(30,458)

iii. Fair value interest rate risk

Refer to (e) below.

NOTE 34. 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 28c). 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:

	2010 $'000	2009 $'000
Cash and cash equivalents	**109,821**	228,530
Term deposits	**1,655,365**	2,619,238
Loans and receivables	**64,224**	52,751
Derivative financial instruments	**27,348**	22,682
	1,856,758	2,923,201

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, 30.7% (2009: 25.4%) 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 2010, the Group had no external borrowings from financial institutions. Details of financial facilities available are set out in note 28(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 28(a).

NOTE 34. 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 $12.4 million (2009: $19.9 million). This scenario assumes all cash and term deposits at reporting date continue to remain invested for the whole year.

At 31 July 2010, 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 35. CONTINGENT LIABILITIES

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

	2010 $'000	2009 $'000
Not secured by a charge on the Consolidated entity's assets		
i. Undertakings and guarantees issued by a Controlled entity's bankers to the Department of Minerals & Energy, Statutory Power Authorities and various other entities.	**14,454**	14,470
ii. Undertakings and guarantees issued by a Controlled entity to related party	**6,000**	-
	20,454	14,470

For contingent liabilities relating to associates and joint ventures refer to note 40.

NOTE 36. COMMITMENTS FOR EXPENDITURE

a) Capital commitments

	2010 $'000	2009 $'000
Capital expenditure contracted for at the reporting date		
Property, plant and equipment		
Payable:		
All payable within one year	**10,934**	51,464

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:

	2010 $'000	2009 $'000
Within one year	**3,168**	2,732
Later than one year but not later than five years	**13,347**	13,257
Later than five years	**60,368**	53,001
	76,883	68,990

For commitments relating to associates and joint ventures refer to note 40.

NOTE 37. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

Statement of financial position	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	**2,990**	1,784
Term deposits	**331,500**	109,000
Trade and other receivables	**6,759**	2,221
Inventories	**1,198**	1,025
Current tax asset	**957**	-
Investments fair valued through profit and loss	**9,832**	5,370
Total current assets	**353,236**	119,400
Non-current assets		
Long term equity investments	**458,893**	396,256
Other financial assets	**382,551**	326,564
Property plant and equipment	**3,578**	3,848
Deferred tax assets	**35,826**	29,348
Total non-current assets	**880,848**	756,016
Total assets	**1,234,084**	875,416
Current liabilities		
Trade and other payables	**772**	803
Interest bearing liabilities	**41,274**	33,908
Current tax liability	**-**	122
Provisions	**414**	376
Total current liabilities	**42,460**	35,209
Non current liabilities		
Deferred tax liabilities	**56,078**	47,504
Provisions	**1,043**	987
Non-current liabilities	**57,121**	48,491
Total liabilities	**99,581**	83,700
Net assets	**1,134,503**	791,716
Equity		
Share capital	**32,900**	32,900
Reserves		
General reserve	**402,206**	402,206
Asset revaluation reserve	**142,500**	144,587
Retained profits	**556,897**	212,023
Total equity	**1,134,503**	791,716
Profit or loss for the year	**483,286**	11,058
Other comprehensive income		
Net movement in the fair value of long term equity investments, net of tax	**(2,086)**	(22,745)
Total comprehensive income for the year	**481,200**	(11,687)

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 37. 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 2010 or 31 July 2009.

c) Contingent liabilities and contractual commitments of the Parent entity

The Parent entity did not have any contingent liabilities or any contractual commitments for the acquisition of property, plant or equipment as at 31 July 2010 or 31 July 2009.

NOTE 38. SUBSIDIARIES

Name of entity	Country of incorporation	Equity holding 2010 %	Equity holding 2009 %
a) Parent entity			
Washington H. Soul Pattinson and Company Limited *	Australia		
b) Controlled entities			
SP Laboratories Pty. Limited *	Australia	100.0	100.0
SP Newcastle Pty. Limited *	Australia	100.0	100.0
SP Runaway Bay Pty. Limited *	Australia	100.0	100.0
Souls Funds Management Limited	Australia	-	78.8
Souls Financial Solutions Pty. Limited	Australia	65.0	65.0
Souls Private Equity Limited +*	Australia	13.4	13.4
PCP Holdings 1 Pty. Limited*	Australia	13.4	13.4
PCP Holdings 2 Pty. Limited*	Australia	13.4	13.4
Cromford Pty. Limited*	Australia	13.4	13.4
Australian Film and Pipe Manufacturing Pty Limited	Australia	13.4	13.4
Soda Brands Limited	Australia	-	6.7
Food and Beverage Company Limited	Australia	13.4	13.4
Pitt Capital Partners Limited	Australia	78.3	78.3
Corporate & Administrative Services Pty. Ltd	Australia	78.3	78.3
Pitt Capital Nominees Pty. Ltd	Australia	78.3	78.3
Rundle Capital Partners Ltd	Australia	-	78.3
Pitt Capital Asia Ltd	Hong Kong	78.3	78.3
New Hope Corporation Limited*	Australia	59.9	60.7
Jeebropilly Collieries Pty. Limited *	Australia	59.9	60.7
Fowlers Engineering Pty. Limited *	Australia	59.9	60.7
Tivoli Coal (Hawaii) Pty. Limited *	Australia	59.9	60.7
New Hope Collieries Pty. Limited *	Australia	59.9	60.7
Tivoli Collieries Pty. Limited *	Australia	59.9	60.7
Andrew Wright Holdings Pty. Limited *	Australia	59.9	60.7
Tetard Holdings Pty. Limited *	Australia	59.9	60.7
Queensland Bulk Handling Pty. Limited	Australia	59.9	60.7
New Oakleigh Coal Pty. Limited *	Australia	59.9	60.7
New Hope Exploration Pty. Limited *	Australia	59.9	60.7
Seven Mile Coal Pty. Limited *	Australia	59.9	60.7
New Acland Coal Pty. Limited *	Australia	59.9	60.7
Acland Pastoral Co. Pty Limited *	Australia	59.9	60.7
Arkdale Pty. Limited *	Australia	59.9	60.7
New Lenton Coal Pty. Limited *	Australia	59.9	60.7
New Saraji Coal Pty. Limited *	Australia	59.9	60.7

