Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

ASX Code: SOL

Annual Report 2012

Company Profile

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

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

OVER 100 YEARS AS A LISTED PUBLIC COMPANY

When Caleb Soul and his son Washington opened their first store at 177 Pitt Street, Sydney, in 1872 neither of them could have envisaged that 140 years later their single pharmacy would have evolved into a company as prominent and diversified as WHSP.

WHSP is now a significant investment house with a portfolio encompassing many industries, including its traditional field of pharmaceuticals, as well as coal mining, building materials, 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 regular profits.

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 or are of an unusually large size.

1941

The Flying Doctor Service Association named their Dragon Plane "L.M Pattinson" in recognition of Lewy Pattinson's generous donations. The Company continues to support the organisation.

Contents and Corporate Directory

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CORPORATE CALENDAR

Final Dividend	
Record date	19 November 2012
Payment date	10 December 2012
Annual General Meeting	7 December 2012 at 12.00 noon The Wesley Theatre Wesley Conference Centre 220 Pitt Street, Sydney

DIRECTORS

Robert D Millner	Chairman - Non-Executive Director
Michael J Millner	Deputy Chairman - Non-Executive Director (resigned 1 October 2012)
Peter R Robinson	Executive Director
David J Fairfull	Non-Executive Director
Thomas C D Millner	Non-Executive Director
Robert G Westphal	Non-Executive Director
David E Wills	Non-Executive Director
Michael J Hawker	Non-Executive Director (appointed 10 October 2012)

CHIEF FINANCIAL OFFICER

Melinda R Roderick

COMPANY SECRETARY

Ian D Bloodworth

AUDITORS

Moore Stephens Sydney

Performance Highlights

CONSOLIDATED FINANCIAL PERFORMANCE

	2012	2011
	$'000	$'000
Profit after tax attributable to shareholders	**142,989**	363,871
Regular profit after tax* attributable to shareholders	**154,564**	161,197

DIVIDENDS PAID/DECLARED

Interim Dividend	17 cents	15 cents
Final Dividend	27 cents	25 cents
Total Dividends	44 cents	40 cents

PARENT ENTITY

Total shareholder return	**Total Return Per Annum**				
	1 Year	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Washington H. Soul Pattinson and Company Limited	4.8%	10.1%	9.6%	14.5%	11.1%
All Ordinaries Accumulation Index	-0.2%	4.6%	-2.8%	7.9%	7.3%
Outperformance	**5.0%**	**5.5%**	**12.4%**	**6.6%**	**3.8%**

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

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

Chairman's Review

Dear Shareholders,

I am pleased to present the 2012 Annual Report for Washington H. Soul Pattinson and Company Limited (WHSP) on behalf of the Board of Directors of the Company.

Consolidated Financial Performance

The regular profit after tax* attributable to shareholders for the year ended 31 July 2012 was $154.6 million, a decrease of 4.1% compared with the $161.2 million for the previous year. This net decrease of $6.6 million was mainly attributable to the lower results of Brickworks Limited and CopperChem Limited which were largely offset by higher contributions from New Hope Corporation Limited (New Hope) and TPG Telecom Limited.

The profit after tax was $143.0 million, a decrease of $221.0 million compared with 2011.

The net loss on non-regular items was $11.6 million, down $214.2 million compared with a profit of $202.7 million in 2011. Last year's non-regular items included the Group's $197.0 million gain on the sale of Arrow Energy Limited shares by New Hope.

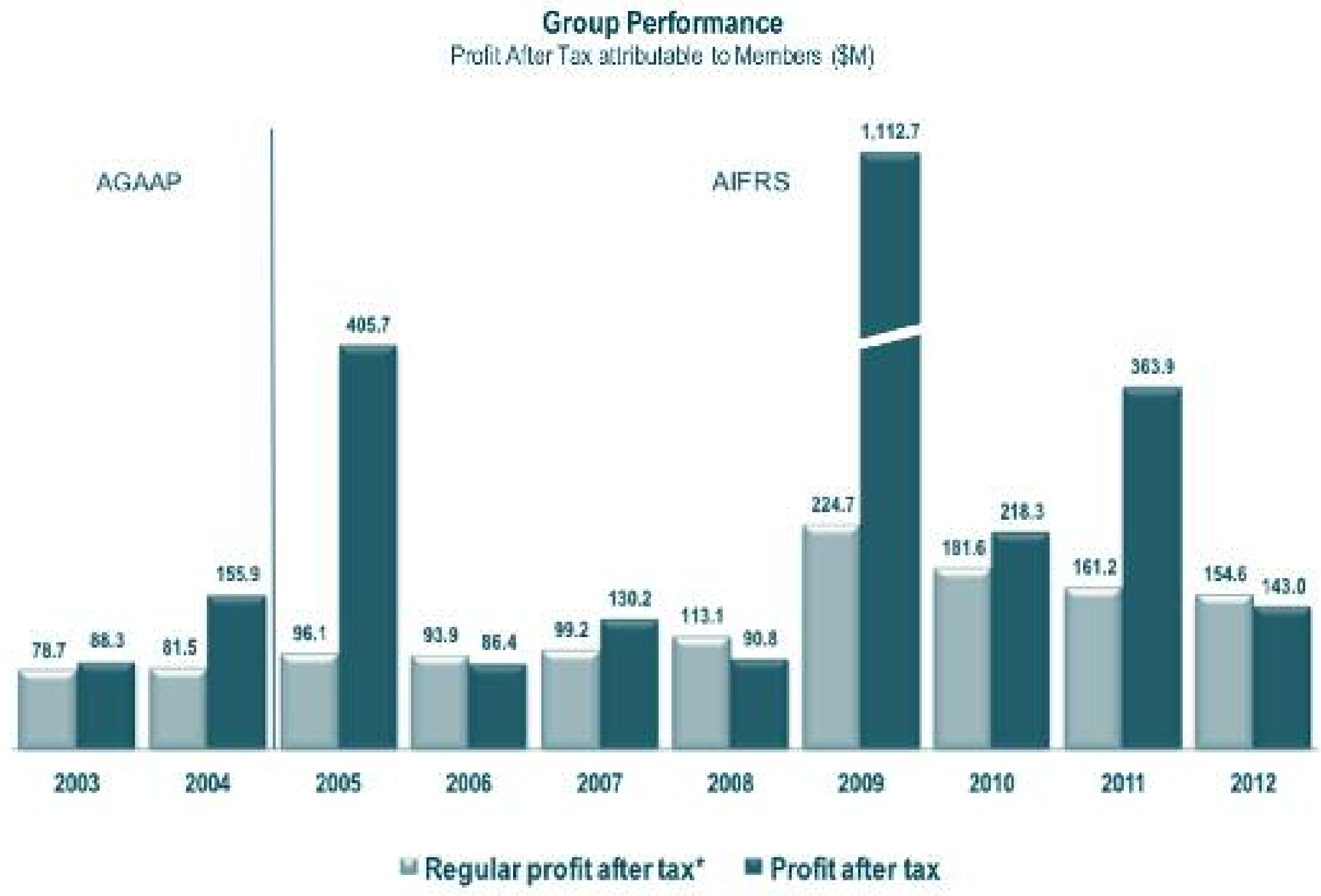
Comparisons with the prior year are as follows:-

	2012 $000	2011 $000	% Change
Revenue from continuing operations	**912,359**	758,387	+ 20.3%
Profit after tax attributable to shareholders	**142,989**	363,871	- 60.7%
Regular profit after tax* attributable to shareholders	**154,564**	161,197	- 4.1%
Interim Dividend (paid in May each year)	**17 cents**	15 cents	+ 13.3%
Final Dividend	**27 cents**	25 cents	+ 8.0%
Total Dividends	**44 cents**	40 cents	+ 10.0%

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

Historical Performance

The chart below shows the Group regular profit after tax* (excluding non-regular items) and the Group profit after tax (including non-regular items) over the last 10 years.



Non-regular Items

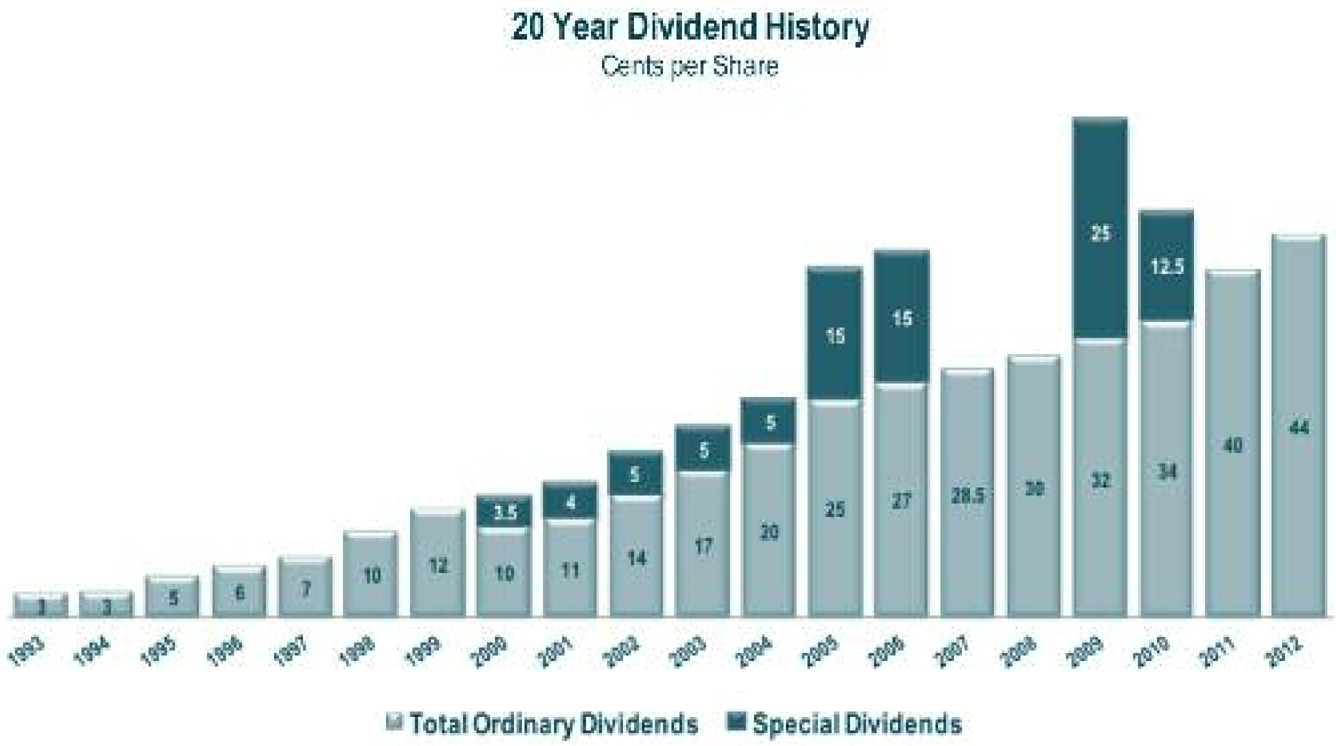
Non-regular items typically include those which are outside of the normal course of business or are of an unusually large size.

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

Chairman's Review (continued)

Dividends

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



Final Dividend

The Directors have declared a fully franked final dividend of 27 cents per share in respect of the year ended 31 July 2012 (2011: 25 cents fully franked).

The record date for this dividend will be 19 November 2012 with payment due on 10 December 2012.

The Directors consider the regular profit after tax* to be the underlying profit of the Group. Accordingly, interim and final dividends are declared and paid based on that profit.

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

Parent Company Investments

As at 31 July 2012 WHSP held listed equity investments valued at $3.7 billion. Details of the largest investments, which also represent significant holdings in those companies, are included below.

As at 31 July 2012 (including controlled and associated entities)	**WHSP Holdings**	**Value of WHSP's Holding $ million**	**Total Market Capitalisation of each investment $ million**
Listed Investments at Market Value			
New Hope Corporation Limited	59.7%	2,003	3,355
Brickworks Limited	44.5%	662	1,487
TPG Telecom Limited	26.9%	412	1,532
BKI Investment Company Limited	13.5%	70	522
Ruralco Holdings Limited	23.5%	46	195
Aust. Pharmaceutical Industries Limited	24.6%	41	168
Apex Healthcare Berhad	30.3%	25	82
Clover Corporation Limited	28.6%	19	65
		3,278	
Other Listed Investments		441	
Parent Company Listed Investments		**3,719**	

Parent Company Cash

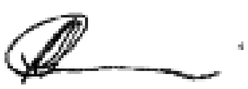
As at 31 July 2012	**$ million**
WHSP cash and deposits	227

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

Since the end of the financial year there have been two changes to the Board of Directors.

Mr. Michael Millner resigned from the Board on 1 October 2012. Michael was appointed as a Non-executive Director in 1997 and became the Deputy Chairman in 1998 as well as serving on Board committees. On behalf of the Board, I wish to thank Michael for his significant contribution to the Company over the past 15 years.

Mr. Michael Hawker was appointed as a Non-executive Director on 10 October 2012. Michael has a Bachelor of Science Degree from Sydney University and brings vast experience to the Board having worked in banking, insurance and non-executive director roles. He currently sits on the boards of Macquarie Group Limited, Macquarie Bank Limited and Aviva PLC. The Board is delighted to welcome Michael to the Company and we look forward to receiving the benefits of his vast experience.



R D MILLNER
Chairman

Review of Group Entities

Parent Company

The market value of the listed equities held, excluding controlled entities and associates, was $441.2 million at 31 July 2012. This represents an increase of 3.1% compared to $428.1 million as at 31 July 2011. Under the Group's accounting policies, movements in the market values of investment portfolio assets are taken up in other comprehensive income or reflected within the profit for the period as impairments. Movements in the market values of trading portfolio assets are taken up within the profit for the period.

Listed investments based on market value as at 31 July 2012
(excluding controlled and associated entities)

	Market Value $ million
Milton Corporation Limited	107
BHP Billiton Limited	47
Commonwealth Bank of Australia	45
National Australia Bank Limited	20
Telstra Corporation Limited	15
Wesfarmers Limited	14
Perpetual Limited	13
Campbell Brothers Limited	12
SFG Australia Limited	12
Westpac Banking Corporation	12
Total – Ten Largest	**297**
Other	144
Total	**441**

Including controlled entities and associates, the market value of listed equities was $3.72 billion compared to $4.24 billion as at 31 July 2011. The market values of the majority of associates increased during the year but the reduction in the market value of New Hope Corporation Limited (New Hope) resulted in an overall decrease in controlled entities and associates.

The last 12 months has been a very difficult period for the resource sector. A slowdown in demand for raw materials from countries such as China has led to significant declines in commodity prices. This coupled with the continued strength of the Australian dollar and higher marginal costs of production have also contributed to the declining financial results for resource related companies. The S&P/ASX300 Resource Accumulation Index declined 27.5% over the year. New Hope's total shareholder return (including the reinvestment of dividends) for the year to 31 July 2012 was also impacted by the negative sentiment towards the resource sector, declining 20.3% over the period.

Souls Private Equity Limited (SPEL) was delisted in January 2012 following a successful offer by Washington H. Soul Pattinson and Company Limited (WHSP) to acquire all of the issued shares and options of SPEL it did not already own.

Acquisitions during the year consisted of the reinvestment of dividends from associate TPG Telecom Limited totalling $4.7 million and $77.6 million invested in equities other than controlled entities and associates. The main acquisitions were Exco Resources Limited (Exco), CMA Corporation Limited, Commonwealth Bank of Australia and Rum Jungle Resources Limited.

Proceeds from disposals totalled $8.4 million and included Industrea Limited and Bank of Queensland Limited.

During the year WHSP received a return of capital of $4.7 million and a special dividend of $13.0 million from Exco.

Ordinary dividend and distribution income from listed equities held, excluding those from controlled entities and associates, was $20.3 million. This represents an increase of 13.9% over 2011 after adjusting for dividends from BKI Investment Company Limited which is now an associate. Special dividends of $13.4 million were received during the year (2011: $1.8 million).

Interest income for the year, excluding that from controlled entities and associates, totalled $18.8 million compared to $21.3 million last year.

New Hope Corporation Limited

Controlled entity: 59.7% held*

Contribution to Group profit: $99.8 million

Total Market Capitalisation: $3.36 billion*

Value of WHSP's Holding: $2.00 billion*

ASX code: NHC

New Hope reported a net profit after tax before non-recurring items for the year ending 31 July 2012 of $171.1 million. This included $113.1 million from coal and logistics operations and $58.0 million from investments. The corresponding performance in 2011 was a net profit of $146.9 million ($83.6 million from coal and logistics operations and $63.3 million from investments). The 2012 performance represented a 16% increase over that achieved in 2011.

Net profit after tax for the year ended 31 July 2012 was $167.1 million including non-recurring items. This compares to the 2011 result of $503.1 million and represents a reduction of 67%. The 2011 result included after tax gains totalling $369.7 million from the sale of interests in Arrow Energy and the Lenton project.

Basic earnings per share before non-recurring items for 2012 were 20.6 cents compared to 17.7 cents earned in the previous corresponding period (including non-regular items 20.1 cents and 60.6 cents respectively).

New Hope has declared a final dividend of 5 cents per share (2011: 5 cents) and a special dividend of 20 cents per share (2011: 15 cents). Both of these dividends are fully franked.

Compared to the previous corresponding period, the 2012 full year result was impacted by:

- Increased clean coal production (up 11.5%);
- Increased sales volumes (up 10.6%);
- Increased operating costs, predominantly offsite (up 4%);
- Increased US$ coal prices offset by higher A$:US$ exchange rate;
- No major operational impact from rain or flooding as was the case in 2011.

Mining Operations

Total clean coal production from New Hope's operations in 2012 was a record 6.29 million tonnes. This was 11.5% higher than the flood impacted performance in 2011. Rain impacts at all operations in 2012 were minimal. On site operating costs were well controlled being less than 0.5% above that of 2011.

Total sales for 2012 were at a record level of 6.25 million tonnes (5.83 million tonnes export and 0.42 million tonnes domestic). This compared to 5.65 million tonnes in 2011.

The New Acland open cut mine produced 5.09 million tonnes of product coal in 2012. This was 12.1% above that achieved in 2011 and represented an excellent recovery from the flood events of that year.

The West Moreton operations comprising Jeebropilly and Oakleigh open cut mines produced 1.20 million tonnes of product coal in 2012 (Jeebropilly 0.85 million tonnes and Oakleigh 0.35 million tonnes). This compared to 1.10 million tonnes in 2011, a 9.1% increase.

Queensland Bulk Handling (QBH)

QBH, New Hope's 100% owned coal export terminal located at the Port of Brisbane, exported a record 8.67 million tonnes on 120 vessels during 2012. This represented a 33% increase over the 6.52 million tonnes on 88 vessels exported in a rain impacted 2011. QBH continues to be an essentially demurrage free port.

New Hope Exploration

New Hope continues an active exploration program utilising three New Hope drilling rigs plus contract rigs as required. The exploration focus during 2012 has been on resource definition in the Bowen Basin (Lenton) and Surat Basin (MDL244 for the continuation of the New Acland Mine).

The programs undertaken were very successful in improving the resource base of New Hope. New Hope announced in August 2012 that JORC compliant resources and reserves had increased. The increases relate predominantly to the inclusion of the newly acquired Northern Energy deposits as well as the identification of additional resources at Lenton. Please refer to New Hope's 2012 Annual Report for further information.

*As at 31 July 2012

New Hope Corporation Limited (continued)

Pastoral Operations

The New Acland Pastoral Company continues to play an important role supplementing mining operations at Acland. Major activities include cattle grazing as well as grain and pasture growing. New Acland Pastoral plays a key role in the enhanced rehabilitation of previously mined land at Acland.

Key activities in 2012 included:

- Sale of 2,138 and purchase of 2,336 head of stock during the year. At year end 1,996 head of stock were grazing on 3,752 hectares of land.
- Sale of 2,129 tonnes of grain occurred during the year. At year end 586 hectares of land was under cultivation.