NOTE 38. SUBSIDIARIES (continued)

Name of entity	Country of incorporation	Equity holding 2010 %	2009 %
b) Controlled entities (continued)			
New Hope Corporation Limited* (continued)			
New Hope Water Pty. Limited *	Australia	59.9	60.7
New Hope Marketing Pty. Limited *	Australia	59.9	60.7
Hueridge Pty. Limited *	Australia	59.9	60.7
New Hope Energy Pty. Limited *	Australia	59.9	60.7
Uniford Pty. Limited *	Australia	59.9	-
eCOALogical Pty. Limited *	Australia	59.9	-
New Hope Services Pty. Limited *	Australia	59.9	-

*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.

c) Acquisition of controlled entities

i) Acquisitions during the year included:

The Group did not acquire any controlled entities during the year ended 31 July 2010.

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

Acquisitions by controlled entities of Souls Private Equity Limited (SPEL)

SODA Brands Limited, a controlled entity of Souls Private Equity Limited, completed the acquisition of the business owned by HairFX Australia Pty Limited. Cash consideration of $516,000 was paid.

d) Loss of control and disposals of controlled entities

i) Transactions during the 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.

SODA Brands Limited – (SODA) – Held by SPEL

As a result of capital raisings by SODA on the 1 December 2009, the Group's shareholding in SODA 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%, SODA ceased to be accounted for as a subsidiary of SPEL and is equity accounted as an associate entity.

ii) Transactions during the prior year:

Loss of control – KH Foods Limited (in liquidation)

On 23 March 2009, KH Foods Limited (KHF) was placed into members' voluntary liquidation. From this date, KHF was no longer controlled by the Group.

NOTE 39. DISCONTINUED OPERATION

a) Description

During 2009, KH Foods Limited (in liquidation) (KHF) divested all of its remaining businesses. Results are disclosed as discontinued operations.

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 40. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

a) Carrying amounts

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

b) Movement in carrying amounts	2010 $'000	2009 $'000
Carrying amount at 1 August	**526,798**	671,894
New investments during the period	**66,021**	18,133
Associates transferred (to) long term equity investments	**-**	(3,205)
Disposal of the interest in an equity accounted associate	**-**	(2,496)
Gain on deemed disposal in equity accounted associates	**60,665**	344
Share of profits/(losses) after income tax, before writedowns	**40,985**	(5,493)
Impairment reversal/(expense) of associates	**1,487**	(127,901)
Dividends received/receivable	**(38,732)**	(31,774)
Add back share of dividends received by associate	**26,443**	15,682
Share of associates increment/(decrement) in reserves	**2,072**	(8,386)
Carrying amount at 31 July	**685,739**	526,798

c) Summarised financial information of associates and joint ventures

	$'000	$'000
Assets	**1,833,282**	1,666,249
Liabilities	**(719,649)**	(700,611)
Net assets	**1,113,633**	965,638

The share of associates net assets of $1,113,633,000 (2009: $965,638,000) includes the Group's share of the total net assets of Brickworks Limited. Brickworks Limited owns 42.85% (2009: 42.85%) of the issued capital in Washington H. Soul Pattinson and Company Limited. The equity accounted carrying value of this associate of $375,044,000 (2009:$ 311,929,000) excludes the Group's share of Brickworks Limited equity accounted carrying value of Washington H. Soul Pattinson and Company Limited.

Revenue	**1,681,959**	1,589,279
Profit before income tax	**57,729**	(8,099)
Income tax expense	**(16,744)**	2,606
Profit after income tax	**40,985**	(5,493)

d) Share of associates' and joint ventures expenditure commitments

Capital commitments	**14,488**	5,821
Lease commitments	**134,864**	111,687

e) Contingent liabilities of associates and joint ventures

Share of incurred jointly with other investors	**22,542**	25,763

NOTE 40. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

f) Details of investments and results in associates

Name and Principal Activity	Balance date	Group's percentage of holding at balance dates: Balance date Company 2010 %	2009 %	Balance date Associate 2010 %	2009 %	Contribution to Group net profit 2010 $'000	2009 $'000	Fair value of listed investments 2010 $'000	2009 $'000
Associates – held by WHSP									
Brickworks Limited *(i)*									
Manufacturer of clay products	**31 July**	**44.6**	49.4	**44.6**	49.4	**12,982**	(24,100)	**775,269**	843,540
Australian Pharmaceutical Industries Limited *(ii)*									
Pharmaceutical wholesaler	**31 Aug**	**24.6**	24.6	**24.6**	24.6	**5,478**	3,879	**+73,356**	33,438
Ruralco Holdings Limited *(iii)*									
Rural supplies and services	**30 Sept**	**23.5**	23.5	**23.5**	23.5	**2,675**	2,177	**+35,429**	33,640
Apex Healthcare Berhad									
Pharmaceutical manufacturer and distributor	**30 June**	**30.3**	30.3	**30.3**	30.3	**2,909**	1,930	**25,743**	11,137
TPG Telecom Limited *(iv)*									
Telecommunications and internet provider	**31 July**	**26.6**	28.5	**26.6**	28.5	**15,350**	4,939	**367,635**	103,401
Clover Corporation Limited									
Refinement and processing of natural oil	**30 June**	**28.6**	28.6	**28.6**	28.6	**(276)**	880	**12,498**	9,388
Keith Harris & Company (Far East) Pte Limited									
Manufacturer of flavours, essences and colours	**31 July**	**49.0**	49.0	**49.0**	49.0	**312**	271	**n/a**	n/a
Associates – held by Controlled entity (Souls Private Equity Limited)									
Ampcontrol Pty Limited									
Electrical supplies	**30 June**	**45.0**	45.0	**45.0**	45.0	**3,166**	3,448	**n/a**	n/a
Austgrains Pty Limited									
Agricultural supplies	**30 June**	**48.0**	48.0	**48.0**	48.0	**(1,611)**	25	**n/a**	n/a
Belaroma Coffee Pty Ltd									
Beverage manufacturer	**30 June**	**40.0**	40.0	**40.0**	40.0	**197**	109	**n/a**	n/a
InterRISK Australia Pty Ltd *(v)*									
Insurance broker	**30 June**	**40.0**	40.0	**40.0**	40.0	**333**	499	**n/a**	n/a
SODA Brands Limited *(vi)*									
Distribution of hair care and skin car products	**30 June**	**25.1**	-	**47.9**	-	**(837)**	-	**n/a**	n/a
Specialist Oncology Property Pty Limited									
Specialist medical services	**30 June**	**31.5**	31.5	**21.3**	21.3	**329**	135	**n/a**	n/a
Supercorp Pty Limited									
Financial services administration	**30 June**	**30.2**	30.2	**30.2**	30.2	**(22)**	315	**n/a**	n/a

	2010 $'000	2009 $'000
Share of results from equity accounted associates before impairment	**40,985**	(5,493)
Impairment reversal/(expense)		
- Australian Pharmaceutical Industries Limited	**-**	(101,137)
- Ruralco Holdings Limited	**-**	(18,557)
- Other associates	**1,487**	(8,207)
Total impairment reversal/(expense) of investment in associates	**1,487**	(127,901)
Share of results and impairment from equity accounted associates	**42,472**	(133,394)

NOTE 40. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

With the exception of Apex Healthcare Berhad and Keith Harris & Company (Far East) Pte Limited (KHFE), all associates as listed in the table are incorporated in Australia. Apex Healthcare Berhad is incorporated in Malaysia. KHFE 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) During the year, Brickworks Limited (Brickworks) completed share issues to their employees (September 2009) and to ordinary shareholders (November 2009).

WHSP did not participate in the Brickworks share issues, resulting in WHSP's percentage holding in Brickworks decreasing by 4.9% to 44.6%.

In accordance with accounting standards, a 'deemed disposal' was considered to have taken place and a gain of $49.1 million (less tax $14.8 million) has been recognised in profit.

(ii) Australian Pharmaceutical Industries Limited (API) raised capital through an institutional placement and completed an equity raising (November 2009). WHSP maintained its percentage shareholding in API by participating in these offers.

API has a financial year ending on 31 August. As a result WHSP has equity accounted API's results for the 12 months to 28 February 2010. By considering these results and by taking into account information API has provided to the market under the continuous disclosure regime, Directors do not consider that the different accounting period would have a material effect on the results of the Group.

(iii) Ruralco Holdings Limited (Ruralco) has a financial year ending on 30 September. As a result WHSP has equity accounted Ruralco's result for the 12 months to March 2010 (being the most recently published). By considering these results and by taking into account information Ruralco has provided to the market under the continuous disclosure regime, Directors do not consider that the different accounting period would have a material effect on the results of the Group.

(iv) WHSP participated in the TPG Telecom Limited (TPG) dividend reinvestment plan (DRP) issues on 25 November 2009 and 27 May 2010. During the year, TPG raised capital through an institutional placement on the 10 February 2010 and issued shares to employees in accordance with their employee share plan. WHSP did not participate in either of these issues.

The cumulative effect of the above share issues resulted in WHSP decreasing its shareholding by 1.9% to 26.6%.

In accordance with accounting standards, a 'deemed disposal' was considered to have taken place and a gain of $11.6 million (less tax $3.5 million) has been recognised in profit.