Development Projects

New Hope continues to develop a solid portfolio of coal projects. These include the brownfield project at New Acland and greenfield projects at Lenton, Colton and Elimatta. Project development continues to be hampered by State Government requirements and uncertainty of legislative changes possibly to be introduced by the new Queensland Government.

Project work on the New Acland Continuation Plan has included studies on a revised mine plan, coal preparation and handling plant and mine site infrastructure. The introduction of Statutory Regional Planning by the new Queensland State Government has impacted the process and timing of the Supplementary EIS for the New Acland Continuation Plan. Significant dialogue has been undertaken with all key stakeholders regarding a revised development plan.

Carbon Conversion Projects

The Coal to Liquids (CTL) research and development activities have continued with success. The manufacture of the indirect 1 tonne per hour CTL Proof of Concept (POC) plant is well advanced with the pyrolysis gasifiers on site at the Jeebropilly mine location. The prime purpose of this process is to produce diesel and jet fuel as well as minor electricity generation.

All parts for the scale up of the process should be shipped to Jeebropilly by year end, subject to supplier performance. Some electrical plant modifications will be needed to meet Australian standards.

Progress with the direct coal liquefaction process continues with the commissioning of the 1 tonne per day POC plant underway in the USA. This process generates products suitable for high strength plastics and pharmaceutical industries. A high grade synthetic metallurgical grade coke is produced as a valuable by product of the process. Diesel production from the liquids will be evaluated over the next six months.

The performance of these technologies is dependent on the individual coal types used which also impacts the product types and project yields. Ultimately these factors will influence the commercialisation of the technologies. To date the technology developments remain on budget despite some delay.

Outlook

New Hope's mining operations ran at record levels in 2012. New Acland has demonstrated its capability in running at design capacity and is well placed to achieve similar levels in 2013. Production from West Moreton in 2013 will be similar to that achieved in 2012, with the closure of New Oakleigh in January 2013 offset by increased production from Jeebropilly.

QR National continues to perform rail services at or above contract levels.

The port facility at QBH also ran at record levels in 2012 and has the capacity and demonstrated monthly performance to handle up to 10 million tonnes in 2013.

All New Hope budgeted 2013 production is contracted under multi-year long term contracts. The current market is however under significant negative pricing pressure which is seen as a normal cyclical supply/demand feature of the industry. New Hope is well placed to ride out this phase of the cycle being a comparative low cost producer.

New Hope is currently reviewing its suite of development projects in light of current and predicted coal prices and exchange rates. It should be noted that New Hope's large cash reserves of $1.5 billion will allow for development of these projects when economic conditions improve.

New Hope continues to review the industry for further acquisition opportunities which are becoming more prevalent in the current depressed market.

As a result of WHSP's 59.7% holding in the issued capital of the company, New Hope contributed a net profit of $99.8 million to the Group (2011: $300.8 million).

CopperChem Limited

Controlled entity: 93.4% held*

Contribution to Group result: $31.3 million loss

Unlisted entity

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

The copper sulphate plant has an annual production capacity of 8,560 metric tonnes.

The copper concentrate plant was commissioned in the first six months of this financial year. The facility will, at capacity, be able to mill 700,000 metric tonnes of ore per annum. A study is currently being undertaken to determine the feasibility of increasing plant capacity.

During the period under review, CopperChem has not achieved its financial targets principally due to the low grade and unexpected mineralogy of the ore mined and processed at the Great Australian Mine (GAM).

As background, the prolific presence of native copper in GAM was not expected by CopperChem when it commenced mining in 2011. CopperChem commissioned a copper concentrate float plant based on the data available to it. The plant was designed to recover copper sulphides from both the transition and primary sulphide weathering zones. The levels of native copper encountered have impacted on plant performance.

Mining will commence in the Orphan Shear deposit in October 2012 allowing the rate of copper sulphide production to increase to target levels.

On 9 October 2011, WHSP's shareholding in CopperChem increased from 52.4% to 93.4% on conversion of its Class B shares into ordinary shares. No additional consideration was paid in respect of the conversion. CopperChem's minority shareholder challenged the conversion of the shares in the Federal Court in March 2012. On 19 April 2012 the judge delivered his judgement in favour of WHSP.

Update

On 5 September 2012 CopperChem announced the appointment of Mr. Brendan James to the position of Chief Executive Officer of CopperChem.

Mr. James commenced his role with CopperChem on Monday 10 September 2012. He holds a Bachelor of Metallurgical Engineering with Honours from University of NSW. His scope of experience extends from senior metallurgist roles at WMC Olympic Dam and the CSA copper mine in Cobar, NSW to Manager Global Hydrometallurgy with Rio Tinto responsible for process improvements at significant operations at Ranger Uranium, Rossing Uranium and others. For a period he was Resource Analyst at Duetsche Bank and J P Morgan and Fund Manager of Perennial Growth Management where he managed their $1.5 billion resource fund. More recently he was Managing Director and CEO of Berkeley Resources who have significant uranium projects in Spain.

As a result of WHSP's interest in the issued capital of the company throughout the period, CopperChem contributed a net loss of $31.3 million to the Group. (2011: 52.4% held, $2.7 million loss).

*As at 31 July 2012

Review of Group Entities (continued)

Pitt Capital Partners Limited

Controlled entity: 100% held*

Contribution to Group profit: $3.2 million

Unlisted entity

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

For the year ended 31 July 2012, PCP increased revenue by 30% and profitability by 41% on the previous year. This was a very strong result in a market which continues to experience low volumes of completed mergers, acquisitions, capital raisings and IPOs.

During the year, the listed private equity portfolio managed by PCP was privatised by WHSP. PCP continues to manage the private equity portfolio and as a result of the acquisition of that portfolio, PCP has become a 100% owned subsidiary of WHSP.

As a result of WHSP's interest in the issued capital of the company throughout the period, PCP contributed a net profit of $3.2 million to the Group (2011: 78.3% held, $1.5 million).

Souls Private Equity Limited

Controlled entity: 100% held*

Contribution to Group profit: $2.1 million

Unlisted entity

On 4 January 2012 WHSP completed a scheme of arrangement to acquire all of the issued shares and options of SPEL it did not already own. The total consideration under the scheme was $84.5 million made up of $74.1 million in cash and the remainder in WHSP shares. SPEL was delisted on 9 January 2012.

As a result of WHSP's interest in the issued capital of the company throughout the period, SPEL contributed a net profit of $2.1 million to the Group (2011: 13.4% held, $0.1 million loss).

As a consequence of the takeover, WHSP has the following holdings at 31 July 2012.

	Holding
Ampcontrol Pty. Limited	43.4%
Austgrains Pty. Limited	51%
Belaroma Pty. Limited	40%
Cromford Pty. Limited	100%
Heritage Brands Limited	25.1%
InterRisk Australia Pty. Limited	40%
Pitt Capital Partners Limited	100%
Specialist Oncology Services Pty. Limited	26.1%
Supercorp Australia Pty. Limited	34.6%

The largest of these investments is Ampcontrol Pty. Limited (Ampcontrol) which was founded in 1968 when it began distributing industrial electrical products in the Hunter region. Through organic growth and selective acquisitions it has become a leading international supplier of electrical and electronic products with a strong presence in providing products and service to the mining sector, in particular for underground coal mining.

Ampcontrol is currently expanding its capabilities, under a new management structure, to include a range of coal mining, metalliferous, energy, utilities and industrial applications.

Ampcontrol has approximately 1,200 staff with operations across Australia and overseas including; Hong Kong, China, New Zealand, South Africa, Botswana, Russia, USA and the United Kingdom.

Ampcontrol's revenue for the year ended 30 June 2012 was $268.6 million and its earnings before interest, tax, depreciation and amortisation was $36.3 million. It contributed a net profit of $7.4 million to SPEL for the year.

*As at 31 July 2012

Apex Healthcare Berhad (Incorporated in Malaysia)

Associated entity: 30.3% held*

Contribution to Group profit: $2.6 million

Total Market Capitalisation: $82 million*

Value of WHSP's Holding: $25 million*

Bursa Malaysia code: AHEALTH

Apex Healthcare Berhad is a manufacturer, distributor and retailer of pharmaceutical and healthcare products with operations in Singapore, Malaysia, Vietnam and Indonesia and is publicly listed on the Main Board of Bursa Malaysia.

Apex's financial year ends on 31 December 2012. Apex's results for the six months ended 30 June 2012 have been converted into Australian dollars below.

Apex generated revenue of $63.4 million, an increase of 13.2% over $56.0 million for the previous corresponding period. Net profit after tax was $4.5 million, a decrease of 4.5% compared to 2011.

An interim dividend of 1.9 cents per share was paid on 15 August 2012 compared to 1.7 cents in 2011, an increase of 9.6%.

WHSP has equity accounted Apex's result for the 12 months to June 2012. As a result of WHSP's 30.3% holding in the issued capital of the company, Apex contributed a net profit of $2.6 million to the Group (2011: $4.0 million).

Australian Pharmaceutical Industries Limited

Associated entity: 24.6% held*

Contribution to Group profit: $7.4 million

Total Market Capitalisation: $168 million*

Value of WHSP's Holding: $41 million*

ASX code: API

API's financial year ended on 31 August 2012. The results for the full year were released to the market on 25 October 2012.

API released its half year result on 19 April 2012. For the 6 months, the company reported a decline in revenue of 12.5% to $1.61 billion largely due to Pfizer's decision to distribute directly to pharmacies. The consolidated entity reported a net profit after tax of $18.31 million following the satisfactory settlement of a Queensland flood insurance claim.

Sales for the Pharmacy Division decreased 17.2% reflecting the impact of Pfizer leaving the wholesale distribution channel. However, gross profit margin improved from 6.4% to 7.6% due to the reduction in trading discounts to customers as a result of on-going changes to the Pharmaceutical Benefits Scheme.

Priceline, API's mass market health and beauty retailing division, posted retail sales growth of 3.1% and comparable store sales growth of 2.8% for the 6 month period. Priceline is consistently maintaining sales growth while maintaining profit margins in an intensely competitive retail sector.

Priceline's loyalty program, 'Sister Club' continues to attract new members and had 3.7 million members at the end of February 2012, a growth of 8.8% on the previous year. 'Sister Club' members continue to spend typically 50% more than non-Sister Club cardholders.

API declared a fully franked interim dividend of 1.5 cents per share which was paid on 5 June 2012.

WHSP has equity accounted API's result for the 12 months to February 2012. vAs a result of WHSP's 24.6% holding in the issued capital of the company, API contributed a net profit of $7.4 million to the Group (2011: $5.6 million loss).

*As at 31 July 2012

Review of Group Entities (continued)

BKI Investment Company Limited

Associated entity: 13.5% held*

Contribution to Group profit: $4.1 million

Total Market Capitalisation: $522 million*

Value of WHSP's Holding: $70 million*

ASX code: BKW

BKI has announced an increase in its Net Operating Result (before special dividend Income) of 9.4% to $27.7 million for the year ended 30 June 2012, whilst the Earnings per Share (before special dividend income) increased 8.0% to 6.51 cents per share.

BKI's Share Price Performance (including the reinvestment of dividends) for the year was positive 1.5%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 8.5%.

BKI has paid a final ordinary dividend of 3.2 cents per share, up 6.7% on last year. The total dividends paid by BKI for the year were 6.4 cents per share, also 6.7% higher than last year. BKI dividends are fully franked and as at 30 June 2012, BKI was trading on a grossed up yield of 7.9%.

In November 2011 BKI was announced as the inaugural winner of the 'Listed Investment Company of the Year' award at the 13th annual Australian Fund Manager Awards night, an event organised by the Australian Fund Manager Foundation.

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

As a result of WHSP's interest in the issued capital of the company throughout the period, BKI contributed a net profit of $4.1 million to the Group. For the year ended 31 July 2011 BKI contributed a net profit of $1.1 million to the Group and BKI dividends of $3.5 million were taken up as income by WHSP.

Brickworks Limited

Associated entity: 44.5% held*

Contribution to Group result: $16.6 million loss

Total Market Capitalisation: $1.49 billion*

Value of WHSP's Holding: $662 million*

ASX code: BKW

Brickworks posted a normalised net profit after tax (NPAT) for the year ended 31 July 2012 of $78.9 million, down 21.8% from $100.8 million for the year ended 31 July 2011. After significant items, Brickworks' headline NPAT was $43.3 million, down 69.6% from $142.6 million in the previous year. These results include the equity accounted profit contribution from WHSP.

Building Products earnings before interest and tax (EBIT) was $28.5 million, down 32.1% on the previous corresponding period. EBIT in the second half was in line with the first half, despite a further deterioration in residential building activity. This result was assisted by internal re-structuring activities and industry rationalisation.

Land and Development EBIT was down 34.9% to $19.0 million, as a result of a significant reduction in land sales. Earnings from the Property Trust were up 56.8% on 2011.

Interest costs increased by 2.0% to $20.8 million. In addition, the mark to market valuation of interest rate swaps adversely impacted the result by $4.4 million.

The impact of significant items was a net expense of $35.6 million, including the cost of re-structuring activities and a goodwill impairment of $31.6 million.

Normalised earnings per share were 53.4 cents, down from 68.3 cents per share last year.

The directors of Brickworks have maintained the final dividend of 27 cents fully franked, taking the full year dividend to 40.5 cents fully franked, in line with the previous year.

*As at 31 July 2012

Brickworks Limited (continued)

Divisional Results

Austral Bricks' result was significantly lower than the previous year as market conditions continued to deteriorate. Overall sales revenue for the year ended 31 July 2012 was $281.0 million, down 14.8% compared to the prior year, with most states suffering declines in line with reduced building activity. The rising price of gas and electricity has become a significant impost on the manufacturing cost of clay bricks. Including the impact of the carbon tax, Austral Bricks has experienced a doubling of gas prices since 2008. Over the same period electricity prices have increased by around 70%. Gas and electricity prices combined now account for over 20% of the total manufacturing cost of clay bricks, up from around 15% in 2008.

Bristile Roofing's earnings were down on the prior year, largely as a result of a decline in sales revenue of 15.7%, to $104.4 million. The exit of a major competitor in Queensland provided a significant boost to sales volume in that state.

Austral Masonry's total sales revenue was down 3.3% to $53.4 million as a result of decreased volume, despite price increases of 4.7%. After a strong first half result, sales volume declined in the second half as wet weather impacted deliveries along the East Coast. The acquisition of the Cairns operation in March has enhanced Austral Masonry's position in Far North Queensland and together with the existing plant in Ayr, just south of Townsville, places the business in a leading position in this growing region.

Austral Precast delivered another increase in earnings on the back of a solid increase in sales revenue, up 20.3% to $68.1 million. On the East Coast, the installation of a batching plant at Wetherill Park in Sydney, to enable 24 hour operation, is nearing completion. This will allow the rationalisation of the current manufacturing footprint and further enhance manufacturing efficiencies. In Queensland, the acquisition of an independent operator in March 2012 will deliver additional scale and manufacturing efficiencies following the consolidation of operations to one site in August 2012.

Auswest Timbers' domestic sales revenue was up 12.4% on the prior year to $40.6 million, and earnings were up 29.4%, due in part to the integration of acquired operations in Western Australia. However, export earnings were significantly lower than the prior year as the high Australian dollar adversely impacted demand from Asia. The contribution from acquired assets in Western Australia was supported by another strong contribution from the roof tile batten operation in Fyshwick, where strong cost controls alleviated the impact of lower throughput caused by the current weakness in detached house construction activity.

Land and Development produced an EBIT of $19.0 million for the year ended 31 July 2012, down 34.9% from $29.2 million in 2011. Property Sales were limited, contributing an EBIT of $0.7 million for the year, with the largest transaction being the sale of two hectares at the M7 Business Hub, Eastern Creek into the Property Trust to accommodate the expansion of the existing Toll facility. The Property Trust generated an EBIT of $19.6 million, up from $12.5 million in 2011. Waste Management contributed a profit of $2.5 million from operations at Horsley Park in New South Wales, in line with last year.

Outlook

Building Products earnings are expected to recover in the 2013 financial year following internal restructuring activities completed in 2012. In the medium term, industry rationalisation and improvements in building activity will provide additional impetus to Building Products earnings.

A significant increase in land sales is also expected to boost earnings, whilst Investment earnings are expected to remain stable.

Please refer to announcements by Brickworks for further information.

As a result of WHSP's 44.5% holding in the issued capital of the company, Brickworks contributed a $5.2 million regular profit to the Group (2011: $14.9 million). In addition, WHSP's share of non regular expenses was $21.8 million (2011: $9.1 million). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

*As at 31 July 2012

Review of Group Entities (continued)

Clover Corporation Limited

Associated entity: 28.6% held*

Contribution to Group profit: $1.2 million

Total Market Capitalisation: $65 million*

Value of WHSP's Holding: $19 million*

ASX code: CLV

Clover reported a net profit after tax for the 12 months ended 31 July 2012 of $4.4 million, a decrease of 5.0% compared to the 13 month period in 2011.

The result included costs of $1.2 million associated with the sale of the remaining assets of Future Food Ingredients Pty. Limited (FFI). The sale of the assets of FFI is currently being finalised with contracts having been exchanged on 14 September 2012. The price obtained for the assets in Moree, namely, land, buildings and plant was substantially lower than estimated by external valuers.

Excluding the FFI costs and adjusting the 2011 trading period to a comparable 12 month period Clover's underlying net profit after tax was $5.6 million, an increase of 41%.

Based on the performance of Clover in 2012 and its future prospects, the Directors have declared a fully franked dividend of 1.75 cents per share in respect of the year ended 31 July 2012.

Sales revenue for the year was $38.4 million, a 7.8% increase compared to the 13 month period in 2011. Acknowledging the change to the financial period last year the comparative result on the previous corresponding period basis reflects an increase in sales from $32.0 million to $38.4 million, an increase of 20%.

Clover noted the following highlights:

- Expansion of sales of infant formula and children's food to 98.6% of sales revenue.
- Sales into Oceania increased by 79%.
- An increase in the proportion of sales from encapsulated powdered products.
- Expenditure on research and development in line with Clover's business strategy.
- Continued expansion of the intellectual property position with 2 new patent applications being filed during the year.

Clover is also developing new products directed at the medical food markets. Based on clinical research and protected by patent applications, innovative new medical food products are currently being clinically tested for their effects on the respiratory and cognitive development of preterm infants.

As a result of WHSP's 28.6% holding in the issued capital of the company, Clover contributed a net profit of $1.2 million to the Group (2011: $1.3 million, 13 month period).

*As at 31 July 2012

Ruralco Holdings Limited

Associated entity: 23.5% held*

Contribution to Group profit: $3.5 million

Total Market Capitalisation: $195 million*

Value of WHSP's Holding: $46 million*

ASX code: RHL

Ruralco's financial year ends on 30 September 2012. Ruralco's results for the full year are not scheduled to be released to the market until 20 November 2012.

Ruralco released its half year profit result on 22 May 2012. For the six months to March 2012, revenue increased by 8.8% to $534.7 million while net profit after tax decreased by 2.3% to $10.0 million compared to the previous corresponding period.

Ruralco reported that it had seen improved trading across its rural supplies and grain marketing activities but a reduction in cattle and wool volumes coupled with lower sheep and lamb prices had lowered the profitability of its agency focused businesses. Further, a softening of the Tasmanian urban real estate market due to economic conditions in that state had also greatly impacted the first half's results.

An interim dividend of 10 cents per share fully franked was paid on 19 June 2012 (2011: 9 cents per share).

WHSP has equity accounted Ruralco's result for the 12 months to March 2012. As a result of WHSP's 23.5% holding in the issued capital of the company, Ruralco contributed a net profit of $3.5 million to the Group (2011: $4.1 million).

TPG Telecom Limited

Associated entity: 26.9% held*

Contribution to Group profit: $24.4 million

Total Market Capitalisation: $1.53 billion*

Value of WHSP's Holding: $412 million*

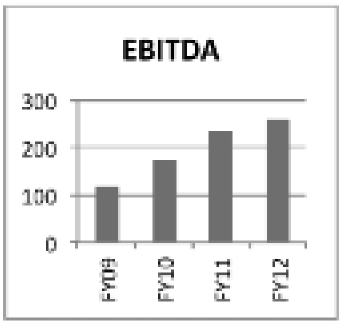
ASX code: TPM

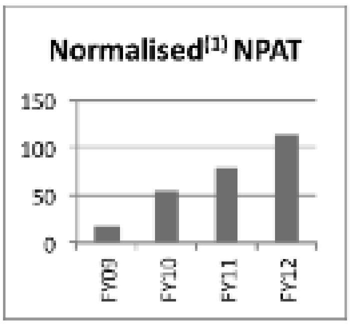
TPG has reported a normalised(1) net profit after tax for the year ended 31 July 2012 of $114.2 million, an increase of 46% over last year.

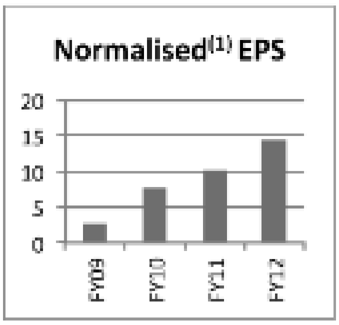
Net profit after tax (NPAT) for the year was $91.0 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 12% to $261.4 million, slightly above the top-end of its EBITDA guidance range for the year of $250 million to $260 million.

Normalised(1) earnings per share (EPS) increased by 43% to 14.4 cents per share. Normalised(1) earnings per share, further adjusted to also exclude the impact of intangible amortisation expense, was 17.4 cents per share. These strong results represent TPG's fourth consecutive year of growth in EBITDA, normalised(1) NPAT, and normalised(1) EPS.







(1) Normalised FY12 NPAT of $114.2 million is arrived at by adjusting TPG's reported NPAT of $91.0 million to exclude a $23.2 million one-off tax expense incurred as a result of a retrospective change in tax legislation that was enacted in June 2012. TPG apprised the market of this anticipated expense through ASX announcements on 5 March and 27 June 2012. Normalised EPS is arrived at by dividing normalised NPAT by the same weighted average number of shares used in calculating TPG's reported EPS. TPG advised that the purpose of providing these normalised measures is to remove the distortion of its NPAT and EPS results created by the one-off impact of the retrospective legislation change.

*As at 31 July 2012

Review of Group Entities (continued)

Consumer Business

TPG grew its consumer broadband subscriber base by 28,000 in the second half of the year taking total net additions for the year to 47,000. The mobile subscriber growth for the second half was 33,000, taking the total net mobile customer additions for the year to 54,000.

As at 31 July 2012 TPG had 595,000 broadband subscribers and 255,000 mobile subscribers.

Corporate Business

TPG's Corporate division, operating under the PIPE Networks brand, had an excellent year delivering strong EBITDA growth of 30% to $110.8 million.

As at 31 July 2012 PIPE's domestic fibre network spanned 2,572 km, which represents a 725km or 39% expansion during the year. This expansion has also added a further 350 new buildings to the network bringing PIPE's current total of on-net buildings to over 1,400.

Cash Flow

TPG has had another excellent year in terms of cash flow generation; $277 million cash was generated from operations (pre-tax). After tax, interest and capital expenditure, TPG had free cash flow of $150 million.

This free cash flow enabled TPG to repay $85 million of debt during the year, fund the acquisition of an established cloud business, purchase shares in iiNet, and pay an increased dividend whilst suspending its dividend re-investment plan.

TPG's gross debt as at 31 July 2012 was down to $149 million, representing a debt to annual EBITDA leverage ratio of less than 0.6 times with $185 million of debt having been repaid in the past two financial years.

Dividend

TPG has declared a fully franked final dividend of 2.75 cents per share, bringing total dividends for the year to 5.5 cents per share (fully franked), an increase of 22% over last year.

As a result of WHSP's interest in the issued capital of the company throughout the period, TPG contributed a net profit of $24.4 million to the Group (2011: 26.8% held, $20.6 million).

UPDATE

Exco Resources Limited

Subsequent to year end, WHSP announced to the market a proposal to acquire all of the ordinary shares it does not already hold in Exco Resources Limited (Exco) for 19 cents per share by way of an off-market takeover.

On 19 September 2012, WHSP agreed to increase its offer to 26.5 cents per share provided WHSP receives acceptances which together with its existing shareholding give WHSP an interest in 90% of Exco's ordinary shares. Exco directors have unanimously recommended WHSP's revised offer in the absence of a superior proposal and will accept the offer in relation to shares they control. The increased price of 26.5 cents per share values Exco at $98 million. Exco is debt free and with retained cash reserves in excess of $50 million is well funded to expand exploration activities.

Exco's primary focus is on exploration within its north-west Queensland land package that covers more than 3,000km² of prospective copper and gold tenements. A number of those tenements, including prominent projects Mt Colin and Kangaroo Rat, are located in the Cloncurry region and have the potential to provide oxide and sulphide ore to CopperChem's plant operations which will extend the life of the project well beyond the existing six years.

CopperChem (93.4% held) has one of two copper concentrate plants currently operating in the Cloncurry region. Sulphide ores from this region will be utilised to increase output from operations. CopperChem has the flexibility to also use oxide ores from the area to produce copper sulphate through its dedicated plant.

The acquisition of Exco complements investments made in the copper and gold sector in the Cloncurry region. The acquisition will provide access to significant additional ore for the CopperChem processing plants.

*As at 31 July 2012

Directors' Report

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP) present their report and the financial statements of the Company and the consolidated entity, being the Company and its subsidiaries, for the financial year ended 31 July 2012.

DIRECTORS

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

Mr R D Millner

Mr P R Robinson

Mr D J Fairfull

Mr T C D Millner

Mr R G Westphal

Mr D E Wills

The following person was a Director of WHSP for the whole of the financial year and resigned on 1 October 2012:

Mr M J Millner

The following person was appointed as a Director of WHSP on 10 October 2012 and remains a Director at the date of this report:

Mr M J Hawker

PRINCIPAL ACTIVITIES

The principal activities of the corporations in the consolidated entity during the course of the financial year were ownership of shares, copper mining and refining, coal mining and consulting. There were no significant changes in the nature of the consolidated entity's principal activities during the year.

DIVIDENDS

Dividends paid or declared by the 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 2011	25	59,660	100%	5 December 2011
Interim ordinary dividend 2012	17	40,697	100%	10 May 2012
Dealt with in the financial report as dividends	42	100,357		
Declared after the end of the year				
Final ordinary dividend 2012	27	64,637	100%	10 December 2012

REVIEW OF OPERATIONS

The profit after tax attributable to shareholders for the year ended 31 July 2012 was $143.0 million, a decrease of $220.9 million compared with the previous year.

Last year's result included the Group's $197.0 million gain on the sale of Arrow Energy Limited shares by New Hope Corporation Limited.

On 4 January 2012 WHSP completed a scheme of arrangement to acquire all of the issued shares and options of Souls Private Equity Limited (SPEL) it did not already own. The total consideration under the scheme was $84.5 million made up of $74.1 million in cash and the remainder in WHSP shares. SPEL became a wholly owned subsidiary of WHSP and was delisted on 9 January 2012.

Comparison with the prior year is as follows:-

	2012 $000	2011 $000	% Change
Revenue from continuing operations	**912,359**	**758,387**	+ 20.3%
Profit after tax attributable to shareholders	**142,989**	**363,871**	- 60.7%
Interim Dividend (paid in May each year)	**17 cents**	**15 cents**	+ 13.3%
Final Dividend	**27 cents**	**25 cents**	+ 8.0%
Total Dividends	**44 cents**	**40 cents**	+ 10.0%

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 17 of this annual report.

Directors' Report (continued)

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 31 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 43 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

The Group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the assessment of energy usage, including the identification and evaluation of energy saving opportunities, the reporting of assessments undertaken and the action which is intended as a result. In the past New Hope Corporation Limited has fulfilled these obligations. Going forward this will be done on a Group basis.

The National Greenhouse and Energy Reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2010/11 report to the Greenhouse and Energy Data Officer on 14 November 2011.

New Hope Corporation Limited (New Hope)

The majority of New Hope's operations are regulated by the Queensland Department of Environment and Heritage Protection (DEHP). Environmental management of coal mining operations and exploration tenements is regulated under Queensland's Environmental Protection Act 1994 while the Queensland Bulk Handling (QBH) coal export port facility and Jondaryan rail loading facility are regulated under the Sustainable Planning Act 2009.

During the year ended 31 July 2012, New Hope experienced one environmental incident involving a non-compliant discharge of stormwater from the QBH site. New Hope promptly developed a number of corrective actions in response to the incident while maintaining regular consultation with the regulator. New Hope received a "Warning Notice" from DEHP in relation to the incident.

New Hope's operational sites submit reports during September each year under the National Pollutant Inventory program.

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

CopperChem Limited (CopperChem)

CopperChem's mining operations and exploration tenements are regulated by the Queensland Department of Environment and Resource Management (DERM) under Queensland's Environmental Protection Act 1994. Mining operations and exploration tenements each function under a site specific Environmental Authority.

CopperChem did not experience any new environmental incidents during the year ended 31 July 2012, although it did complete a number of activities in accordance with a Plan of Operations issued by DERM in June 2006 to address groundwater contamination caused by seepage from heap leach pads.

Subsequent to year end, on 10 August 2012, a seepage discharge was identified from the Tailings Storage Facility which entered Coppermine creek in an area not visible from the mining lease. DERM visited site on 15 August 2012 to review the situation. On 8 October 2012 CopperChem received a notification dated 3 October 2012 from DEHP that an investigation had commenced relating to the discharge events on or around 10 August 2012. On 16 October 2012 DEHP visited the site and commenced their investigation.

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 and the Nomination Committees.

Mr Millner has extensive experience in the investment industry.

Other current listed company directorships:

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

Former listed company directorships in the past three years:

- Choiseul Investments Limited – Appointed 1995 (company delisted December 2010)
- Northern Energy Corporation Limited – Appointed 2011 (company delisted October 2011)
- Souls Private Equity Limited – Appointed 2004 (company delisted January 2012)

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

Deputy Chairman.

Non-executive Director since 1997, appointed Deputy Chairman 1998. Member of the Audit Committee. Member of the Nomination Committee from 2 December 2011. Member of the Remuneration Committee until 14 December 2011.

Resigned from the Board 1 October 2012.

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

Other current listed company directorships:

- Brickworks Limited – Appointed 1998
- Ruralco Holdings Limited – Appointed 2007

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

Executive Director.

Joined the Company 1978, appointed Executive Director 1984.

Mr Robinson has held both executive and non-executive directorships for a period of 28 years and has over 30 years experience at general management and Chief Executive Officer level. During this period Mr Robinson has had extensive experience in manufacturing and distribution.

Other current listed company directorships:

- Australian Pharmaceutical Industries Limited – Appointed 2000 Chairman since 2003
- Clover Corporation Limited – Appointed 1997 Chairman since 2002
- New Hope Corporation Limited – Appointed 1997

Former listed company directorships in the past three years:

- Northern Energy Corporation Limited – Appointed 2011 (company delisted October 2011)

Directors' Report (continued)

DIRECTORS (continued)

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

Non-executive Director since 1997. Member of the Audit and Remuneration Committees. Member of the Nomination Committee from 2 December 2011.

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

Other current listed company directorships:

- Drill Torque Limited – Appointed 2011 Chairman since 2011
- Heritage Brands Limited – Appointed 2009 Chairman since 2009
- New Hope Corporation Limited – Appointed 1997

Former listed company directorships in the past three years:

- Northern Energy Corporation Limited – Appointed 2011 (company delisted October 2011)
- Souls Private Equity Limited – Appointed 2004 (company delisted January 2012)

Thomas Charles Dobson Millner B.Des(Industrial), GDipAppFin(Finsia), FFin, G.A.I.C.D.

Non-executive Director since January 2011. Member of the Nomination Committee from 14 December 2011.

Mr Millner's experience includes management of investment portfolios, research and analysis of listed equities and business development. Mr Millner is the Chief Executive Officer (CEO) of BKI Investment Company Limited (BKI). He joined BKI in 2008 and is the sole full time staff member of the Company. As CEO, Tom is responsible for the management of the BKI investment portfolio and for the day to day activities of BKI, reporting to the Board of Directors. He is a member of the BKI Investment Committee.

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

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 from 14 December 2011.

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

Other current listed company directorships:

- Xanadu Mines Ltd - Appointed 2010

Former listed company directorships in the past three years:

- Souls Private Equity Limited – Appointed 2005 (company delisted January 2012)

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 from 14 December 2011.

Mr Wills is a Chartered Accountant, having been a partner of Coopers & Lybrand and then PricewaterhouseCoopers for 25 years. He was Managing Partner of the Sydney office and Deputy Chairman of the Australian firm immediately prior to his retirement from the firm in 2004. As a result of Mr Wills' experience and qualifications, he brings financial expertise to the Board.

Other current listed company directorships:

- Clover Corporation Limited – Appointed 2005
- Quickstep Holdings Limited – Appointed 2010

Former listed company directorships in the past three years:

- Souls Private Equity Limited – Appointed 2004 (company delisted January 2012)

DIRECTORS (continued)

Michael John Hawker AM BSc(Sydney), F.A.I.C.D., F.A.I.M., SF Fin.

Appointed Non-executive Director on 10 October 2012. Member of the Audit, Nomination and Remuneration Committees from 10 October 2012.

Mr Hawker is a professional company director with over 28 years experience in financial and investment markets. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008. From 1995 to 2001, Mr Hawker held a range of positions at Westpac, including Group Executive of Business and Consumer Banking and General Manager of Financial Markets. Prior to this, he held a number of positions at Citibank, including Deputy Managing Director for Australia and subsequently Executive Director, Head of Derivatives, Europe.

Other current listed company directorships:

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

COMPANY SECRETARY

Ian David Bloodworth

Mr Bloodworth is a Chartered Accountant with more than 25 years accounting and company secretarial experience and was appointed Company Secretary of Washington H. Soul Pattinson and Company Limited in July 2007. Prior to joining the Company, Mr Bloodworth was Company Secretary of the Garratts Limited Group of Companies for 2 years and Chief Financial Officer of the Group for 6 years. He is also the Company Secretary of Clover Corporation Limited.

DIRECTORS' MEETINGS

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

		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	18	18	-	-	1	1	1	1
Mr M J Millner	A,R,N	17	17	6	6	-	-	-	-
Mr P R Robinson		19	19	-	-	-	-	-	-
Mr D J Fairfull	A,R,N	16	16	6	6	1	1	-	-
Mr T C D Millner	N	17	17	-	-	-	-	-	-
Mr R G Westphal	A,R,N	17	17	6	6	1	1	1	1
Mr D E Wills	A,R,N	16	16	6	6	1	1	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 during the year.

N Denotes member of the Nomination Committee of Directors during the year.

Directors' Report (continued)

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	20,107,230
Mr P R Robinson	74,210
Mr D J Fairfull	163,587
Mr T C D Millner	16,986,791
Mr R G Westphal	12,739
Mr D E Wills	256,323
Mr M J Hawker (appointed 10 October 2012)	nil
Mr M J Millner (resigned 1 October 2012)	not applicable

REMUNERATION REPORT (AUDITED)

Scope of Report

This Remuneration Report focuses on the parent entity and the unlisted controlled entities CopperChem Limited, Pitt Capital Partners Limited and Souls Private Equity Limited. New Hope Corporation Limited (New Hope) is publicly listed and, accordingly, has its own Remuneration Committee and produces its own Remuneration Report in accordance with Section 300A of the Corporations Act 2001 to be voted on by its shareholders. It should be noted that while certain executives of New Hope are included in this Remuneration Report, the Remuneration Committee focuses on the key management personnel of the Parent Entity.

Remuneration Committee

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

The Remuneration Committee ensures that remuneration levels for Directors, senior 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.

The Remuneration Committee reviews various publications/surveys annually to assist in setting Non-executive Director remuneration. Based on these publications/surveys for 2011 the remuneration received by Non-executive Directors for the year ended 31 July 2012 was under the 50th percentile for ASX listed Companies with a market capitalisation greater than $3 billion.

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

During the year ended 31 July 2012 fees paid to the Non-executive Directors by the parent entity amounted to $966,000 including statutory superannuation guarantee contributions.

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

Executive Directors and Senior Executives

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

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

The Remuneration Committee reviews various publications/surveys annually to assist in setting the remuneration of the Executive Director and senior executives. Based on these publications/surveys for 2011 the remuneration they received for the year ended 31 July 2012 was under the 50th percentile for ASX listed Companies with a market capitalisation greater than $3 billion.

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

REMUNERATION REPORT (AUDITED) (continued)

Executive Directors and Senior Executives (continued)

On 1 November 2001, Mr Peter Robinson, the Company's Executive Director, agreed, in order to reduce administrative burdens to transfer from a defined benefit superannuation plan to a target benefit superannuation plan under a Master Trust Deed administered by AMP Life Limited. In consideration for this, the Company provided him with a guarantee that the benefit he received from the target benefit plan would not be less than his benefit under the defined benefit plan of seven times his final average salary when he ceases service on or after age 55 (the Guarantee).

As a result of changes to the taxation of superannuation contributions from 1 July 2007, which would have resulted in the Company being required to pay substantially higher contributions in order to top up the plan, Mr Robinson and the Company agreed to terminate the Guarantee effective from 24 February 2012, being his 60th birthday.

The total amount of the shortfall between the guaranteed amount and the amount in his target benefit plan as at 24 February 2012 was calculated by Rice Warner Actuaries Pty Ltd and amounts to $3,061,674, payable in two components being a Prescribed Payment of $2,271,674 less PAYG tax which was made to Mr Robinson on 2 July 2012 and an employment termination payment of $790,000 plus interest at commercial rates, payable to him on cessation of his employment.

Company Performance, Shareholder Wealth and Remuneration

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

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

	2008	2009	2010	2011	2012
	$'000	$'000	$'000	$'000	$'000
Revenue from continuing activities	$681,640	$774,953	$823,307	$758,387	$912,359
Profit after tax attributable to shareholders	$90,828	$1,112,652	$218,327	$363,871	$142,989
Share price at year end	$10.45	$11.00	$13.02	$12.93	$13.15
Ordinary dividends paid/declared	30 cents	32 cents	34 cents	40 cents	44 cents
Special dividends paid	-	25 cents	12.5 cents	-	-

Key management personnel of the Parent Entity

Non-executive Directors

Mr R D Millner – Chairman

Mr M J Millner – Deputy Chairman

Mr D J Fairfull

Mr T C D Millner

Mr R G Westphal

Mr D E Wills

Executive Director

Mr P R Robinson

Other key management personnel of the Parent Entity

Mr I D Bloodworth – Company Secretary

Ms M R Roderick – Chief Financial Officer

Key management personnel of the Consolidated Entity

Mr M J Busch – Financial Controller and Company Secretary, New Hope Corporation Limited

Mr B D Denny – Chief Operations Officer (appointed 2 November 2010), New Hope Corporation Limited

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

Mr S O Stephan – Chief Financial Officer, New Hope Corporation Limited

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Comparative disclosure for 2011 year

Mr M L Bailey – Chief Operations Officer (resigned 10 September 2010), New Hope Corporation Limited

Mr B J Garland – General Manager – Resource Development (resigned 30 September 2010), New Hope Corporation Limited

Mr J R Randell – General Manager Acland, New Hope Corporation Limited

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

Key Management Personnel of Parent Entity	**Short Term Employee Benefits**			**Post Employment Benefits**		**Share Based Payments**	**Other**	**Total**
Name	Salary & Fees $'000	Cash Bonus $'000	Non Monetary Benefits $'000	Super-annuation $'000	Termination Benefits $'000	Value of Options & Rights $'000	$'000	Parent Entity $'000
Non-executive Directors – 2012								
Mr R D Millner (1)	211	-	36	19	-	-	-	266
Mr M J Millner	138	-	-	12	-	-	-	150
Mr D J Fairfull (1)	119	-	-	11	-	-	-	130
Mr T C D Millner	119	-	-	11	-	-	-	130
Mr R G. Westphal (1)	138	-	-	12	-	-	-	150
Mr D E Wills (1)	128	-	-	12	-	-	-	140
	853	-	36	77	-	-	-	966
Executive Director – 2012								
Mr P R Robinson (1)(2)	687	-	62	79	-	-	2,272	3,100
Key Management Personnel of the Parent Entity – 2012								
Mr I D Bloodworth	245	-	13	22	-	-	-	280
Ms M R Roderick (3)	278	-	-	22	-	-	-	300
Total	**2,063**	**-**	**111**	**200**	**-**	**-**	**2,272**	**4,646**
Non-executive Directors – 2011								
Mr R D Millner (1)	228	-	37	21	-	-	-	286
Mr M J Millner	134	-	-	12	-	-	-	146
Mr D J Fairfull (1)	116	-	-	10	-	-	-	126
Mr T C D Millner	70	-	-	6	-	-	-	76
Mr R G. Westphal (1)	134	-	-	12	-	-	-	146
Mr D E Wills (1)	125	-	-	11	-	-	-	136
	807	-	37	72	-	-	-	916
Executive Director – 2011								
Mr P R Robinson (1)	614	-	56	123	-	-	-	793
Key Management Personnel of the Parent Entity – 2011								
Mr I D Bloodworth	230	-	13	21	-	-	-	264
Ms M R Roderick	417	-	-	36	-	-	-	453
Total	**2,068**	**-**	**106**	**252**	**-**	**-**	**-**	**2,426**

(1) Also derive remuneration from controlled entities as shown elsewhere in this Report.