(v) In December 2008 the Group increased its shareholding in InterRISK Australia Pty Ltd (InterRISK) to 40% . From this date InterRISK was deemed to be an associate.

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

g) 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. At 31 July 2009, several associates were considered to be impaired and an impairment expense was recognised totalling $127.9 million. During the year ended 31 July 2010, $1.49 million 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).

\+ The following table provides a comparison between the bid value of the listed associates at balance date where an alternative valuation technique has been applied in determining that the fair value equals or exceeds the equity accounted carrying value.

NOTE 40. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

As at 31 July 2010 Associates carrying values assessed by valuation techniques	Bid value $'000	Equity accounted carrying value $'000
Australian Pharmaceutical Industries Limited	49,288	73,356
Ruralco Limited	34,935	35,429
Sub-total	84,223	108,785
Total for all listed associates	1,265,368	626,390

NOTE 41. 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

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:

Name	*Position*	*Company*
Mr I D Bloodworth	Company Secretary	Washington H. Soul Pattinson and Company Limited
Ms M R Roderick	Chief Financial Officer	Washington H. Soul Pattinson and Company Limited
Mr M L Bailey	Chief Operations Officer Acting Chief Financial Officer until 31 August 2009	New Hope Corporation Limited
Mr B J Garland	General Manager – Resource Development	New Hope Corporation Limited
Mr C C Hopkins	General Manager – Marketing	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 since 31 August 2009	New Hope Corporation Limited
Mr C J Photakis (Deceased 7 August 2009)	Managing Director	Pitt Capital Partners Limited

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 41. KEY MANAGEMENT PERSONNEL (continued)

c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated entity		Paid to KMP of the Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Short-term employee benefits	**6,153**	9,939	**2,909**	2,760
Post-employment benefits	**405**	571	**274**	228
Share-based payments	**620**	854	**-**	-
Total	**7,178**	11,364	**3,183**	2,988

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 45.

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:

Shares in Washington H. Soul Pattinson and Company Limited	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
2010					
Directors of Washington H. Soul Pattinson and Company Limited					
R D Millner	**19,104,996**	**167,150**	**-**	**-**	**19,272,146**
M J Millner	**18,739,976**	**167,150**	**-**	**-**	**18,907,126**
P R Robinson	**74,210**	**-**	**-**	**-**	**74,210**
D J Fairfull	**60,000**	**-**	**-**	**-**	**60,000**
R G Westphal	**5,000**	**-**	**-**	**-**	**5,000**
D E Wills	**113,866**	**10,000**	**-**	**-**	**123,866**
Other key management personnel of the Group					
C C Hopkins	**850**	**-**	**-**	**-**	**850**
R C Neale	**4,000**	**-**	**-**	**-**	**4,000**
2009					
Directors of Washington H. Soul Pattinson and Company Limited					
R D Millner	18,856,496	248,500	-	-	19,104,996
M J Millner	18,491,476	248,500	-	-	18,739,976
P R Robinson	74,210	-	-	-	74,210
D J Fairfull	60,000	-	-	-	60,000
R G Westphal	5,000	-	-	-	5,000
D E Wills	113,866	-	-	-	113,866
Other key management personnel of the Group					
C C Hopkins	850	-	-	-	850
P K Mantell (to 16 March 2009)	200	-	-	-	N/A
R C Neale	4,000	-	-	-	4,000

NOTE 41. KEY MANAGEMENT PERSONNEL (continued)

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

Shares in New Hope Corporation Limited	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
2010					
Directors of New Hope Corporation Limited					
R D Millner	**3,570,573**	**50,000**	**-**	**-**	**3,620,573**
R C Neale	**1,005,500**	**-**	**2,000,000**	**1,000,000**	**2,005,500**
D J Fairfull	**11,000**	**-**	**-**	**-**	**11,000**
W H Grant	**20,000**	**-**	**-**	**-**	**20,000**
P R Robinson	**67,447**	**41,787**	**-**	**-**	**109,234**
D C Williamson	**20,000**	**-**	**-**	**-**	**20,000**
Other key management personnel of the Group					
M L Bailey	-	**5,000**	**-**	**-**	**5,000**
C C Hopkins	**-**	**-**	**1,250,000**	**1,212,770**	**37,230**
2009					
Directors of New Hope Corporation Limited					
R D Millner	3,190,573	380,000	-	-	3,570,573
R C Neale	1,005,500	-	-	-	1,005,500
D J Fairfull	10,000	-	1,000	-	11,000
W H Grant	20,000	-	-	-	20,000
P R Robinson	57,357	10,090	-	-	67,447
D C Williamson	20,000	-	-	-	20,000
Other key management personnel of the Group					
P K Mantell (to 16 March 2009)	927,500	-	1,500,000	-	N/A

Shares in Souls Private Equity Limited	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
2010					
Directors of Souls Private Equity Limited					
R D Millner	**1,225,193**	**500,000**	**-**	**-**	**1,725,193**
D J Fairfull	**8,700,001**	**-**	**-**	**-**	**8,700,001**
R G Westphal	**370,000**	**-**	**-**	**-**	**370,000**
D E Wills	**423,277**	**-**	**-**	**-**	**423,277**
Other key management personnel of the Group					
C J Photakis (Deceased 7 August 2009)	**50,000**	**-**	**-**	**-**	**N/A**
2009					
Directors of Souls Private Equity Limited					
R D Millner	1,225,193	-	-	-	1,225,193
D J Fairfull	8,700,001	-	-	-	8,700,001
R G Westphal	370,000	-	-	-	370,000
D E Wills	423,277	-	-	-	423,277
Other key management personnel of the Group					
C J Photakis (Deceased 7 August 2009)	50,000	-	-	-	50,000

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 41. KEY MANAGEMENT PERSONNEL (continued)

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.