(2) Payment in consideration for transferring from a defined benefit superannuation plan to a target benefit superannuation plan. Refer to the Executive Directors and Senior Executives section of this report on page 24 for further details.

(3) Ms M R Roderick was on maternity leave for 5 months of the financial year.

REMUNERATION REPORT (AUDITED) (continued)

Details of the nature and amount of each major element of the remuneration of the key management personnel of the Company and the Consolidated Entity and those receiving the highest remuneration, are as follows:-

Key Management Personnel	**Short Term Employee Benefits**			**Post Employment Benefits**		**Share Based Payments**	**Other**	**Total**	**Received from**	
Name	Salary & Fees $'000	Cash Bonus $'000	Non Monetary Benefits $'000	Super-annuation $'000	Termination on Benefits $'000	Value of Options & Rights $'000	$'000	$'000	Parent Entity $'000	Controlled Entities
Non-executive Directors – 2012										
Mr R D Millner	566	-	36	45	-	-	-	647	266	381
Mr M J Millner	138	-	-	12	-	-	-	150	150	-
Mr D J Fairfull	268	-	-	25	-	-	-	293	130	163
Mr T C D Millner	119	-	-	11	-	-	-	130	130	-
Mr R G. Westphal	160	-	-	15	-	-	-	175	150	25
Mr D E Wills	175	-	-	20	-	-	-	195	140	55
									966	624
Executive Director – 2012										
Mr P R Robinson (1)	864	-	62	95	-	-	2,272	3,293	3,100	193
Key Management Personnel of the Parent Entity – 2012										
Ms M R Roderick (2)	278	-	-	22	-	-	-	300	300	-
Mr I D Bloodworth	245	-	13	22	-	-	-	280	280	-
Key Management Personnel of the Consolidated Entity – 2012										
Mr R C Neale	1,340	1,368	47	40	-	1,712	-	4,507	-	4,507
Mr B D Denny	568	451	19	16	-	88	-	1,142	-	1,142
Mr S O Stephan	565	557	2	16	-	236	-	1,376	-	1,376
Mr M J Busch	374	322	21	23	-	116	-	856	-	856
Total	**5,660**	**2,698**	**200**	**362**	**-**	**2,152**	**2,272**	**13,344**	**4,646**	**8,698**

(1) Payment in consideration for transferring from a defined benefit superannuation plan to a target benefit superannuation plan. Refer to the Executive Directors and Senior Executives section of this report on page 24 for further details.

(2) Ms M R Roderick was on maternity leave for 5 months of the financial year.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Key Management Personnel	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total	Received from	
Name	Salary & Fees $'000	Cash Bonus $'000	Non Monetary Benefits $'000	Super-annuation $'000	Termination Benefits $'000	Value of Options & Rights $'000	$'000	Parent Entity $'000	Controlled Entities $'000
Non-executive Directors – 2011									
Mr R D Millner	567	-	37	45	-	-	649	286	363
Mr M J Millner	134	-	-	12	-	-	146	146	-
Mr D J Fairfull	262	-	-	23	-	-	285	126	159
Mr T C D Millner	70	-	-	6	-	-	76	76	-
Mr R G. Westphal	172	-	-	15	-	-	187	146	41
Mr D E Wills	187	-	-	17	-	-	204	136	68
								916	631
Executive Director – 2011									
Mr P R Robinson	773	-	56	137	-	-	966	793	173
Key Management Personnel of the Parent Entity – 2011									
Mr I D Bloodworth	230	-	13	21	-	-	264	264	-
Ms M R Roderick	417	-	-	36	-	-	453	453	-
Key Management Personnel of the Consolidated Entity – 2011									
Mr R C Neale	1,057	675	31	35	-	-	1,798	-	1,798
Mr M L Bailey (resigned 10 September 2010)	96	-	11	2	33	14	156	-	156
Mr M J Busch	263	50	18	21	-	-	352	-	352
Mr B D Denny (appointed 2 November 2010)	392	-	12	11	-	-	415	-	415
Mr B J Garland (resigned 30 September 2010)	87	-	8	4	33	10	142	-	142
Mr S O Stephan	485	113	3	15	-	-	616	-	616
Other Executives of the Consolidated Entity – 2011									
Mr J R Randell	324	123	27	15	-	-	489	-	489
Total	**5,516**	**961**	**216**	**415**	**66**	**24**	**7,198**	**2,426**	**4,772**

OPTIONS

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

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

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

INDEMNIFICATION OF OFFICERS AND AUDITORS (continued)

Insurance

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

Auditors

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

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the 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 $78,850 for providing these other services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 40 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 2012 has been received and is included on page 29.

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 23rd day of October 2012.

Auditor's Independence Declaration

MOORE STEPHENS

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Sydney NSW 2000
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Auditor's Independence Declaration
to the Directors of Washington H. Soul Pattinson and Company Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Washington H. Soul Pattinson and Company Limited for the year ended 31st July 2012, 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 22nd day of October 2012.

Moore Stephens Sydney ABN 90 773 984 843. Liability limited by a scheme approved under Professional Standards Legislation*

*Other than for the acts or omissions of financial services licensees. An independent member of Moore Stephens International Limited - members in principal cities throughout the world. The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

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 ten Directors. The names and details of the Directors of the Company during the year and at the date of this statement are set out in the Directors' Report.

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

Robert D. Millner - Chairman, Non-executive

David J. Fairfull - Non-executive

Thomas C.D. Millner - Non Executive

Robert G. Westphal - Non-executive

David E. Wills - Non-executive

Michael J. Hawker - Non-executive (appointed 10 October 2012)

Corporate Governance Statement (continued)

Principle 2 – Structure the Board to add value (continued)

Mr Michael J. Millner was the Deputy Chairman and a Non-executive Director for the whole of the financial year and until 1 October 2012. The Board considered him to be independent.

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

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

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

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

The Nomination Committee consists of all Non-executive Directors who review the membership of the Board annually having regard to the Company's particular needs, both present and future. The names of the members of the Committee during the year and their attendance at meetings are set out in the Directors' Report.

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

In October 2012 the Board established a Nomination Committee Charter which includes the process by which candidates are identified and selected, the use of professional intermediaries and the requirement for a diverse range of candidates to be considered. The Charter may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

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

Appointment is subject to election by the Shareholders of the Company at the next Annual General Meeting. Under the Constitution, Directors are required to retire from office after three years. Retiring Directors may stand for re-election at the next Annual General Meeting, subject to approval by the Board. Retiring Directors exclude themselves from Nomination Committee meetings while the remaining members of the Committee consider their suitability for re-election.

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.

The Board considers that the Directors bring an appropriate mix of skills, breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. The range of skills and experience possessed by the each of the Directors is set out in the Directors Report.

Principle 3 – Promote ethical and responsible decision-making

Code of Conduct

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;
- 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.

Share Trading Policy

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

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

Diversity

The Company values and respects the skills that people with diverse backgrounds, experiences and perspectives bring to the organisation. The Company is committed to rewarding performance and providing opportunities that allow individuals to reach their full potential irrespective of background or difference. When appointing or promoting people within the organisation the most suitably qualified candidates are selected. As a result, diversity is promoted throughout the organisation.

In June 2012 the Company established a Diversity Policy to formalise its commitment to providing equal access to opportunities irrespective of background or difference. The policy may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

The policy governs the conduct of the Company, its subsidiaries (other than those in the New Hope Corporation Limited Group) and all directors and employees of those entities. New Hope Corporation Limited (New Hope) is listed on the Australian Securities Exchange (ASX) and accordingly is required to establish its own diversity policy and objectives and make the required disclosures in its Annual Report. Therefore it is not considered appropriate for companies in the New Hope Group to be governed by the Company's policy nor for the New Hope Group companies' diversity reporting to be included in this Annual Report.

The Company has adopted the ASX Corporate Governance Principles and Recommendations on diversity. As at 31 July 2012 the organisation (excluding the New Hope Group) had 244 full time equivalent employees.

Corporate Governance Statement (continued)

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

The proportion of women employees in the organisation as at 31 July 2012 was 25%. While the Company believes that this represents a reasonable level of gender diversity, it will continue to ensure that neither gender nor any other differences interfere with the employment of individuals based on their suitability for the position available. By doing so the Company aims to increase female representation.

The proportion of women in senior executive positions as at 31 July 2012 was also 25%. The Company's objective is to incrementally grow this as vacancies allow and suitably qualified candidates are available. The aim is to achieve higher female representation. The small number of senior executive positions within the organisation and the low turnover rate limits the opportunity to increase female representation in this area.

There were no women on the Board of Directors of the Company as at 31 July 2012. The Board has undertaken to include female candidates when selecting new Directors. Candidates will continue to be assessed on their skills, knowledge and experience and on the relevance of these to the Company's needs.

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

David J. Fairfull

David E. Wills

Michael J. Hawker (appointed to the Board and committee 10 October 2012)

Former member of the audit committee:

Michael J. Millner (resigned from the Board and committee 1 October 2012)

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. Details of the audit committee members and their attendance at meetings are set out in the Directors' Report.

The Non-executive Chairman, Executive Director, Chief Financial Officer, Company Secretary and the Non-executive Director not on the committee may attend audit committee meetings by invitation. The external auditors, Moore Stephens Sydney, are requested by the audit committee to attend the appropriate meetings to report on the planning and progress as well as 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 October or 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.

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 and their attendance at meetings are set out in the Directors' Report.

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

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

The Executive Director and senior executive staff are 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.

Corporate Governance Statement (continued)

Principle 8 – Remunerate fairly and responsibly (continued)

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

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

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

For further information concerning the corporate governance practices of the Company refer to the corporate governance section of the Company's web site at **www.whsp.com.au**.

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 23rd October 2012.

Consolidated Income Statement
For the year ended 31 July 2012

	Notes	2012 $'000	2011 $'000
Revenue from continuing operations	4	**912,359**	758,387
Other income	5	**(4,024)**	567,309
Cost of sales		**(447,276)**	(345,295)
Selling and distribution expenses		**(145,554)**	(132,654)
Administration expenses		**(63,897)**	(39,471)
Other expenses		**(5,517)**	(4,633)
Impairment of assets	6	**(54,427)**	(41,492)
Finance costs		**(3,303)**	(2,692)
Share of results from equity accounted associates		**35,037**	36,582
Profit before income tax		**223,398**	796,041
Income tax (expense)	7a	**(34,088)**	(237,791)
Profit after tax for the year		**189,310**	558,250
Profit after tax attributable to non-controlling interests		**(46,321)**	(194,379)
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		**142,989**	363,871

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 2012

	2012 $'000	2011 $'000
Profit after tax for the year	**189,310**	558,250
Other comprehensive income		
Net movement in the fair value of long term equity investments, net of tax	**(32,066)**	(19,880)
Movement to profit and loss on disposal of long term equity investments, net of tax	**(110)**	(355,926)
Net movement in hedge reserve, net of tax	**(7,618)**	9,346
Net movement in foreign currency translation reserve, net of tax	**387**	(752)
Net movement in equity reserve, net of tax	**(533)**	48
Total other comprehensive income for the year, net of tax	**(39,940)**	(367,164)
Total comprehensive income for the year	**149,370**	191,086
Total comprehensive income attributable to non-controlling interest	**(38,878)**	(62,651)
Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited	**110,492**	128,435

Earnings per share	2012 cents	2011 cents
Basic and diluted earnings per share to ordinary equity holders of Washington H. Soul Pattinson and Company Limited		
Continuing operations	**59.81**	152.48
Earnings per share from all operations	**59.81**	152.48

	No. of shares	
Weighted average number of shares used in calculating basic and diluted earnings per share	**239,073,628**	238,640,580

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 2012

	Notes	31 July 2012 $'000	31 July 2011 $'000
Current assets			
Cash and cash equivalents	9	**78,173**	79,783
Term deposits	10	**1,721,075**	1,927,911
Trade and other receivables	11	**52,450**	140,941
Inventories	12	**82,121**	75,193
Investments fair valued through profit and loss	13	**10,021**	37,587
Derivative financial instruments	14	**20,393**	31,880
Other assets		**462**	3,105
Total current assets		**1,964,695**	2,296,400
Non-current assets			
Trade and other receivables	15	**10,237**	6,637
Equity accounted associates	16	**782,506**	764,498
Long term equity investments	17	**505,579**	507,878
Other financial assets	18	**17,601**	7,040
Derivative financial instruments	14	**9,971**	8,807
Property, plant and equipment	19	**760,358**	775,604
Exploration and evaluation assets	20	**41,334**	8,508
Deferred tax assets	21	**43,206**	44,179
Intangible assets	22	**21,997**	56,050
Total non-current assets		**2,192,789**	2,179,201
Total assets		**4,157,484**	4,475,601
Current liabilities			
Trade and other payables	23	**54,995**	62,467
Interest bearing liabilities	24	**50,655**	44,168
Current tax liabilities		**22,481**	171,611
Provisions	26	**31,720**	21,557
Total current liabilities		**159,851**	299,803
Non-current liabilities			
Interest bearing liabilities	25	**2,210**	-
Deferred tax liabilities	28	**182,237**	236,291
Provisions	27	**39,310**	25,749
Total non-current liabilities		**223,757**	262,040
Total liabilities		**383,608**	561,843
Net assets		**3,773,876**	3,913,758
Equity			
Share capital	29	**43,232**	32,900
Reserves	30	**538,713**	570,092
Retained profits	30	**2,281,912**	2,209,757
Parent entity interest		**2,863,857**	2,812,749
Non-controlling interest		**910,019**	1,101,009
Total equity		**3,773,876**	3,913,758

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 2012

Year ended 31 July 2012	Share capital $'000	Retained profits $'000	Reserves $'000	Total parent entity interest $'000	Non-controlling interest $'000	Total $'000
Total equity at the beginning of the year						
1 August 2011	**32,900**	**2,209,757**	**570,092**	**2,812,749**	**1,101,009**	**3,913,758**
Net profit for the year after tax	**-**	**142,989**	**-**	**142,989**	**46,321**	**189,310**
Other comprehensive income for the year						
Net movement in the asset revaluation reserve, net of tax	**-**	**-**	**(27,644)**	**(27,644)**	**(4,532)**	**(32,176)**
Net movement in hedge reserve	**-**	**-**	**(4,706)**	**(4,706)**	**(2,912)**	**(7,618)**
Net movement in foreign currency translation reserve	**-**	**-**	**386**	**386**	**1**	**387**
Net movement in equity reserve	**-**	**-**	**(533)**	**(533)**	**-**	**(533)**
Total comprehensive income for the year	**-**	**142,989**	**(32,497)**	**110,492**	**38,878**	**149,370**
Transactions with owners						
Dividends declared and paid	**-**	**(81,252)**	**-**	**(81,252)**	**(88,424)**	**(169,676)**
Net movement in share-based payments reserve	**-**	**-**	**1,118**	**1,118**	**117**	**1,235**
Increase in ownership of Souls Private Equity Limited	**10,332**	**(8,219)**	**-**	**2,113**	**(76,266)**	**(74,153)**
Increase in ownership of Northern Energy Corporation Limited	**-**	**(3,599)**	**-**	**(3,599)**	**(46,277)**	**(49,876)**
Gain on acquisition of additional ownership in controlled entities	**-**	**22,236**	**-**	**22,236**	**(19,018)**	**3,218**
Total equity at the end of the year - 31 July 2012	**43,232**	**2,281,912**	**538,713**	**2,863,857**	**910,019**	**3,773,876**
Year ended 31 July 2011						
Total equity at the beginning of the year						
1 August 2010	32,900	1,937,108	810,243	2,780,251	1,039,389	3,819,640
Net profit for the year after tax	-	363,871	-	363,871	194,379	558,250
Other comprehensive income for the year						
Net movement in the asset revaluation reserve, net of tax	-	-	(240,323)	(240,323)	(135,483)	(375,806)
Net movement in hedge reserve	-	-	5,586	5,586	3,760	9,346
Net movement in foreign currency translation reserve	-	-	(747)	(747)	(5)	(752)
Net movement in equity reserve	-	-	48	48	-	48
Total comprehensive income for the year	**-**	**363,871**	**(235,436)**	**128,435**	**62,651**	**191,086**
Transactions with owners						
Dividends declared and paid	-	(91,728)	-	(91,728)	(79,903)	(171,631)
Contributions of equity, net of transaction costs	-	-	-	-	5,260	5,260
Net movement in share-based payments reserve	-	406	(1,915)	(1,509)	1,213	(296)
Non-controlling interests on acquisition of subsidary	-	-	-	-	69,699	69,699
Equity transfer from members on issue of share capital in controlled entities	-	100	(2,800)	(2,700)	2,700	-
Total equity at the end of the year - 31 July 2011	**32,900**	**2,209,757**	**570,092**	**2,812,749**	**1,101,009**	**3,913,758**

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 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		**804,387**	618,203
Payments to suppliers and employees inclusive of GST		**(590,985)**	(503,779)
		213,402	114,424
Dividends received		**80,218**	59,503
Interest received		**122,639**	113,742
Finance costs		**(807)**	(116)
Income taxes paid		**(215,762)**	(67,043)
Net cash inflow from operating activities	41	**199,690**	220,510
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		**(48,375)**	(86,186)
Proceeds from sale of property, plant and equipment		**58,752**	260
Payments for exploration and evaluation activities		**(32,866)**	(5,778)
Net proceeds from/(payments for) term deposits		**191,744**	(254,609)
Payments for investments		**(73,500)**	(114,892)
Payments for subsidiaries, net of cash acquired	35	**72**	(171,218)
Proceeds from sale of investments		**16,032**	595,647
Loans advanced		**(2,221)**	(20,455)
Loan repayments received		**3,364**	2,100
Net cash inflow/(outflow) from investing activities		**113,002**	(55,131)
Cash flows from financing activities			
Proceeds from issues of equity		**1,737**	5,261
Dividends paid		**(188,781)**	(193,686)
Payments for increasing ownership in controlled entities		**(124,359)**	-
Proceeds from interest bearing liabilities		**1,284**	534
Net cash (outflow) from financing activities		**(310,119)**	(187,891)
Net increase/(decrease) in cash and cash equivalents		**2,573**	(22,512)
Cash and cash equivalents at the beginning of the year		**79,783**	109,821
Effects of exchange rate changes on cash and cash equivalents		**(4,183)**	(7,526)
Cash and cash equivalents at the end of the year	9a	**78,173**	79,783

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 34.