New Hope Corporation Limited - options	Balance at start of year	Expired during year	Exercised during year	Issued during year	Balance at end of year
2010					
Directors of New Hope Corporation Limited					
R C Neale	**2,000,000**	**-**	**2,000,000**	**-**	**-**
The above options were vested and exercisable during the year.					
Other key management personnel of the Group					
M L Bailey	**1,500,000**	**-**	**-**	**-**	**1,500,000**
B J Garland	**1,000,000**	**-**	**-**	**-**	**1,000,000**
C C Hopkins	**1,250,000**	**-**	**1,250,000**	**-**	**-**
The above options were not vested at the end of the year.					
2009					
Directors of New Hope Corporation Limited					
D J Fairfull	1,000	-	1,000	-	-
R C Neale	2,000,000	-	-	-	2,000,000
The above options were vested and exercisable at the end of the year.					
Other key management personnel of the Group					
M L Bailey	1,500,000	-	-	-	1,500,000
B J Garland	1,000,000	-	-	-	1,000,000
C C Hopkins	1,250,000	-	-	-	1,250,000
P K Mantell (to 16 March 2009)	1,500,000	-	1,500,000	-	-
The above options were not vested at the end of the year.					

Souls Private Equity Limited - options	Balance at start of year	Expired during year	Exercised during year	Issued during year	Balance at end of year
2010					
Directors of Souls Private Equity Limited					
R D Millner	**87,524**	**87,524**	**-**	**153,151**	**153,151**
D J Fairfull	**1,037,500**	**1,037,500**	**-**	**1,087,501**	**1,087,501**
R G Westphal	**10,000**	**10,000**	**-**	**46,250**	**46,250**
D E Wills	**27,909**	**27,909**	**-**	**52,910**	**52,910**
The above options were vested and exercisable at the end of the year.					
2009					
Directors of Souls Private Equity Limited					
R D Millner	87,524	-	-	-	87,524
D J Fairfull	1,037,500	-	-	-	1,037,500
R G Westphal	10,000	-	-	-	10,000
D E Wills	27,909	-	-	-	27,909
The above options were not vested at the end of the year.					

NOTE 41. 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 $2,156,425 (2009: $1,372,183). The balance of deposits at 31 July 2010 was $41,192,836 (2009: $33,826,959).

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

Mr R D Millner and Mr P R Robinson are Directors of Pitt Capital Partners Limited (PCP) which is a 78.3% (2009: 78.3%) controlled entity of Washington H. Soul Pattinson and Company Limited.

Mr R G Westphal received consultancy fees from PCP of $49,992 during the year (2009: $81,162). Richvale Pty Ltd, an associated company of Mr D J Fairfull, received consultancy fees from PCP of $350,000 during the year (2009: $320,833).

During the current financial year PCP provided services to Group related entities:-

1. Clover Corporation Limited $135,638 (2009: $147,969);
2. Brickworks Limited $50,000 (2009: $nil);
3. KH Foods Limited $nil (2009: $12,750);
4. New Hope Corporation Limited $615,452 (2009: $29,000,000);
5. Souls Financial Solutions Pty Limited $12,000 (2009 $12,000);
6. Souls Private Equity Limited $2,195,544 (2009: $2,272,324); and
7. TPG Telecom Limited – $nil (2009: $2,681,500).

WHSP charged PCP $136,305 for rental of office space in its own premises during the year (2009: $140,688).

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 (2009 - $121,599).

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 or the prior year.

NOTE 42. RELATED PARTIES

a) Parent entities

The ultimate Parent entity is Washington H. Soul Pattinson and Company Limited.

b) Subsidiaries and associates

Interests in subsidiaries and associates are set out in note 38 and note 40 respectively.

c) Key management personnel

Disclosures relating to key management personnel are set out in note 41.

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.

NOTE 42. 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.

Summary of transactions	**2010 $'000**	2009 $'000
Advisory, consulting , underwriting and management fees received from subsidiaries:		
- by subsidiaries from associates	**1,396**	941
Purchases of pharmaceutical products from:		
- Associates	**5,456**	5,917
Interest income from:		
- Associates	**4**	7

Loans to subsidiaries

During the year, the Parent entity advanced $100,000 (2009: $150,000) to Souls Financial Solutions Pty Limited. Interest is charged at market rates. At 31 July 2010, the balance due was $547,457 (2009: $432,411). This loan has been fully impaired. Impairment expense for 2010 was $115,046 (2009: 432,411).