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

a) Basis of preparation of accounts

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

i. Compliance with International Financial Reporting Standards (IFRS)

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

ii. Historical cost convention

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

iii. Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

iv. Financial statement presentation

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

'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	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.

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 2012 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Principles of consolidation (continued)

i. Subsidiaries (continued)

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 received/receivable from associates are recognised in the consolidated financial statements by reducing the carrying amount of the investment.

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

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

iii. Joint venture entities

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the consolidated financial statements under the appropriate headings. Details of the joint ventures are set out in note 37.

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, has been identified as the Chairman of the Washington H. Soul Pattinson and Company Limited Board.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign currency translation (continued)

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 and copper concentrate/crystal sales when title has transferred to the customer in accordance with the sales terms. Where a sale is settled through instalments, interest revenue is recognised over the contract term, using the effective interest rate method.
- Service fee income is recognised as the services are performed.
- Consulting and management fee income is recognised as the services are performed and the control of the right to be compensated for the commitments undertaken.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is taken into revenue when the right to receive payment is established. Dividends received from associates are accounted for in accordance with the equity method of accounting. Refer note (1 b).
- Rental income is recognised on a straight-line basis over the lease term.

f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with 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 and 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income tax (continued)

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 consolidated 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.

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.

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

h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if changes or circumstances indicate that they may be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 current liabilities in the statement of financial position.

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, using the effective interest method, less provision for impairment. Trade receivables are due for settlement between 30 and 45 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 to 45 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overheads, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

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

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

m) Investments and other financial assets

Classification

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

i. Long term equity investments

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Investments and other financial assets (continued)

ii. Investments fair valued through profit and loss

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

iii. Loans and receivables

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

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Derivatives - Forward foreign exchange contracts (continued)

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

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

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

o) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Property, plant and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

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

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable mineral resources have been identified to the satisfaction of the Directors. Direct development expenditure, pre-operating mine start-up costs, and an appropriate portion of related overhead expenditure are capitalised as mine development costs up until the relevant mine is in commercial production.

Mining reserves, leases and mine development costs are amortised over the estimated productive life of each applicable mine on either a unit of production basis or years of operation basis, as appropriate. Amortisation commences when a mine commences commercial production.

r) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of lease.

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

s) Intangible assets

i. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies, unless there is no reasonable and consistent basis to do so, in which case goodwill is allocated to groups of cash generating units. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where this recoverable amount is less than the carrying amount, an impairment loss is recognised.

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

ii. Software

Software is stated at historical cost less applicable amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of software. Amortisation is calculated so as to write off the cost of each item of software during its expected economic life to the Group.

iii. Other intangible assets

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

iv. Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation of intangible assets

Amortisation is charged to the income statement on a straight-line basis, unless otherwise stated, over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance date.

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Intangible assets (continued)

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.

t) Trade and other payables

Trade and other payables are stated at their amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 to 45 days of recognition.

u) Provisions

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

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.

v) Employee benefits

i. Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

ii. Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using appropriate risk free rates as applicable to the estimated future cash outflows.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Employee benefits (continued)

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 42.

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 and rights 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 42.

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.

w) Exploration and evaluation expenditure

Exploration, evaluation and relevant acquisitions costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. Costs are carried forward only if they relate to an area of interest for which rights of tenure are current and such costs are expected to be recouped through successful development and exploitation or from sale of the area. Exploration and evaluation expenditure which does not satisfy these criteria is written off.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

x) Share capital

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

y) Dividends

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

z) Parent entity financial information

The financial information for the Parent entity, Washington H. Soul Pattinson and Company Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i. Investments in subsidiaries, associates and joint venture entities

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

aa) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus element in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

bb) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

cc) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

dd) Comparative figures

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

ee) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2012 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* and *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess the full impact. However, initial indications are that it may affect the Group's financial assets, and more specifically, accounting for long term equity investments, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not investments fair valued through profit and loss. Fair value gains and losses on Long term equity investments, for example, will therefore have to be recognised directly in profit or loss.

AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities, revised* AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights and exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The Group is yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The group is currently assessing the full impact upon adopting this standard.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ee) New Accounting standards and interpretations (continued)

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the group and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investments in the separate parent entity financial statements.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Int 20 *Accounting for stripping costs and AASB 2011-12* (effective 1 January 2013)

Production phase stripping costs will be attributed to an identifiable component of an ore body and amortised over the useful life of the identified component. On transition, existing production phase stripping costs will be written off to retained earnings if they cannot be attributed to an identifiable component of an ore body. Entities will no longer be able to amortise production phase stripping costs over the life of mine. Entities may need to make significant changes to processes, procedures and systems in order for the accounting to mirror the mining activity. Entities will need to directly attribute its carried forward stripping cost to components of ore bodies to avoid a write-off on adoption of the interpretation. The Group is currently assessing the full impact upon adopting this standard.

AASB 2010–8: *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: *Income Taxes and incorporates Interpretation* 121: *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2011–9: *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*, and if earlier than the first two conditions – when the related restructuring costs are recognised.

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 tests annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in note 1(s)(i). Other assets are assessed for impairment at each reporting date where changes in specific conditions or events indicate that the carrying amount may not be recoverable. Value-in-use and fair value less costs to sell calculations are performed in assessing recoverable amounts and require the use of assumptions.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

ii. Rehabilitation – mining operations

The Group makes estimates about the future cost of rehabilitating tenements which are currently disturbed, based on legislative requirements and current costs. Cost estimates take into account past experience, and expectations of future events that are expected to alter past experiences. Any changes to legislative requirements could have a significant impact on the expenditure required to restore these areas.

iii. Determination of reserves and resources – Coal

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

iv. Mineral Resources Rent Tax (MRRT)

During the year, as a result of the MRRT legislation that was substantively enacted on 19 March 2012 and that is effective from 1 July 2012, additional and offsetting deferred tax balances have been recognised. Judgement is required in assessing whether deferred tax assets and deferred tax liabilities arising from MRRT are recognised on the balance sheet.

Deferred tax assets are recognised only when it is considered probable that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These in turn depend on estimates of future sales volumes, operating costs, capital expenditure and government royalties' payable.

Judgements are also required about the application of the MRRT tax legislation for example in relation to the hypothetical valuation point.

The judgements and assumptions made by management are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

v. Determination of recoverable value – copper processing plant, equipment and capitalised mine development costs

The Group carries its copper processing plant, equipment and capitalised mining costs at historical cost less accumulated depreciation/amortisation and impairment losses. At 31 July 2012 its carrying value is $77,487,000.

The assessment of recoverable value includes key estimates in relation to quantities of economically recoverable reserves and resources, resource grades and mine plans. These are based upon interpretations of geological models and other matters. It also requires key assumptions to be made regarding a number of factors including short and long-term exchange rates, short and long-term copper prices, future capital expenditure and working capital. Estimates are also required to be made in relation to the economic life of the plant and its residual value. Changes in these estimates and applying different assumptions may impact significantly the assessment of the recoverable value of the plant, equipment and capitalised mine development costs, as well as the amount of depreciation and amortisation charged to the income statement. The directors are satisfied that the estimates and assumptions made are based on observable and other supportable inputs and therefore that the carrying value of the copper processing plant, equipment and capitalised mine development costs at 31 July 2012 is appropriate.

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

i. Exploration and development expenditure

During the year, the controlled entities New Hope Corporation Limited (New Hope) and CopperChem Limited (CopperChem), capitalised various items of expenditure to the mine development and exploration expenditure asset account. The relevant items of expenditure were deemed to be part of the capital cost of developing future mining operations, which would then be amortised over the useful life of the mine. The key judgement applied in considering whether the costs should be capitalised, is that costs are expected to be recovered through either successful development or sale of the relevant mining interest.

Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices.

To the extent that capitalised costs are determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

b) Critical judgements in applying the entity's accounting policies (continued)

ii. Impairment of financial assets

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial results for the year ended 31 July 2012 include the assessment of the recoverable amounts for financial assets, including investments in associates and long term equity investments (refer to notes 6 and 36).

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.

iii. Deferred tax asset

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

NOTE 3. SEGMENT INFORMATION

a) Business Segments

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

Investing activities

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

Coal mining

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

Copper processing

The Group engages in copper mining activities including the mining and processing of copper ore into copper concentrate and crystal.

Consulting

The Group is involved in the provision of consulting services.

Measurement of Segment results

Segment results shown are consistent with internal management reporting. Regular profit and regular profit after tax attributable to members, are the measures of segment profit. These results are non-statutory profit measures and represent profit from continuing operations before non-regular items. The measurement basis in general, excludes the effects of non-regular items of income and expense which by nature are outside the ordinary course of business or are part of ordinary activities but are unusual due their size or nature. The Directors have presented this information as they consider the disclosure enhances the understanding of the results to members and users of the financial statements. Non-regular items are disclosed in note 3b.

NOTE 3. SEGMENT INFORMATION (continued)

Business segments

Year ended 31 July 2012	Investing activities $'000	Coal mining $'000	Copper processing $'000	Consulting $'000	Intersegment eliminations /unallocated $'000	Consolidated $'000
Revenue from external customers	193,763	680,828	21,625	5,101	11,042	912,359
Intersegment revenue	42,496	-	-	3,267	(45,763)	-
Total revenue	236,259	680,828	21,625	8,368	(34,721)	912,359
Regular profit before income tax	218,250	154,019	(39,343)	4,937	(42,222)	295,641
Non-regular items before tax (note 3b)	(72,243)	-	-	-	-	(72,243)
Profit before income tax	146,007	154,019	(39,343)	4,937	(42,222)	223,398
Less income tax (expense)/benefit	7,523	(40,958)	957	(1,610)	-	(34,088)
Profit after tax	153,530	113,061	(38,386)	3,327	(42,222)	189,310
Less (profit)/loss attributable to non-controlling interests	(5,430)	(45,575)	4,832	(148)	-	(46,321)
Profit after tax attributable to members	148,100	67,486	(33,554)	3,179	(42,222)	142,989
Profit after tax attributable to members (as above)	148,100	67,486	(33,554)	3,179	(42,222)	142,989
Non-regular loss after tax attributable to members (note 3b)	11,575	-	-	-	-	11,575
Regular profit after tax attributable to members	159,675	67,486	(33,554)	3,179	(42,222)	154,564
Profit before income tax includes the following items:						
Interest revenue	107,346	-	19	612	(1,758)	106,219
Interest (expense)	(3,135)	-	(1,926)	-	1,758	(3,303)
Depreciation and amortisation (expense)	(1,952)	(44,044)	(10,697)	(24)	-	(56,717)
Impairment (expense)	(54,427)	-	-	-	-	(54,427)
Share of results from equity accounted associates	35,465	-	-	(428)	-	35,037
Segment assets as at 31 July 2012	3,332,617	835,784	102,337	9,949	(123,203)	4,157,484
Total segment assets include:						
Equity accounted associates	782,124	-	-	382	-	782,506
Additions to property, plant, equipment and intangibles	10,459	69,995	6,723	3	-	87,180

NOTE 3. SEGMENT INFORMATION (continued)

Business segments

Year ended 31 July 2011	Investing activities $'000	Coal mining $'000	Copper processing $'000	Consulting $'000	Intersegment eliminations /unallocated $'000	Consolidated $'000
Revenue from external customers	177,790	561,947	5,963	2,326	10,361	758,387
Intersegment revenue	11,706	-	-	4,112	(15,818)	-
Total revenue	189,496	561,947	5,963	6,438	(5,457)	758,387
Regular profit before income tax	189,794	108,686	(5,169)	2,771	(10,079)	286,003
Non-regular items before tax (note 3b)	512,046	-	(2,008)	-	-	510,038
Profit before income tax	701,840	108,686	(7,177)	2,771	(10,079)	796,041
Less income tax (expense)/benefit	(207,381)	(31,609)	2,112	(913)	-	(237,791)
Profit after tax	494,459	77,077	(5,065)	1,858	(10,079)	558,250
Less (profit)/loss attributable to non-controlling interests	(165,458)	(30,931)	2,412	(402)	-	(194,379)
Profit after tax attributable to members	329,001	46,146	(2,653)	1,456	(10,079)	363,871
Profit after tax attributable to members (as above)	329,001	46,146	(2,653)	1,456	(10,079)	363,871
Non-regular (profit) after tax attributable to members (note 3b)	(203,410)	-	736	-	-	(202,674)
Regular profit after tax attributable to members	125,591	46,146	(1,917)	1,456	(10,079)	161,197
Profit before income tax includes the following items:						
Interest revenue	122,257	-	-	525	(298)	122,484
Interest (expense)	(2,692)	-	(298)	-	298	(2,692)
Depreciation and amortisation (expense)	(1,650)	(39,521)	(614)	(34)	-	(41,819)
Impairment (expense)	(41,492)	-	-	-	-	(41,492)
Share of results from equity accounted associates	36,884	-	-	(314)	12	36,582
Segment assets as at 31 July 2011	3,473,943	982,158	104,037	12,648	(97,185)	4,475,601
Total segment assets include:						
Equity accounted associates	763,688	-	-	810	-	764,498
Additions to property, plant, equipment and intangibles	48,681	273,223	92,693	18	-	414,615

NOTE 3. SEGMENT INFORMATION (continued)

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

				Attributable to:	
Year ended 31 July 2012	**Before tax $'000**	**Tax $'000**	**After Tax $'000**	**Non-controlling interest $'000**	**Members $'000**
Gain on deemed disposal of an associate	**4,030**	**(1,209)**	**2,821**	**-**	**2,821**
Tax consolidation benefits	**-**	**43,544**	**43,544**	**14,174**	**29,370**
De-recognition of deferred taxes	**-**	**(8,246)**	**(8,246)**	**(8,130)**	**(116)**
Impairment (expense)/reversal	**(48,613)**	**2,461**	**(46,152)**	**(24,420)**	**(21,732)**
Share of significant (expenses) from associate entities	**(26,820)**	**5,383**	**(21,437)**	**-**	**(21,437)**
Other	**(840)**	**731**	**(109)**	**372**	**(481)**
Total non-regular items – (loss)	**(72,243)**	**42,664**	**(29,579)**	**(18,004)**	**(11,575)**
Year ended 31 July 2011					
Gain on disposal of long term equity investments	30,435	(7,222)	23,213	-	23,213
Gain on disposal of Arrow Energy Limited	466,192	(136,837)	329,355	132,401	196,954
Gain on disposal of New Lenton Joint Venture	57,740	(17,322)	40,418	16,284	24,134
Gain on acquisition of a controlled entity	4,150	-	4,150	-	4,150
Impairment (expense)	(41,492)	40	(41,452)	(5,532)	(35,920)
Share of significant (expenses) from associate entities	(20,700)	-	(20,700)	-	(20,700)
Gain on first time recognition of BKI Investment Company Limited as an equity accounted associate	14,847	(3,879)	10,968	-	10,968
Other	(1,134)	340	(794)	(669)	(125)
Total non-regular items – profit	510,038	(164,880)	345,158	142,484	202,674

NOTE 4. REVENUE

	2012 $'000	2011 $'000
From operating activities		
Sales revenue	**765,943**	607,296
Other revenue		
Dividends received		
- Other corporations	**34,423**	24,418
Interest received		
- Associates	**7**	-
- Other corporations	**106,212**	122,484
Rental income	**919**	905
Other	**4,855**	3,284
Total other revenue	**146,416**	151,091
Total revenue	**912,359**	758,387

NOTE 5. OTHER INCOME

	2012 $'000	2011 $'000
Gain on sale of Arrow Energy Limited	**-**	466,192
Gain on sale of New Lenton Joint Venture	**-**	57,740
Gain on deemed disposal of equity accounted associates	**4,030**	873
Gain on transfer of BKI Investment Company Limited to an equity accounted associate	**-**	14,847
(Losses) on investments fair valued through profit and loss	**(8,623)**	(7,139)
(Losses)/gain on sale of long term equity investments	**(27)**	30,435
Gain on acquisition of controlled entity	**437**	4,150
Other items	**159**	211
Total other income	**(4,024)**	567,309

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 6. EXPENSES

	2012 $'000	2011 $'000
Profit before income tax expense includes the following specific expenses:		
Depreciation		
Buildings	**1,012**	903
Plant and equipment	**42,831**	33,931
Total depreciation	**43,843**	34,834
Amortisation		
Non-current assets		
Mining reserves and mine development	**11,647**	6,024
Exploration and evaluation assets	**40**	-
Intangible assets	**1,187**	961
Total amortisation – non-current assets	**12,874**	6,985
Impairment charges/(reversals)		
Investments – Associates (a)	**(8,949)**	26,795
Goodwill in subsidiary (b)	**33,387**	-
Investments – Long term equity investments (c)	**19,813**	13,531
Property plant and equipment	**6,299**	-
Other assets	**3,877**	1,166
Total impairment	**54,427**	41,492
Employee benefits expense	**124,879**	98,685
Finance costs		
Interest and finance charges paid/payable	**3,303**	2,692
Rental expense relating to operating leases	**4,263**	3,621
Exploration costs expensed	**11,338**	16,294

a) The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2012. Where the carrying values of the investments exceeded the recoverable amounts, the investment has been impaired. At each reporting date, an assessment will be made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment expense, the impairment expense may be reversed through the income statement. During the year ended 31 July 2012, an impairment reversal of $6,208,000 has been recorded in relation to Australian Pharmaceutical Industries Limited. In addition, an impairment reversal of $2,741,000 has been recorded in relation to Ruralco Limited. Refer to note 36.

b) During the year, New Hope Corporation Limited (NHC) acquired the remaining interest in Northern Energy Corporation Limited (NEC). On attaining 100%, NEC became part of the New Hope tax consolidated group. Upon joining the tax consolidated group, NEC tax bases were reset which resulted in a reduction of $35,162,000 in the deferred tax position. The decrease in assets led to a reassessment of the carrying value of Goodwill previously recognised and a subsequent impairment charge of $33,387,000.

c) During the year ended 31 July 2012, there were significant decreases in the share prices of certain listed equity investments held by the Group. In accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment'. Where a long term equity investment's market bid price is lower than the original cost, and the investment is considered by management to be 'impaired', the Group has recognised an impairment expense in respect of these investments. An impairment recognised for a long term equity investment is prohibited from being reversed through profit and loss. Any future increments in the bid price of these investments will be recognised as a fair value increment in the asset revaluation reserve.

NOTE 7. INCOME TAX EXPENSE

	2012 $'000	2011 $'000
a) Income tax expense		
Current tax	**69,993**	216,257
Deferred tax	**(32,644)**	16,388
Tax expense on transfers from equity	**-**	7,339
(Over) provided in prior years	**(3,261)**	(2,193)
	34,088	237,791
Deferred income tax/(revenue) included in income tax expense		
(Increase) in deferred tax assets – (note 21)	**(8,208)**	(13,816)
(Decrease)/Increase in deferred tax liabilities – (note 28)	**(24,436)**	30,204
	(32,644)	16,388
b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**223,398**	796,041
Tax at the Australian tax rate of 30% (2011: 30%)	**67,019**	238,812
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Goodwill impairment and other amortisation	**8,856**	12,837
Non-assessable income	**-**	(6,164)
Tax consolidation benefit (1)	**(43,544)**	-
Net capital gain	**326**	-
Franked dividends and other investment income	**(17,504)**	(8,797)
Tax losses and timing differences for which no deferred tax assets are recognised	**11,072**	1,860
Share based payment expense	**365**	7
Sundry items	**1,375**	1,429
Total tax expense	**27,965**	239,984
Prior year tax losses reversed in current year	**9,384**	-
(Over) provision in prior years	**(3,261)**	(2,193)
Total income tax expense	**34,088**	237,791
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 21 and 28)	**(21,425)**	(144,308)
d) Tax effect of impairments		
Impairments and unused tax losses for which no deferred tax asset has been recognised	**175,678**	217,112
Potential tax benefit at 30%	**52,703**	65,134

(1) Tax consolidation adjustments arise on taking 100% ownership in another entity. The tax consolidation benefits recognised are due to Northern Energy Corporation Limited (NEC) joining the New Hope tax consolidated group ($35,162,000) and Souls Private Equity Limited joining the Washington H. Soul Pattinson and Company Limited tax consolidated group ($8,382,000)

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 8. DIVIDENDS – WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

	2012 $'000	2011 $'000
a) Ordinary shares		
Final dividend for the year ended 31 July 2011 of 25 cents (2010 – 20 cents) per fully paid share paid on 5 December 2011 (2010 – 6 December 2010) fully franked based on tax paid at 30%.	**59,660**	47,728
Special dividend in the prior year ended 31 July 2010 of 12.5 cents per fully paid share paid on 6 December 2010 fully franked based on tax paid at 30%.	**-**	29,830
Interim dividend for the year ended 31 July 2012 of 17 cents (2011 – 15 cents) per fully paid share paid on 10 May 2012 (2011 – 12 May 2011) fully franked based on tax paid at 30%.	**40,697**	35,796
Total dividends provided for or paid	**100,357**	113,354

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 27 cents per fully paid ordinary share, (2011 – 25 cents) fully franked based on tax paid at 30%.	**64,637**	59,660

This proposed dividend expected to be paid on 10 December 2012 (2011 – 5 December 2011) out of retained profits as at 31 July 2012, and has not been recognised as a liability at year end

c) Franked Dividends

The franked portions of the final dividends recommended after 31 July 2012 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 2012.

Franking credits available for subsequent financial years based on a tax rate of 30% (2011 – 30%).	**456,783**	376,257
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 dividend to be paid on 10 December 2012 (2011 – 5 December 2011).	**(27,701)**	(25,569)
	429,082	350,688

d) Dividend reinvestment plans

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

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Cash at bank and on hand	**78,173**	79,783

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	**78,173**	79,783

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 3.7% (2011: 0% and 5.1%).

c) Risk exposure

Information about the Group's exposure to credit risk and foreign exchange risk is detailed in note 31.

NOTE 10. CURRENT ASSETS – TERM DEPOSITS

Term deposits	**1,721,075**	1,927,911

Term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 5.21% (2011: 5.94%).

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 31.

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 11. CURRENT ASSETS –TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Trade receivables	**20,189**	43,908
Less: provision for impairment of receivables	**(143)**	(5)
	20,046	43,903
Loans and receivables to related entities	**2,338**	3
Less: impairment loss	**(1,171)**	-
	1,167	3
Loans to other parties – secured	**13,048**	15,543
Other receivables	**14,420**	76,514
Prepayments	**3,769**	4,978
	52,450	140,941

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 31.

b) Fair value of receivables

The fair value of receivables approximates their carrying values.

NOTE 12. CURRENT ASSETS – INVENTORIES

	2012	2011
Raw materials and stores – at cost	**21,566**	21,130
Work in progress – at cost	**15,535**	4,929
Finished goods – at cost	**45,020**	49,134
	82,121	75,193

Inventory expense

Inventories recognised as expense during the year ended 31 July 2012 amounted to $294,669,000 (2011: $248,399,000).

NOTE 13. CURRENT ASSETS – INVESTMENTS FAIR VALUED THROUGH PROFIT AND LOSS

	2012 $'000	2011 $'000
Investments held for the short to medium term		
- Listed equity securities	**8,359**	36,325
- Other securities	**1,662**	1,262
	10,021	37,587

Information regarding the Group's exposure to price risk is set out in note 31.

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

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

NOTE 14. 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):

	2012 $'000	2011 $'000
Current assets		
- Forward exchange contracts	**20,393**	31,880
Non-current assets		
- Forward exchange contracts	**9,971**	8,807
	30,364	40,687

Sell US dollars	**Buy Australian dollars**		**Average exchange rate**	
	2012	2011	**2012**	2011
Maturity	**$'000**	$'000		
0 to 6 months	**106,225**	112,572	**0.93198**	0.95050
6 to 12 months	**83,397**	182,283	**0.91130**	0.94359
1 to 2 years	**29,483**	39,519	**0.91579**	0.75913
2 to 5 years	**84,568**	-	**0.86321**	-
	303,673	334,374		

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 reporting date $303,673,000 (2011: $334,374,000) was receivable (AUD equivalents).

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

NOTE 15. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Loans to related entities	**12,036**	12,204
Less impairment on loans to related entities	**(11,007)**	(11,007)
	1,029	1,197
Prepayments	**1,759**	2,275
Other receivables	**7,449**	3,165
	10,237	6,637

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 15. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

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 31.

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 38 and 39.

NOTE 16. NON-CURRENT ASSETS – EQUITY ACCOUNTED ASSOCIATES

	2012 $'000	2011 $'000
Shares in associated companies (refer note 36)	**782,506**	764,498

NOTE 17. NON-CURRENT ASSETS – LONG TERM EQUITY INVESTMENTS

	2012 $'000	2011 $'000
Listed securities		
Equity securities	**502,295**	504,558
Preference shares	**3,281**	3,317
	505,576	507,875
Unlisted securities		
Equity securities	**3**	3
	505,579	507,878

Information regarding the Group entity's exposure to price risk is set out in note 31.

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 18. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	2012 $'000	2011 $'000
Other financial assets – at cost	**17,601**	7,040

Other financial assets at reporting date do not trade in an active market. The cost price approximates the fair value.

NOTE 19. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT

2012	Land $'000	Buildings $'000	Plant, fixtures, motor vehicles $'000	Mining reserves and leases $'000	Mine development $'000	Total $'000
At 1 August 2011						
Cost or fair value	114,937	27,595	545,660	256,660	85,312	1,030,164
Accumulated depreciation/amortisation	-	(3,835)	(206,831)	(7,017)	(36,877)	(254,560)
Net book amount	114,937	23,760	338,829	249,643	48,435	775,604
Year ended 31 July 2012						
Opening net book amount	114,937	23,760	338,829	249,643	48,435	775,604
Asset acquired by purchase of subsidiaries	4,338	821	699	-	-	5,858
Additions	19,726	42	28,403	-	-	48,171
Transfers in/(out)	-	934	(1,446)	-	(6,348)	(6,860)
Disposal of assets	-	-	(626)	-	-	(626)
Impairment of assets	-	(3,299)	(3,000)	-	-	(6,299)
Depreciation/amortisation charge	-	(1,012)	(42,831)	(3,553)	(8,094)	(55,490)
Closing net book amount	139,001	21,246	320,028	246,090	33,993	760,358
At 31 July 2012						
Cost or fair value	139,001	26,093	558,250	256,660	79,160	1,059,164
Accumulated depreciation/amortisation	-	(4,847)	(238,222)	(10,570)	(45,167)	(298,806)
Net book amount	139,001	21,246	320,028	246,090	33,993	760,358

i. Pledged assets

As at 31 July 2012, $5,094,000 of the Group's assets were pledged as security.

NOTE 19. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT (continued)

2011	Land $'000	Buildings $'000	Plant, fixtures, motor vehicles $'000	Mining reserves and leases $'000	Mine development $'000	Total $'000
At 1 August 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
Year ended 31 July 2011						
Opening net book amount	106,136	21,135	300,206	3,113	28,116	458,706
Additions	8,029	50	67,064	-	9,879	85,022
Asset acquired by purchase of subsidiaries	772	629	12,667	246,847	16,147	277,062
Transfers in/(out)	-	2,849	(5,818)	-	-	(2,969)
Disposal of assets	-	-	(193)	-	-	(193)
Impairment of assets	-	-	(1,166)	-	-	(1,166)
Depreciation/amortisation charge	-	(903)	(33,931)	(317)	(5,707)	(40,858)
Closing net book amount	114,937	23,760	338,829	249,643	48,435	775,604
At 31 July 2011						
Cost or fair value	114,937	27,595	545,660	256,660	85,312	1,030,164
Accumulated depreciation/amortisation	-	(3,835)	(206,831)	(7,017)	(36,877)	(254,560)
Net book amount	114,937	23,760	338,829	249,643	48,435	775,604

i. Pledged assets

As at 31 July 2011 and 31 July 2010, no assets of the Group were pledged as security.

NOTE 20. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	2012 $'000	2011 $'000
Exploration and evaluation at cost	**41,334**	8,508
Reconciliation		
Opening net book amount	**8,508**	3,030
Additions	**32,866**	5,478
Amortisation	**(40)**	-
Closing net book amount	**41,334**	8,508

NOTE 21. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2012 $'000	2011 $'000
The balance comprises temporary differences attributed to:		
Amounts recognised in income statement		
Provisions	**18,859**	12,120
Receivables and accrued expenses	**762**	808
Impairment losses	**6,031**	1,650
Tax value of losses carried-forward	**39,747**	47,965
Other	**9,516**	4,651
	74,915	67,194
Amounts recognised directly in equity		
Long term equity investments	**12,797**	5,208
Share issue costs	**10**	14
	87,722	72,416
Set-off of deferred tax liabilities pursuant to set-off provisions (note 28)	**(44,516)**	(28,237)
Net deferred tax assets	**43,206**	44,179
Movements:		
Opening balance at 1 August	**72,416**	55,133
Amounts recognised on acquisition of subsidiary	**150**	3,505
Credited to the income statement – operating profit (note 7)	**8,208**	13,816
Credited to equity (note 7)	**6,948**	(38)
Closing balance at 31 July	**87,722**	72,416

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 22. NON CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill $'000	Other $'000	Total $'000
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
Year ended 31 July 2011			
Opening net book amount	5,596	1,395	6,991
Additions	45,889	1,164	47,053
Amortisation (charge)	-	(961)	(961)
Disposals	-	(2)	(2)
Transfers in	-	2,969	2,969
Closing net book amount	51,485	4,565	56,050
At 31 July 2011			
Cost	62,197	11,309	73,506
Accumulated amortisation and impairment	(10,712)	(6,744)	(17,456)
Net book amount	51,485	4,565	56,050
Year ended 31 July 2012			
Opening net book amount	**51,485**	**4,565**	**56,050**
Additions	**-**	**285**	**285**
Amortisation (charge)	**-**	**(1,187)**	**(1,187)**
Impairment	**(33,387)**	**-**	**(33,387)**
Disposals	**-**	**(277)**	**(277)**
Transfers in	**-**	**513**	**513**
Closing net book amount	**18,098**	**3,899**	**21,997**
At 31 July 2012			
Cost	**62,197**	**11,830**	**74,027**
Accumulated amortisation and impairment	**(44,099)**	**(7,931)**	**(52,030)**
Net book amount	**18,098**	**3,899**	**21,997**

Amortisation of $1,187,000 (2011: $961,000) is charged to the income statement (note 6).

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	2012 $'000	2011 $'000
Coal mining			
- Goodwill	Australia		
Carrying amount at beginning of year		**51,485**	5,596
Acquisition of subsidary		**-**	45,889
Impairment of goodwill (i)		**(33,387)**	-
		18,098	51,485

NOTE 22. NON CURRENT ASSETS – INTANGIBLE ASSETS (continued)

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

(i) Coal Mining

Impairment relates to goodwill previously recognised on the acquisition of Northern Energy Corporation Limited (refer note 35).

Brought forward goodwill relates to the acquisitions of subsidiaries from an independent third party in an arms length transaction. The increase in goodwill in the prior year primarily relates to the acquisition of Northern Energy Corporation Limited refer note 35. The recoverable amount of the cash generating units (being the mining tenements in Northern Energy Corporation Limited) are determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on constant annual coal production over the life of the mines (12-30 years) discounted using a post-tax real discount rate, coal prices of US$85-$145 per tonne and a AUD/USD exchange rate of $0.80. The equivalent pre-tax discount rate is 10%. These assumptions are consistent with external sources of information.

NOTE 23. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Trade payables and other payables	**54,995**	62,467

NOTE 24. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	2012 $'000	2011 $'000
Deposits from related parties - Directors (25a)	**47,377**	44,168
Short term borrowings(25c)	**3,036**	-
Lease liability (25d)	**242**	-
	50,655	44,168

Further information relating to interest bearing liabilities is set out in note 25.

NOTE 25. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	2012 $'000	2011 $'000
Long term borrowings (c)	**2,174**	-
Lease liabilities (d)	**36**	-
	2,210	-

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 5.18% (2011:5.78%) at the reporting date. The effective interest rate applicable to these deposits is consistent with the interest rate that deposits of the parent entity receives, less a margin of at least 25 basis points.

b) Fair value disclosures

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

c) Borrowings

A subsidiary of the Group has a banking facility that is jointly guaranteed by a subsidiary.

The facility limit is $7,500,000 which is split into a Trade finance facility of $5,000,000 and business flexible rate loan of $2,500,000.

d) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 25. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (continued)

e) Financing arrangements

	2012 $'000	2011 $'000
The consolidated entity 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	**92,817**	55,000
Used at balance date	**(66,729)**	(37,578)
Unused at balance date	**26,088**	17,422
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	**37,474**	23,526
The liability has been recognised by New Hope Corporation Limited in relation to its rehabilitation obligations.		
ii. Statutory body suppliers	**24,161**	14,052
No liability was recognised by New Hope Corporation Limited in relation to these guarantees as no losses are foreseen on these contingent liabilities.	**61,635**	37,578

NOTE 26. CURRENT LIABILITIES – PROVISIONS

	2012 $'000	2011 $'000
Mining restoration and site rehabilitation	**6,015**	1,923
Employee benefits	**25,705**	19,634
	31,720	21,557

Movements in total provisions 2012	**Mining Restoration and site rehabilitation $'000**
Carrying amount at beginning of year	**22,186**
Additional provisions recognised	**18,045**
Carrying amount at end of year	**40,231**
Disclosed as:	
Current liabilities	**6,015**
Non-current liabilities	**34,216**
	40,231

NOTE 27. NON-CURRENT LIABILITIES – PROVISIONS

	2012 $'000	2011 $'000
Mining restoration and site	**34,216**	20,263
Employment benefits	**5,094**	5,486
	39,310	25,749

NOTE 28. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributed to:

Amounts recognised in income statement		
Property plant and equipment	**21,991**	22,767
Mine reserves	**730**	839
Capitalised exploration	**4,542**	-
Inventories	**5,170**	4,979
Investments	**57,052**	60,022
Receivables	**7,766**	14,299
Other	**1,298**	19,582
	98,549	122,488
Amounts recognised on acquisition of subsidiaries		
Mine reserves	**65,545**	65,545
Property plant and equipment	**8,702**	8,702
Other	**(8,436)**	(8,436)
	65,811	65,811
Amounts recognised directly in equity		
Long term equity investments	**46,623**	56,198
Cash flow hedges	**9,109**	12,206
Property plant and equipment	**7,160**	7,160
Other	**(499)**	665
	62,393	76,229
Total deferred tax liabilities	**226,753**	264,528
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	**(44,516)**	(28,237)
Net deferred tax liabilities	**182,237**	236,291
Movements:		
Opening balance 1 August	**264,528**	310,288
Charged to the income statement – operating profit (note 7)	**(24,436)**	30,204
Charged to equity (note 7c)	**(14,477)**	(144,346)
Amounts recognised on acquisition of subsidiary	**1,138**	68,382
Closing balance at 31 July	**226,753**	264,528

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 29. SHARE CAPITAL

	Parent entity		Parent entity	
	2012 No of shares	**2012 $'000**	2011 No of shares	2011 $'000
(a) Share capital				
Fully paid ordinary shares	**239,395,320**	**43,232**	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.

(b) Movements in ordinary share capital

Date	Details	Notes	No of shares	Issue price	$'000
1 August 2011	Opening balance		238,640,580		32,900
4 January 2012	Takeover of Souls Private Equity Limited	(i)	754,740	$13.69	10,332
31 July 2012	**Closing balance**		**239,395,320**		**43,232**

(i) On 19 September 2011, Washington H. Soul Pattinson and Company Limited announced a proposal to acquire all of the outstanding Souls Private Equity Limited (ASX: SOE) shares not already owned by Washington H. Soul Pattinson and Company Limited for $0.163 per share. The proposal valued Souls Private Equity Limited at approximately $97.5 million (fully diluted, including options). Under the proposal, Souls Private Equity Limited shareholders were able to receive consideration in cash or in Washington H. Soul Pattinson and Company Limited shares.

On the 4 January 2012, 754,740 fully paid ordinary shares in Washington H. Soul Pattinson and Company Limited were issued as part of the consideration for the acquisition by Washington H. Soul Pattinson and Company Limited of all the ordinary shares in Souls Private Equity Limited other than those held by Washington H. Soul Pattinson and Company Limited under the Share Scheme.

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 2012, the parent entity had no external borrowings to financial institutions. WHSP is not subject to any externally imposed capital requirements.

NOTE 30. RESERVES AND RETAINED PROFITS

	2012 $'000	2011 $'000
a) Reserves		
General reserve	**404,548**	404,548
Capital redemption reserve	**-**	-
Asset revaluation reserve	**117,248**	144,892
Capital profits reserve	**11,368**	11,368
Hedging reserve	**12,511**	17,217
Share-based payments reserve	**1,045**	(73)
Foreign currency translation reserve	**(3,028)**	(3,414)
Treasury share reserve	**(327)**	(327)
Equity reserve	**(4,652)**	(4,119)
Balance 31 July	**538,713**	570,092

NOTE 30. RESERVES AND RETAINED PROFITS (continued)

b) Movements:	2012 $'000	2011 $'000
General reserve		
Balance 31 July	**404,548**	404,548
Capital redemption reserve		
Balance 1 August	**-**	2,800
Transfer to share capital of subsidary	**-**	(2,800)
Balance 31 July	**-**	-
Asset revaluation reserve		
Balance 1 August	**144,892**	385,215
Revaluation of long term equity investments, gross	**(53,463)**	(14,512)
Revaluation of long term equity investments, deferred tax	**18,802**	4,208
Transfer on sale of long term equity investments to profit, gross	**315**	(309,409)
Transfer on sale of long term equity investments to profit, deferred tax	**(425)**	91,153
Transfer on impairment of long term equity investments to profit, gross	**14,009**	5,655
Transfer on impairment of long term equity investments to profit, deferred tax	**(4,203)**	-
Transfer to profit of equity accounted investment previously classified as an long term equity investment	**-**	(13,552)
Share of associates (decrements)/ increments	**(2,679)**	5
Elimination on acquisition of subsidiary – Northern Energy Limited	**-**	(3,871)
Balance 31 July	**117,248**	144,892
Capital profits reserve		
Balance 31 July	**11,368**	11,368
Hedging reserve		
Balance 1 August	**17,217**	11,631
Revaluation, gross	**9,131**	42,978
Revaluation, deferred tax	**(2,739)**	(12,894)
Transfer to profit, gross	**(15,294)**	(35,012)
Transfer to profit, deferred tax	**4,588**	10,504
Shares of associates (decrements) /increments	**(392)**	10
Balance 31 July	**12,511**	17,217
Share-based payment reserve		
Balance 1 August	**(73)**	1,842
Share-based payment and option expense	**1,188**	15
Transfer to share capital	**(70)**	(1,930)
Balance 31 July	**1,045**	(73)
Foreign currency translation reserve		
Balance 1 August	**(3,414)**	(2,667)
Exchange difference on translation of foreign controlled entity and associates	**6**	(14)
Share of associates increments / (decrement)	**380**	(733)
Balance 31 July	**(3,028)**	(3,414)
Treasury share reserve		
Balance 31 July	**(327)**	(327)
Equity reserve		
Balance 1 August	**(4,119)**	(4,167)
Movement	**(533)**	48
Balance 31 July	**(4,652)**	(4,119)

NOTE 30. 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.

Refer to note 35 e) for the Parent entity's interest in controlled entities.