During the prior year, the Parent entity received $1,000,000 from the previously controlled entity, KH Foods Limited (in liquidation) as part repayment of the $6,500,000 loan receivable. At 31 July 2009 the balance owing to the Parent entity was $5,500,000 which was fully impaired. Interest was charged at BBSY plus a margin with the total incurred for the prior year being 2009: $234,993. This loan was unsecured.

In the prior year, the Parent entity also received $2,800,000 from KHF in respect of the Parent's right of indemnity arising from the financial guarantee provided to KHF in prior years. The Parent has formally forgiven its right to recover $16,990,276 under this indemnity.

The Parent entity has a loan agreement with Pitt Capital Partners Limited to provide a loan facility of up to $1,000,000. No amount has been advanced to date.

Souls Private Equity Limited (SPEL) provides loans to its controlled entity Cromford Group Pty Limited (Cromford), to fund capital and working capital requirements. During the year $28,212,227 of loans and interest receivable from Cromford was converted to equity by SPEL. SPEL also made several additional loans to Cromford totalling $8,939,000 to fund construction costs for their Moss Vale factory and working capital. Total loan due from Cromford at 31 July 2010 was $8,934,117 (2009: $25,609,807) with no fixed repayment date. Interest incurred on the loan for the year was $1,383,166 (2009: $1,485,700). No repayments were made in 2010 (2009: $nil).

During the year, SPEL converted $395,411 of loans to Soda Brands Limited (SODA) to equity. The amount represented the full loan balance due from SODA at the time SODA ceased to be accounted for as a controlled entity of SPEL. Since this time, SPEL has loaned a further $385,000 to SODA. Interest is payable on this loan at 10% per annum and the loan is secured over the assets of SODA. Interest of $3,271 was charged to SODA on this loan and is payable to SPEL at 31 July 2010.

In prior years, SPEL advanced loans to its controlled entity Food and Beverage Company Limited (FBC). The total loans to FBC at the beginning of the financial year (including accrued interest) were $30,358,737. No interest has been charged on the loan amount since 1 December 2006. At 31 July 2009, SPEL considered $27,101,266 of this loan to be non-recoverable and fully impaired this amount. No additional loans have been made to FBC during the 2010 financial year, nor has any additional impairment been recognised on these loans.

Advances made by SPEL to FBC in prior years were on-loaned to associates and related entities of FBC. The total amount advanced to those entities through FBC up to 31 July 2009 was $11,357,000 of which $11,257,000 was considered non-recoverable and was impaired at 31 July 2009. The recoverable amount of the loans at 31 July 2010 is considered to be $100,000 (2009: $100,000). No additional loans have been made by FBC during the 2010 financial year, nor has any additional impairment been recognised on existing loans.

NOTE 42. RELATED PARTIES (continued)

d) Related parties transactions and balances (continued)

Loans to associates

At the beginning of the year, the loan balance owing to the Parent entity from Keith Harris and Company (Far East) Pte Limited was $156,818. This balance was fully impaired at 31 July 2009. At 31 July 2010, the loan balance, net of impairments is $7,338. Interest is charged at market rates.

During the prior year, the Parent entity advanced $214,000 to Windsor Farm Foods Group Limited. Prior to the sale of Windsor Farm Foods Group Limited in June 2009, the loan balance of $214,000 was fully impaired and formally forgiven.

NOTE 43. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor.

	2010 $'000	2009 $'000
a) Audit Services		
Moore Stephens Sydney for audit and review of financial reports and other audit work under the Corporations Act 2001	**201**	193
Other audit firms for the audit or review of financial reports of any entity in the Group	**458**	561
Total remuneration for audit services	**659**	754
b) Other services		
Moore Stephens Sydney	**28**	7
Other auditors		
Transaction advisory services	**422**	880
Tax compliance services	**250**	311
Other services	**377**	358
Total remuneration for other services	**1,077**	1,556

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 44. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2010 $'000	2009 $'000
Profit after tax for the year	**291,092**	1,851,309
Adjustments for non-cash items:		
Depreciation and amortisation	**39,879**	30,894
Impairment losses	**706**	147,705
Bad and doubtful debts	**22**	507
Loss/(gain) on disposal of discontinuing operations	**-**	352
Dividends received (non-cash)	**(6,055)**	(1,875)
Net (gains)/losses on financial assets	**(9,429)**	10,700
Net (profit) on sale of non-current assets	**(111)**	(2,440,119)
Share-based payments	**692**	1,613
Share of profits of associates not received as dividends or distributions	**(2,252)**	37,208
Net exchange losses	**3,184**	3,885
Gain on deemed disposal in associates	**(60,665)**	(344)
Mining exploration and evaluation costs	**13,402**	7,693
Changes in operating assets and liabilities, net of effects from purchase and sales of business		
(Increase)/decrease in trade debtors, other debtors and prepayments	**99,267**	(129,558)
(Increase)/decrease in inventory	**(7,666)**	(11,562)
(Increase)/decrease in intangible assets	**-**	(184)
Increase/(decrease) in trade creditors and accruals	**24,848**	15,784
Increase/(decrease) in employee entitlements, other liabilities and provisions	**2,266**	7,765
Increase/(decrease) in current tax payable	**(722,905)**	728,399
Increase/(decrease) in deferred tax liability	**5,405**	29,537
(Increase)/decrease in deferred tax asset	**(1,043)**	(24,090)
Net cash (outflow)/inflow from operating activities	**(329,363)**	265,619

NOTE 45. 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 $692,000 (2009 - $1,610,000).

NOTE 45. SHARE-BASED PAYMENTS (continued)

New Hope Corporation Limited (continued)

Set out below are the summaries of options granted under the plan:

2010

Grant date	Expiry date	Exercise price	Balance at beginning of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
3 Jan 2006	2 Jan 2011	$1.235	9,218,000	-	(9,218,000)	-	-	-
8 May 2006	7 May 2011	$1.288	500,000	-	(500,000)	-	-	-
2 Jan 2007	1 Jan 2012	$1.413	1,000,000	-	(1,000,000)	-	-	-
19 Jan 2007	18 Jan 2012	$1.360	500,000	-	(500,000)	-	-	-
13 Aug 2007	12 Aug 2012	$2.104	2,500,000	-	-	-	2,500,000	-
Total			**13,718,000**	**-**	**(11,218,000)**	**-**	**2,500,000**	**-**
Weighted average exercise price			1.4128		1.2588		2.1040	

The weighted average share price at the date of exercise of options exercised during the 2010 year was $5.45 (2009: $4.01).

2009

Grant date	Expiry date	Exercise price	Balance at beginning of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
31 Aug 2005	30 Aug 2010	$1.198*	800,000	-	(800,000)	-	-	-
3 Jan 2006	2 Jan 2011	$1.235	15,500,000	-	(6,282,000)	-	9,218,000	9,218,000
8 May 2006	7 May 2011	$1.288	500,000	-	-	-	500,000	500,000
2 Jan 2007	1 Jan 2012	$1.413	1,000,000	-	-	-	1,000,000	-
19 Jan 2007	18 Jan 2012	$1.360	500,000	-	-	-	500,000	-
13 Aug 2007	12 Aug 2012	$2.104	2,500,000	-	-	-	2,500,000	-
Total			**20,800,000**	**-**	**(7,082,000)**	**-**	**13,718,000**	**9,718,000**
Weighted average exercise price			1.3509		1.2308		1.4128	1.2377

*In accordance with ASX guidelines, the option exercise price was reduced by 10 cents following the return of capital paid to shareholders on 16 December 2005. These prices are current exercise prices.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.1 years (2009 – 0.8 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.

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.

Notes to the Financial Statements (continued) For the year ended 31 July 2010

NOTE 45. SHARE-BASED PAYMENTS (continued)

New Hope Corporation Limited (continued)

The inputs and assumptions for each grant made during the year are as follows:

Grant date	Expiry date	Exercise price	Share price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Assessed fair value at grant date
31 Aug 2005	30 Aug 2010	$1.198	$1.350	38.7%	4.6%	4.9%	$0.372
3 Jan 2006	2 Jan 2011	$1.235	$1.230	41.3%	4.6%	5.1%	$0.346
8 May 2006	7 May 2011	$1.288	$1.280	40.5%	3.8%	5.6%	$0.384
02 Jan 2007	01 Jan 2012	$1.413	$1.430	38.0%	6.2%	5.9%	$0.338
19 Jan 2007	18 Jan 2012	$1.360	$1.370	38.0%	6.4%	5.9%	$0.318
13 Aug 2007	12 Aug 2012	$2.104	$2.220	44.0%	4.0%	6.0%	$0.745

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 2010 (2009: nil).

The movement in the number of management options held by eligible employees is summarised below:

Movements

Class of options	Expiry and exercise date	Exercise price	Balance at beginning of 2009	Lapsed during 2009	Balance at the end of 2009	Exercisable at the end of 2009	Expired during 2010	Exercisable at the end of 2010
			Number	Number	Number	Number	Number	Number
Class 1	16 Dec 2009	$0.30	2,185,000	(965,000)	1,220,000	1,220,000	(1,220,000)	-
Class 2	16 Dec 2009	$0.32	2,185,000	(965,000)	1,220,000	1,220,000	(1,220,000)	-
Class 3	16 Dec 2009	$0.35	2,185,000	(965,000)	1,220,000	1,220,000	(1,220,000)	-
Class 4	16 Dec 2009	$0.38	2,185,000	(965,000)	1,220,000	1,220,000	(1,220,000)	-
Total			**8,740,000**	**(3,860,000)**	**4,880,000**	**4,880,000**	**(4,880,000)**	**-**

NOTE 46. 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:

New Hope Corporation Limited – Sale of investment in Arrow Energy Limited

As at 31 July 2010, New Hope Corporation Limited held (NHC) 122.6 million shares in Arrow Energy Limited (Arrow) at a total cost of $110.0 million, equivalent to 16.7% of the company.

As at reporting date, the shareholders of Arrow had accepted an offer from CS CSG (Australia) Pty Ltd (CS CSG) to purchase all of their shares in Arrow. The offer consisted of a scheme to move certain assets held by Arrow into a new entity, Dart Energy Limited (Dart), and for CS CSG to then purchase the shares of Arrow. This scheme was approved by the Federal Court of Australia on 16 July 2010. The Implementation Date for the Acquisition Scheme was 23 August 2010.