NOTE 31. 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:	**2012 $'000**	2011 $'000
Financial assets		
Cash and cash equivalents	**78,173**	79,783
Term deposits	**1,721,075**	1,927,911
Loans and receivables	**62,687**	147,578
Investments fair valued through profit and loss	**10,021**	37,587
Derivative financial instruments	**30,364**	40,687
Long term equity investments	**505,579**	507,878
Other financial assets	**17,601**	7,040
Total financial assets	**2,425,500**	2,748,464
Financial liabilities		
Trade and other payables	**54,995**	62,467
Deposits accepted	**47,377**	44,168
Borrowings	**5,210**	-
Lease liabilities	**278**	-
Total financial liabilities	**107,860**	106,635

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 65% of anticipated transactions (export coal sales) in US Dollars for the subsequent year, up to 57% of anticipated revenue beyond a year but less than two years and up to 50% for revenue beyond two years but less than three years. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

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

US dollar exposure	**2012 USD $'000**	2011 USD $'000
Cash and cash equivalents	**37,590**	17,265
Trade receivables	**2,196**	37,306
Forward exchange contracts – sell foreign currency (cash flow hedge)	**275,000**	309,000
Trade payables	**752**	1,500
Total exposure to USD	**315,538**	365,071

NOTE 31. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

Sensitivity analysis

Based on the trade receivables, cash and trade payables held at 31 July 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by $3,052,000/($2,537,000) (2011: $3,981,000/($3,257,000)), mainly as a result of foreign exchange gains/losses on translation of US dollar receivables and cash balances as detailed in the preceeding table. The Group's equity as at reporting date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2012, 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 $23,751,000/($26,126,000) (2011: $25,644,000/($28,209,000). There is no effect on post-tax profits. Equity in 2012 is less sensitive to movements in the Australian dollar / USD exchange rates than in 2011 because of decreased value of forward exchange contracts in 2012.

ii. Price Risk

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

Investments held for the long-term are classified on the statement of financial position as 'long term equity investments'. As the market value of individual companies fluctuate, the fair value of the portfolio changes with the movement being recognised directly to equity. Where an investment's value falls below its cost, management may consider the investment to be impaired. An impairment expense is recognised in the income statement. Long term equity investments represent 13.4% (2011: 13.0 %) of the Group's net assets.

Investments held for the short to medium term are classified in 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 0.3% (2011: 1.0 %) of the Group's net assets.

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

Sensitivity analysis

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

	Impact to post-tax profit		**Impact on reserves**	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Investments fair valued through profit and loss	**(293)**	(1,271)	**-**	-
Long term equity investments	**(1,148)**	(1,222)	**(16,668)**	(20,854)
Total	**(1,441)**	(2,493)	**(16,668)**	(20,854)

iii. Fair value interest rate risk

Refer to (e) below.

NOTE 31. 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 25e). Such guarantees are only provided in exceptional circumstances and are subject to Board approval of the specific Group Company.

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:

	2012 $'000	2011 $'000
Cash and cash equivalents	**78,173**	79,783
Term deposits	**1,721,075**	1,927,911
Loans and receivables	**62,687**	147,578
Derivative financial instruments	**30,364**	40,687
	1,892,299	2,195,959

The loans and receivables balances as stated above reflect the recoverable value and are net of any impairments or provisions. Refer notes 11 and 15 for further description on certain impairments.

c) Liquidity risk

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

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

The Group entities manage liquidity risk by continually monitoring forecast and actual cashflows and matching maturity profiles of financial assets and liabilities. Surplus funds are only invested in conservative financial instruments such as term deposits with major banks. In addition, 13.7% (2011: 13.9%) 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 2012, the parent entity had no external borrowings from financial institutions. Details of financial facilities available are set out in note 25(e).

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 instruments is set out in note 14.

The Group's maturity analysis for other financial liabilities is described in note 25.

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 9 and 10 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 $12,600,000 (2011: $14,100,000). This scenario assumes all cash and term deposits at balance date continue to remain invested for the whole year.

At 31 July 2012, the parent entity has no external borrowings and therefore their income statements and operating cash flows are substantially independent of changes in market interest lending rates.

NOTE 31. FINANCIAL RISK MANAGEMENT (continued)

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 32. CONTINGENT LIABILITIES

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

	2012 $'000	2011 $'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.	**18,730**	15,017
ii. Undertakings and guarantees issued by a Controlled entity's bankers for stages 1 and 2 of the Wiggins Island Coal Export Terminal expansion project and expansion of rail facilities	**10,317**	11,892
ii. Undertakings and guarantees issued by a Controlled entity to related party	**-**	6,000
	29,047	32,909

For contingent liabilities relating to associates refer to note 36.

NOTE 33. COMMITMENTS FOR EXPENDITURE

a) Capital commitments

	2012 $'000	2011 $'000
Capital expenditure contracted for at the reporting date		
Property, plant and equipment		
Payable:		
Within one year	**7,586**	13,263

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:

	2012 $'000	2011 $'000
Within one year	**8,012**	13,540
Later than one year but not later than five years	**14,783**	20,660
Later than five years	**52,141**	57,795
	74,936	91,995

The Consolidated entity leases various plant and equipment under finance leases expiring within one to five years.

Commitments for minimum lease payments in relation to finance leases are payable as follows

	2012 $'000	2011 $'000
Within one year	**272**	-
Later than one year but not later than five years	**40**	-
	312	-
Future finance charges	**(34)**	-
Recognise as a liability	**278**	
Representing lease liabilities:		
Current (note 24)	**242**	-
Non-current (note 25)	**36**	-
	278	-

The weighted average interest rate implicit in the leases is 9.81%

For commitments relating to associates refer to note 36.

NOTE 34. 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	2012 $'000	2011 $'000
Current assets		
Cash and cash equivalents	**6,491**	2,528
Term deposits	**268,000**	317,500
Trade and other receivables	**29,936**	57,719
Inventories	**1,061**	1,045
Investments fair valued through profit and loss	**10,021**	11,253
Total current assets	**315,509**	390,045
Non-current assets		
Trade and other receivables	**64,588**	4,067
Long term equity investments	**432,811**	415,861
Other financial assets	**535,075**	421,725
Property plant and equipment	**3,077**	3,362
Deferred tax assets	**37,218**	31,011
Total non-current assets	**1,072,769**	876,026
Total assets	**1,388,278**	1,266,071
Current liabilities		
Trade and other payables	**2,725**	932
Interest bearing liabilities	**63,640**	44,249
Current tax liability	**2,807**	4,596
Provisions	**691**	521
Total current liabilities	**69,863**	50,298
Non-current liabilities		
Deferred tax liabilities	**33,647**	43,382
Provisions	**1,194**	1,149
Non-current liabilities	**34,841**	44,531
Total liabilities	**104,704**	94,829
Net assets	**1,283,574**	1,171,242
Equity		
Share capital	**43,232**	32,900
Reserves		
General reserve	**402,206**	402,206
Asset revaluation reserve	**85,435**	103,690
Retained profits	**752,701**	632,446
Total equity	**1,283,574**	1,171,242
Profit for the year	**220,612**	188,903
Other comprehensive income		
Net movement in the fair value of long term equity investments, net of tax	**(18,254)**	(39,771)
Total comprehensive income for the year	**202,358**	149,132

NOTE 34. PARENT ENTITY FINANCIAL INFORMATION (continued)

b) Guarantees entered into by the parent entity

During the year, the Parent entity provided a guarantee for an environmental bond of $3,870,000 to Copperchem Limited. No guarantees were provided in the prior year ended 31 July 2011.

c) Contingent liabilities of the parent entity

The Parent entity did not have any contingent liabilities as at 31 July 2012 or 31 July 2011.

d) Contractual commitments for the acquisition of property, plant or equipment

The Parent entity did not have any contractual commitments as at 31 July 2012 or 31 July 2011.

NOTE 35. SUBSIDIARIES

Name of entity	Country of incorporation	Equity holding 2012 %	Equity holding 2011 %
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
CopperChem Limited	Australia	93.4	52.4
Souls Financial Solutions Pty. Limited	Australia	-	65.0
Souls Private Equity Limited *	Australia	100.0	13.4
PCP Holdings 1 Pty. Limited*	Australia	100.0	13.4
PCP Holdings 2 Pty. Limited*	Australia	100.0	13.4
Cromford Group Pty. Limited*	Australia	100.0	13.4
Cromford Pipe Pty. Limited*	Australia	100.0	13.4
Food and Beverage Company Limited	Australia	100.0	13.4
Austgrains Pty. Limited	Australia	51%	-
Pitt Capital Partners Limited	Australia	100.0	78.3
Corporate & Administrative Services Pty. Ltd	Australia	100.0	78.3
Pitt Capital Nominees Pty. Ltd	Australia	100.0	78.3
Pitt Capital Asia Ltd	Hong Kong	100.0	78.3
New Hope Corporation Limited*	Australia	59.7	59.7
Jeebropilly Collieries Pty. Limited *	Australia	59.7	59.7
Fowlers Engineering Pty. Limited *	Australia	59.7	59.7
Tivoli Coal (Hawaii) Pty. Limited *	Australia	59.7	59.7
New Hope Collieries Pty. Limited *	Australia	59.7	59.7
Tivoli Collieries Pty. Limited *	Australia	59.7	59.7
Andrew Wright Holdings Pty. Limited *	Australia	59.7	59.7
Tetard Holdings Pty. Limited *	Australia	59.7	59.7
Queensland Bulk Handling Pty. Limited	Australia	59.7	59.7
New Oakleigh Coal Pty. Limited *	Australia	59.7	59.7
New Hope Exploration Pty. Limited *	Australia	59.7	59.7
Seven Mile Coal Pty. Limited *	Australia	59.7	59.7
New Acland Coal Pty. Limited *	Australia	59.7	59.7
Acland Pastoral Co. Pty. Limited *	Australia	59.7	59.7
Arkdale Pty. Limited *	Australia	59.7	59.7

NOTE 35. SUBSIDIARIES (continued)

Name of entity	Country of incorporation	Equity holding 2012 %	2011 %
b) Controlled entities (continued)			
New Hope Corporation Limited* (continued)			
New Lenton Coal Pty. Limited *	Australia	59.7	59.7
New Saraji Coal Pty. Limited *	Australia	59.7	59.7
New Hope Water Pty. Limited *	Australia	59.7	59.7
New Hope Coal Marketing Pty. Limited *	Australia	59.7	59.7
New Hope Energy Pty. Limited *	Australia	59.7	59.7
New Hope Energy (USA) Inc	USA	59.7	59.7
New Hope Services Pty. Limited *	Australia	59.7	59.7
Hueridge Pty. Limited *	Australia	59.7	59.7
Uniford Pty. Limited *	Australia	59.7	59.7
eCOALogical Pty. Limited *	Australia	59.7	59.7
Lenton Management and Marketing Pty Limited *	Australia	59.7	59.7
Krestlake Pty. Limited *	Australia	59.7	59.7
Mattvale Pty. Limited *	Australia	59.7	59.7
Estwood Pty. Limited *	Australia	59.7	59.7
Northern Energy Corporation Limited *	Australia	59.7	48.3
Taroom Coal Proprietary Limited *	Australia	59.7	48.3
Colton Coal Pty. Limited *	Australia	59.7	48.3
Yamala Coal Pty. Limited *	Australia	59.7	48.3
Elimatta Pastrol Pty. Limited *	Australia	59.7	48.3

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

c) Acquisition of controlled entities

i) Acquisitions during the year included:

During the year ended 31 July 2012, the Group acquired control of the following entities:

Austgrains Pty. Limited – Held by Souls Private Equity Limited

On 1 September 2011, a controlled entity of WHSP, Souls Private Equity Limited, increased its shareholding in Austgrains Pty. Limited to 51%. From this date, results and balances of Austgrains have been consolidated. Austgrains was previously held as an equity accounted associate.

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

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

CopperChem Limited (CopperChem) – Held by WHSP

In September 2009, WHSP acquired a 50% share of CopperChem Limited (CopperChem) for $21,000,000. On 1 October 2010, WHSP acquired an additional 2.38% share of CopperChem for $3,000,000 and on this date, WHSP obtained control of CopperChem. As a result of this transaction, the initial 50% investment held by WHSP was fair valued, resulting in a gain on acquisition of $4,150,000.

All consideration has been settled in cash and was paid directly by WHSP to CopperChem in exchange for issue of shares in CopperChem. There is no contingent consideration.

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

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

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

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 35. SUBSIDIARIES (continued)

c) Acquisition of controlled entities (continued)

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

Northern Energy Corporation Limited – Held by New Hope Corporation Limited

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

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

Purchase consideration (refer below)	2012 $'000
Cash paid – prior years	3,286
Cash paid – current years	183,634
Total purchase consideration	186,920

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

	Fair Value 2012 $'000
Cash	11,674
Term deposits	10,255
Trade and other receivables	2,289
Property, plant and equipment *(iv)*	218,563
Trade payables	(112)
Provision	(107)
Deferred tax liability	(56,982)
Net identifiable assets acquired	185,580
Less: non-controlling interests *(ii)*	(44,318)
Add: Goodwill *(i)*	45,658
Net assets acquired	186,920

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

(ii) Non-controlling interests

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

(iii) Revenue and profit contribution

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

(iv) Property, plant and equipment

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

NOTE 35. SUBSIDIARIES (continued)

c) Acquisition of controlled entities (continued)

Purchase consideration	2012 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	183,634
Less: Cash balances acquired	(11,674)
Outflow of cash – investing activities	171,960

Acquisition Related Costs

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

d) Loss of control and disposals of controlled entities

i) Transactions during the year:

The Group did not dispose of any controlled entities during the current year.

ii) Transactions during the prior year:

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

e) Changes in ownership of controlled entities

New Hope Corporation Limited – Northern Energy Corporation Limited take over

On 11 November 2011 Northern Energy Corporation Limited (Northern Energy) became 100% owned by New Hope Corporation Limited (New Hope), with the remaining interest of 19.17% purchased for $50,207,000. The acquisition was recognised by the Group as a decrease in non-controlling interests of $44,177,000. WHSP's share of the decrease in equity reserves attributable to the owners was $3,599,000.

Washington H. Soul Pattinson and Company Limited's - Increase in share holding of CopperChem Limited

On 9 October 2011, Washington H. Soul Pattinson and Company Limited's shareholding in Copperchem Limited increased from 52.4% to 93.4% on conversion of Class B shares into ordinary shares of the company. No additional consideration was paid in respect of the conversion. The acquisition was recognised by the Group as a decrease in non-controlling interests of $19,998,000.

Washington H. Soul Pattinson and Company Limited - Souls Private Equity Limited Takeover Offer

On the 4 January 2012, WHSP obtained 100% of share capital by way of cash paid of $74,152,000 for all outstanding SPEL shares that were not converted into WHSP shares (WHSP ASX: SOL) and 754,740 of new shares issued by WHSP in scrip consideration to shareholders and option holders. The acquisition was recognised by the Group as a decrease in non-controlling interests of $8,219,000.

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 35. SUBSIDIARIES (continued)

f) Deed of cross guarantee

During 2012, Washington H. Soul Pattinson and Company Limited and Souls Private Equity Limited entered into a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, Souls Private Equity Limited has been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

As the deed was only entered into during the current financial year, no comparatives have been presented.

i) Consolidated income statement, statement of comprehensive income, summary of movements in consolidated retained earnings and consolidated balance sheet

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Washington H. Soul Pattinson and Company Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income, a summary of movements in consolidated retained earnings for the year ended 31 July 2012 of the closed group and a consolidated balance sheet as at 31 July 2012 for the closed group.

	2012 $'000
Consolidated income statement – closed group	
Profit before income tax	**198,543**
Income tax expense	**(1,727)**
Profit after income tax	**196,816**
Loss after tax attributable to parties outside the closed group	**6,538**
Profit after tax attributable to closed group	**203,354**
Other Comprehensive income	
Net movement in fair value in of long term equity investments, net of tax	**(18,254)**
Share of other comprehensive income movements, net of tax	**(3,223)**
Total other comprehensive income for the year, net of tax	**(21,477)**
Total comprehensive income attributable to the closed group	**181,877**
Summary of movements in consolidated retained earnings	
Retained profits attributable to the closed group	
Retained profits at the beginning of the year	**944,446**
Profit for the year	**203,354**
Increase in ownership of Souls Private Equity Limited	**(4,293)**
Dividends declared and paid	**(100,357)**
Retained profits at the end of the year	**1,043,150**

NOTE 35. SUBSIDIARIES (continued)

f) Deed of cross guarantee (continued)

Consolidated balanced sheet – closed group	2012 $'000
Current assets	
Cash and cash equivalents	7,608
Term deposits	268,000
Trade and other receivables	34,539
Inventories	1,061
Investments fair valued through profit and loss	10,021
Total current assets	321,229
Non-current assets	
Trade and other receivables	88,642
Equity accounted associates	758,045
Long term equity investments	432,439
Other financial assets	74,905
Property, plant and equipment	3,077
Deferred tax assets	39,927
Total non-current assets	1,397,035
Total assets	1,718,264
Current liabilities	
Trade and other payables	2,814
Interest bearing liabilities	49,733
Current tax liability	2,807
Provisions	691
Total current liabilities	56,045
Non-current liabilities	
Deferred tax liabilities	88,027
Provisions	1,194
Total non-current liabilities	89,221
Total liabilities	145,266
Net assets	1,572,998
Equity	
Share capital	43,232
Reserves	486,616
Retained profits	1,043,150
Total equity	1,572,998

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 36. INVESTMENTS IN ASSOCIATES

a) Carrying amounts

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

b) Movement in carrying amounts	2012 $'000	2011 $'000
Carrying amount at 1 August	**764,498**	685,739
New investments during the period	**6,075**	43,525
BKI Investment Company Limited transferred from Long term equity investment to an equity accounted associate	**-**	53,309
Gain on BKI Investment Company Limited fair valued on transfer to equity accounted associate	**-**	14,847
Gain on deemed disposal of equity accounted associates	**4,030**	873
Equity accounted associate transferred (to) controlled entity	**(859)**	(21,000)
Share of profits after income tax, before writedowns	**35,037**	36,582
Impairment (expense)/reversal of equity accounted associate	**8,949**	(26,795)
Dividends received/receivable	**(50,364)**	(43,113)
Add back share of dividends received by associate	**19,105**	21,626
Share of associates (decrement) in reserves	**(3,965)**	(1,095)
Carrying amount at 31 July	**782,506**	764,498

c) Summarised share of associates financial information

Assets	**1,993,664**	1,989,190
Liabilities	**(752,459)**	(751,521)
Net assets	**1,241,205**	1,237,669

The share of associates net assets of $1,241,205,000 (2011: $1,237,669,000) includes the Group's share of the total net assets of Brickworks Limited. Brickworks Limited owns 42.72% (2011: 42.85%) of the issued capital in Washington H. Soul Pattinson and Company Limited. The equity accounted carrying value of this associate of $352,158,000 (2011: $377,504,000) excludes the Group's share of Brickworks Limited's equity accounted carrying value of Washington H. Soul Pattinson and Company Limited.