As a result of the offer from CS CSG being accepted, NHC received $4.70 for each of the shares in Arrow. Based on the settlement price of $4.70 per share, the value of NHC's investment in Arrow as at 31 July 2010 was $576.2 million, representing an unrealised gain before tax of $466.2 million (after tax gain of $326.3 million).

The issue of shares in Dart took place on 28 July 2010, with NHC receiving a total of 61,299,067 shares in Dart. NHC consequently transferred 7.79% of the cost base of its investment in Arrow to the cost base of its investment in Dart to reflect the portion of assets transferred.

New Hope Corporation Limited – Quantex Research Corporation

On 14 September 2010, New Hope Corporation Limited (NHC) announced that it had agreed to acquire an initial 25% equity interest in a 25 year licensed technology, creating high value carbon products using a direct coal liquefaction process. The other shareholder in the technology company is Quantex Research Corporation (QRC), a private Canadian company which has acquired the technology rights. As at 14 September 2010, through a wholly owned subsidiary company, NHC had made payments to the value of US $5 million representing an initial 8.33% interest in QRC. Additionally, NHC has the right to acquire an interest of up to 51% at agreed prices.

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 30 to 90 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 2010 and the performance for the year ended on that date of the consolidated group;

2. the Chief Executive Officer and Chief Financial Officer 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	**P R ROBINSON**
Director	***Director***

Dated this 26th day of October 2010.

Independent Auditor's Report

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

TO THE MEMBERS OF
WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED
AND CONTROLLED ENTITIES

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 31 July 2010, 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's end 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing 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 and fair presentation of the financial report 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report (continued)

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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 *Corporations Act 2001*, provided to the directors of Washington H. Soul Pattinson and Company Limited on 25 October 2010, would be in the same terms if provided to the directors as at the date of signing this auditor's report.

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 31 July 2010 and of their 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 19 to 22 of the directors' report for the year ended 31 July 2010. 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

In our opinion the Remuneration Report of Washington H. Soul Pattinson and Company Limited for the year ended 31 July 2010, complies with section 300A of the *Corporations Act 2001*.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Martin J Shannon

Martin J. (Joe) Shannon
Partner

Dated in Sydney this 26th day of October 2010

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ASX Additional Information

DISTRIBUTION OF EQUITY SECURITIES AS AT 11 OCTOBER 2010

Size of Shareholding	Number of Shareholders	Number of Shares
1 – 1,000	2,959	1,729,812
1,001 – 5,000	3,785	10,012,555
5,001 – 10,000	961	7,443,639
10,001 – 100,000	807	20,709,225
100,001 and over	82	198,745,349
TOTAL	**8,594**	**238,640,580**
Holding less than a marketable parcel	121	692

SUBSTANTIAL SHAREHOLDERS AS AT 11 OCTOBER 2010

As disclosed in notices received by the Company.

	Ordinary Shares Held	% of Issued Shares
Brickworks Limited	102,257,830	42.85
Perpetual Limited	29,318,700	12.29

TOP 20 SHAREHOLDERS AS AT 11 OCTOBER 2010

	Ordinary Shares Held	% of Issued Shares
Brickworks Limited	102,257,830	42.85
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled A/C)	16,045,542	6.72
J P Morgan Nominees Australia Limited	8,926,384	3.74
Dixson Trust Pty Limited	8,499,940	3.56
J S Millner Holdings Pty Limited	7,508,110	3.15
National Nominees Limited	5,703,849	2.39
Milton Corporation Limited	4,843,150	2.03
Choiseul Investments Limited	4,251,690	1.78
T G Millner Holdings Pty Limited	3,151,051	1.32
Perpetual Trustee Company Limited	2,806,771	1.18
Hexham Holdings Pty Limited	2,753,127	1.15
Mr Robert Dobson Millner & Mr Michael John Millner (Est James S Millner A/C)	2,489,477	1.04
Cogent Nominees Pty Limited	2,264,629	0.95
Citicorp Nominees Pty Limited (CFSIL Cwlth Aust SHS 4 A/C)	2,233,977	0.94
Argo Investments Limited	1,992,507	0.83
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/C)	1,789,008	0.75
Farjoy Pty Limited	1,250,000	0.52
Dixson Trust Pty Limited (A/C No 1)	1,175,290	0.49
Mary Millner Holdings Pty Limited	1,086,860	0.46
Millane Pty Limited	857,990	0.36

ASX Additional Information (continued)

VOTING RIGHTS

Votes of Members – Article 24.4 of the Company's Constitution provides:

Subject to any rights or restrictions attached to any share or class of shares in respect of voting, and subject to these Articles, on a show of hands every member has the right to vote and every member present in person or by proxy or attorney, and each authorised representative of a corporation, at a general meeting shall have one vote and in the case of a poll every member present in person or by proxy or attorney and every authorised representative shall have:

a) one vote for each fully paid share held by that member; and

b) for each contributing share held by that member a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price of the share.

UNQUOTED EQUITY SECURITIES

The Company had no unquoted equity securities at any time during the year ended 31 July 2010 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.

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Email: web.queries@computershare.com

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WASHINGTON H SOUL PATTINSON
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INCORPORATED 1903