Revenue	**1,662,004**	1,752,865
Profit before income tax	**60,267**	52,616
Income tax expense	**(25,230)**	(16,034)
Profit after income tax	**35,037**	36,582

d) Share of associates' expenditure commitments

Capital commitments	**9,667**	23,914
Lease commitments	**127,132**	115,743

e) Contingent liabilities of associates

Share of incurred jointly with other investors	**9,500**	9,934

NOTE 36. INVESTMENTS IN ASSOCIATES (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 2012 %	Balance date Company 2011 %	Balance date Associate 2012 %	Balance date Associate 2011 %	Contribution to Group net profit 2012 $'000	Contribution to Group net profit 2011 $'000	Fair value of listed investments 2012 $'000	Fair value of listed investments 2011 $'000
Associates – held by WHSP									
Apex Healthcare Berhad									
Pharmaceutical manufacturer and distributor	**31 Dec**	**30.3**	30.3	**30.3**	30.3	**2,571**	3,983	**24,875**	27,672
Australian Pharmaceutical Industries Limited									
Pharmaceutical wholesaler	**31 Aug**	**24.6**	24.6	**24.6**	24.6	**7,424**	(5,622)	**41,474**	31,256
BKI Investment Company Limited (i)									
Listed investment company	**30 June**	**13.5**	13.7	**13.5**	13.7	**4,073**	1,103	**70,602**	70,891
Brickworks Limited									
Manufacturer of clay products	**31 July**	**44.5**	44.5	**44.5**	44.5	**(16,601)**	5,832	**661,703**	649,887
Clover Corporation Limited									
Refinement and processing of natural oil	**31 July**	**28.6**	28.6	**28.6**	28.6	**1,248**	1,314	**18,629**	14,384
KH Roberts Group Pte Ltd.									
Manufacturer of flavours, essences and colours	**31 July**	**49.0**	49.0	**49.0**	49.0	**513**	252	**n/a**	n/a
Ruralco Holdings Limited									
Rural supplies and services	**30 Sept**	**23.5**	23.5	**23.5**	23.5	**3,468**	4,090	**45,803**	42,439
TPG Telecom Limited (ii)									
Telecommunications and internet provider	**31 July**	**26.9**	26.8	**26.9**	26.8	**24,420**	20,643	**411,863**	320,128
Associates – held by Controlled entities (Souls Private Equity Limited and New Hope Corporation Limited)									
Ampcontrol Pty Limited (iii)									
Supplier of electrical and electronic products	**30 June**	**43.4**	45.0	**43.4**	45.0	**7,390**	4,644	n/a	n/a
Austgrains Pty Limited (iv)									
Agricultural supplies	**30 June**	**-**	48.0	**-**	48.0	**(6)**	(56)	n/a	n/a
Belaroma Coffee Pty Ltd									
Coffee roaster and distributor	**30 June**	**40.0**	40.0	**40.0**	40.0	**247**	310	n/a	n/a
Bridgeport Energy Ltd (v)									
Oil and gas production	**30 June**	**36.0**	35.0	**36.0**	35.0	**394**	(18)	n/a	n/a
BW Partners Pty Limited									
Property investment advisory service	**31 July**	**50.0**	50.0	**50.0**	50.0	**(428)**	(314)	n/a	n/a
InterRISK Australia Pty Ltd									
Insurance broker	**30 June**	**40.0**	40.0	**40.0**	40.0	**711**	547	n/a	n/a
Heritage Brands Limited									
Distribution of hair care and skin car products	**30 June**	**25.1**	25.1	**25.1**	25.1	**316**	(102)	n/a	n/a
Quantex Energy Inc									
Developing Coal to liquid oil technologies	**31 July**	**25.0**	25.0	**25.0**	25.0	**(955)**	(185)	n/a	n/a
Quantex Research Corporation									
Reasearching Coal to liquid oil technologies	**31 July**	**25.0**	25.0	**25.0**	25.0	**(86)**	(244)	n/a	n/a
Specialist Oncology Property Pty Limited (vi)									
Specialist medical services	**30 June**	**26.1**	26.5	**26.1**	26.5	**192**	250	n/a	n/a
Supercorp Pty Limited									
Financial services administration	**30 June**	**34.6**	34.6	**34.6**	34.6	**146**	155	n/a	n/a
Share of results from equity accounted associates before impairment						**35,037**	36,582		
Impairment (expense)/reversal									
- Australian Pharmaceutical Industries Limited						**6,208**	(33,005)		
- Ruralco Holdings Limited						**2,741**	6,210		
Total impairment (expense)/reversal of investment in associates						**8,949**	(26,795)		
Share of results and impairment from equity accounted associates						**43,986**	9,787		

NOTE 36. INVESTMENTS IN ASSOCIATES (continued)

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

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

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

(i) During the period, WHSP did not participate in the BKI Investments Limited dividend reinvestment plans (DRP) issued on 31 August 2011 and 9 March 2012. As a result of these DRPs, WHSP decreased its shareholding from 13.7% (31 July 2011) to 13.5%.

(ii) WHSP participated in the TPG Telecom Limited dividend reinvestment plan (DRP) issued on 22 November 2011. As a result of the DRP, WHSP increased its shareholding from 26.8% (31 July 2011) to 26.9%.

(iii) During the year, Ampcontrol Pty Limited's employees exercised options through their employee share scheme. As a result of the conversion of these options into shares, Souls Private Equity Limited (SPEL) shareholding decreased from 45% to 43.4% as at 31 July 2012.

(iv) On 1 September 2011, a controlled entity of WHSP, Souls Private Equity Limited (SPEL), increased its shareholding in Austgrains Pty Limited to 51%. From this date, results and balances of Austgrains have been consolidated.

(v) On 26 July 2012, a controlled entity of WHSP, New Hope Corporation (NHC), announced that, through one of its subsidiaries, it intended to make an off market takeover bid for all the shares it did not currently hold in Bridgeport Energy Limited. The offer was for $0.41 cash per share equivalent to $45,490,000. Refer to subsequent events note 43 for further detail.

NHC at 31 July 2012, equity accounted Bridgeport Energy Limited as an associate.

(vi) At various times throughout the financial year Specialist Oncology Property Limited issued shares to medical practitioners operating in its facilities, diluting the shareholding held by SPEL.

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. During the year ended 31 July 2012, $8,949,000 (2011: $6,210,000) of previously recognised impairment has been reversed.

The fair value of listed equity accounted investments represents 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.

NOTE 37. INVESTMENTS IN JOINT VENTURES

a) Lenton Joint Venutre

A subsidiary of New Hope Corporation Limited has entered into a joint venture to develop the Lenton project. The subsidiary has a 90% participating interest in this joint venture and is entitled to 90% of the output of the Lenton project. The group's interests employed in the joint venture are included in the statement of financial position, in accordance with the accounting policy described in note 1(b).

b) Taroom-Yamala Joint Venture

In March 2006, Northern Energy Corporation Limited, entered into a joint venture in relation to its Yamala (EPC927) project on the follow terms:

An external company will earn a 30% Joint Venture interest in the Yamala project (EPC927) through sole funding a three-stage $5,300,000 exploration and evaluation programme designed to take the project from its current status as an exploration target to completion of a bankable feasibility study for establishment of a mine within the tenement. On completion of the funding of the $5,300,000 farm-in, the external company will have the option to acquire a further 19% joint venture interest for $6,700,000.

As at 31 July 2012 the first two stages had been completed by funding of $3,000,000 and had earned a 17% interest in the project. At 31 July 2012 $nil is carried as exploration expenditure in relation to EPC927.

NOTE 37. INVESTMENTS IN JOINT VENTURES (continued)

c) Ashford Joint Venture

In February 2005, Northern Energy Corporation Limited (Northern Energy), entered into a joint venture in relation to the Ashford project. This project allows for the exploration and evaluation, and if warranted, development and exploitation of the tenements and all of the minerals within the tenements. Northern Energy acquired a 50% participating interest in the tenements with an option to acquire a further 25% participating interest in the tenements by sole funding certain expenditure.

NOTE 38. 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 (resigned 1 October 2012)

iii. Executive Director

Mr P R Robinson

iv. Non-executive Directors

Mr D J Fairfull

Mr T C D Millner (appointed 1 January 2011)

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 J Busch	Financial Controller and Company Secretary	New Hope Corporation Limited
Mr B D Denny	Chief Operations Officer	New Hope Corporation Limited
Mr R C Neale	Managing Director and Chief Executive Officer	New Hope Corporation Limited
Mr S O Stephan	Chief Financial Officer	New Hope Corporation Limited

NOTE 38. KEY MANAGEMENT PERSONNEL (continued)

c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated entity		Paid to KMP of the Parent entity	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Short-term employee benefits	**8,558**	6,219	**2,924**	2,918
Post-employment benefits	**362**	466	**267**	312
Share-based payments	**2,152**	24	**-**	-
Other	**2,272**	-	**2,272**	-
	13,344	6,709	**5,463**	3,230

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 42.

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	Disposed of during the year	Balance at end of year
2012					
Directors of Washington H. Soul Pattinson and Company Limited					
R D Millner	**19,474,256**	**370,374**	**-**	**-**	**19,844,630**
M J Millner	**19,097,126**	**188,081**	**-**	**-**	**19,285,207**
P R Robinson	**74,210**	**-**	**-**	**-**	**74,210**
D J Fairfull	**60,000**	**103,587**	**-**	**-**	**163,587**
T C D Millner	**16,547,669**	**179,522**	**-**	**-**	**16,727,191**
R G Westphal	**10,000**	**2,739**	**-**	**-**	**12,739**
D E Wills	**138,866**	**117,457**	**-**	**-**	**256,323**
Other key management personnel of the Group					
R C Neale	**4,000**	**-**	**-**	**-**	**4,000**
M R Roderick	**-**	**500**	**-**	**-**	**500**
2011					
Directors of Washington H. Soul Pattinson and Company Limited					
R D Millner	19,272,146	205,000	-	2,890[a]	19,474,256
M J Millner	18,907,126	190,000	-	-	19,097,126
P R Robinson	74,210	-	-	-	74,210
D J Fairfull	60,000	-	-	-	60,000
T C D Millner	N/A	16,545,869[b]	-	-	16,547,669
R G Westphal	5,000	5,000	-	-	10,000
D E Wills	123,866	15,000	-	-	138,866
Other key management personnel of the Group					
R C Neale	4,000	-	-	-	4,000

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

b. T C D Millner gained a relevant interest in family related holdings totalling 16,504,669 shares following his appointment as a Director of family related companies.

NOTE 38. 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 rights or options	Disposed of during the year	Balance at end of year
2012					
Directors of New Hope Corporation Limited					
R D Millner	**3,670,573**	**11,389**	**-**	**-**	**3,681,962**
R C Neale	**2,005,500**	**-**	**165,925**	**-**	**2,171,425**
D J Fairfull	**11,000**	**-**	**-**	**-**	**11,000**
W H Grant	**30,000**	**-**	**-**	**-**	**30,000**
P R Robinson	**109,234**	**-**	**-**	**-**	**109,234**
D C Williamson	**20,000**	**-**	**-**	**-**	**20,000**
Other key management personnel of the Group					
M J Busch	**650,000**	**-**	**5,020**	**-**	**655,020**
S O Stephan	**-**	**-**	**10,040**	**-**	**10,040**
2011					
Directors of New Hope Corporation Limited					
R D Millner	3,620,573	50,000	-	-	3,670,573
R C Neale	2,005,500	-	-	-	2,005,500
D J Fairfull	11,000	-	-	-	11,000
W H Grant	20,000	10,000	-	-	30,000
P R Robinson	109,234	-	-	-	109,234
D C Williamson	20,000	-	-	-	20,000
Other key management personnel of the Group					
M L Bailey (to 10 September 2010)	5,000	(885,000)	1,500,000	-	N/A
M J Busch	675,000	(25,000)	-	-	650,000
B J Garland (to 30 September 2010)	-	(1,000,000)	1,000,000	-	N/A

Shares in Souls Private Equity Limited	Balance at start of year	Acquired during year	Received on exercise of options	Disposed of during the year	Balance at end of year
2012					
Directors of Souls Private Equity Limited					
R D Millner	**1,725,193**	**-**	**-**	**1,725,193**	**-**
D J Fairfull	**8,700,001**	**-**	**-**	**8,700,001**	**-**
R G Westphal	**370,000**	**-**	**-**	**370,000**	**-**
D E Wills	**623,277**	**-**	**-**	**623,277**	**-**
2011					
Directors of Souls Private Equity Limited					
R D Millner	1,725,193	-	-	-	1,725,193
D J Fairfull	8,700,001	-	-	-	8,700,001
R G Westphal	370,000	-	-	-	370,000
D E Wills	423,277	200,000	-	-	623,277

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 38. 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
2012					
Directors of New Hope Corporation Limited					
None					
Other key management personnel of the Group					
None					
2011					
Directors of New Hope Corporation Limited					
None					
Other key management personnel of the Group					
M L Bailey (to 10 September 2010)	1,500,000	-	1,500,000	-	-
B J Garland (to 30 September 2010)	1,000,000	-	1,000,000	-	-
The above options were vested and exercisable during the year.					

Souls Private Equity Limited - options	Balance at start of year	Expired during year	Exercised during year	Disposed of during the year	Balance at end of year
2012					
Directors of Souls Private Equity Limited					
R D Millner	**153,151**	**-**	**-**	**153,151**	**-**
D J Fairfull	**1,087,501**	**-**	**-**	**1,087,501**	**-**
R G Westphal	**46,250**	**-**	**-**	**46,250**	**-**
D E Wills	**52,910**	**-**	**-**	**52,910**	**-**
The above options were vested and exercisable during the year.					
2011					
Directors of Souls Private Equity Limited					
R D Millner	153,151	-	-	-	153,151
D J Fairfull	1,087,501	-	-	-	1,087,501
R G Westphal	46,250	-	-	-	46,250
D E Wills	52,910	-	-	-	52,910
The above options were vested and exercisable at the end of the year.					

NOTE 38. KEY MANAGEMENT PERSONNEL (continued)

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

iv. Rights holdings

The numbers of rights 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 - rights	Balance at start of year	Granted during year	Exercised during year	Issued during year	Balance at end of year
2012					
Directors of New Hope Corporation Limited					
R C Neale	-	**428,708**	**165,925**	-	**262,783**
The rights held at the end of the year were not vested.					
Other key management personnel of the Group					
M J Busch	-	**36,100**	**5,020**	-	**31,080**
B D Denny	-	**32,040**	**-**	-	**32,040**
S O Stephan	-	**73,888**	**10,040**	-	**63,848**
The rights held at the end of the year were not vested.					
2011					
Directors of New Hope Corporation Limited					
None					
Other key management personnel of the Group					
None					

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 $2,644,443 (2011: $2,668,331). The balance of deposits at 31 July 2012 was $47,377,797 (2011: $44,167,955).

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 entities.

Mr R D Millner and Mr P R Robinson are Directors of Pitt Capital Partners Limited (PCP) which is a 100% (2011: 78.3%) controlled entity of WHSP.

Richvale Pty Ltd, an associated company of Mr D J Fairfull, received consultancy fees from PCP in the prior year of $18,333. These consultancy service arrangements were terminated in August 2010.

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

1. Clover Corporation Limited $nil (2011: $59,060);
2. BW Partners Pty Limited $39,000 (2011: $nil);
3. Bridgeport Energy Limited $65,000 (2011: $nil) and
4. BKI Investment Company Limited $111,000 (2011: $nil)

WHSP charged BKI Investment Company Limited $6,880 (2011: $6,880) for rental of office space in its own premises during the financial year.

In the prior year, PCP provided services to Drill Torque Limited of $440,000. This company is considered a related party as Mr D J Fairfull is Chairman of Drill Torque Limited.

NOTE 39. RELATED PARTIES

a) Parent entities

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

b) Subsidiaries, Associates and Joint Ventures

Interests in Subsidiaries, Associates and Joint Ventures are set out in note 35, note 36 and note 37 respectively.

c) Key management personnel

Disclosures relating to key management personnel are set out in note 38.

d) Related parties transactions and balances

i. Subsidiaries

Transactions between the Parent entity and its subsidiaries and between subsidiaries are at normal commercial terms and conditions. Transactions consist of the transfer of funds for day to day financing, provision of consulting, management and advisory services, loans advanced and repaid, interest, dividend and rental payments.

Transactions between each parent company and its subsidiaries, which are related parties of that company, are eliminated on consolidation and are not disclosed in this note.

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	**2012 $'000**	2011 $'000
Advisory, consulting , underwriting and management fees received from subsidiaries:		
- by subsidiaries from associates	**123**	168
Purchases of pharmaceutical products from:		
- Associates	**5,571**	4,838
Interest income from:		
- Associates	**7**	4

Loans to associates

At the 31 July 2011, the net impaired loan balance owing to the Parent entity from KH Roberts Private Limited was $3,386 which was repaid to the Parent during 2012. At 31 July 2012, the loan balance, net of impairments is $6,736. Interest is charged at market rates. At the 31 July 2012, the loan balance owing to a subsidiary of the Parent entity from BW Partners Pty Limited was $800,000.

NOTE 40. REMUNERATION OF AUDITORS

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

a) Audit Services		
Moore Stephens Sydney for audit and review of financial reports and other audit work under the Corporations Act 2001	**318**	277
Other audit firms for the audit or review of financial reports of any entity in the Group	**374**	482
Total remuneration for audit services	**692**	759
b) Other services		
Moore Stephens Sydney		
Tax compliance services	**79**	20
Other auditors		
Transaction advisory services	**908**	430
Tax compliance services	**673**	340
Other services	**550**	309
Total remuneration for other services	**2,210**	1,099

NOTE 41. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2012 $'000	2011 $'000
Profit after tax for the year	**189,310**	558,250
Adjustments for non-cash items:		
Depreciation and amortisation	**56,717**	41,819
Impairment losses	**54,427**	41,492
Bad and doubtful debts	**131**	907
Dividends received (non-cash)	**(4,719)**	(8,628)
Net losses/(gains) on financial assets	**8,650**	(23,296)
Net (profit) on sale of non-current assets	**(153)**	(524,120)
Share based payments	**1,216**	25
Share of losses of associates not received as dividends or distributions	**15,486**	6,530
Net exchange losses	**4,186**	7,526
Gain on acquisition of controlled entity	**(437)**	(4,150)
Gain on transfer of BKI Investment Company Limited to an equity accounted associate	**-**	(14,847)
Gain on deemed disposal of associate	**(4,030)**	(873)
Mining exploration and evaluation costs	**11,338**	16,294
Changes in operating assets and liabilities, net of effects from purchase and sales of business		
(Increase)/decrease in trade debtors, other debtors and prepayments	**30,096**	(32,404)
(Increase)/decrease in inventory	**(4,667)**	(20,575)
(Decrease)/ increase in trade creditors and accruals	**584**	(3,622)
Increase/(decrease) in employee entitlements, other liabilities and provisions	**23,329**	9,583
Increase/(decrease) in current tax payable	**(149,130)**	156,376
Increase/(decrease) in deferred tax liability	**(24,436)**	14,871
(Increase)/decrease in deferred tax asset	**(8,208)**	(648)
Net cash inflow from operating activities	**199,690**	220,510

NOTE 42. SHARE-BASED PAYMENTS

New Hope Corporation Limited grants options and rights under the New Hope Corporation Ltd Employee Share Option Plan and the New Hope Corporation Ltd Employee Performance Rights Share Plan. Membership of the Plans is open to those senior employees and those Directors of New Hope Corporation Limited, its subsidiaries and associated bodies corporate whom the Directors believe have a significant role to play in the continued development of the Group's activities.

Performance rights and share options are issued subject to a service condition. Performance rights and share options vest in equal annual tranches over the period of the service condition. Upon satisfaction of the service conditions, performance rights automatically convert to ordinary shares and share options will vest and be convertible into ordinary shares at the discretion of the employee for a period of up to two years from the vesting date.

Rights are granted for no consideration. Rights will vest and automatically convert to ordinary shares in the company following the satisfaction of the relevant service conditions. Service conditions applicable to each issue of rights are determined by the New Hope Corporation Limited's Board at the time of the grant. Total expense arising from rights issued under the employee performance share rights plan during the financial year was $2,225,000 (2011 - $nil).

Options are granted for nil 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 $nil (2011 - $25,000).

Notes to the Financial Statements (continued) For the year ended 31 July 2012

NOTE 42. SHARE-BASED PAYMENTS (continued)

Performance rights

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

2012

Grant date	Vesting date	Value of right at grant date	Balance at beginning of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Balanced at the end of the year Number
27 Oct 2011	1 Jan 2012	$5.170	-	180,985	(180,985)	-	-
27 Oct 2011	1 Aug 2012	$5.170	-	94,834	-	-	94,834
27 Oct 2011	1 Aug 2013	$5.170	-	64,059	-	-	64,059
27 Oct 2011	1 Aug 2014	$5.170	-	39,458	-	-	39,458
17 Dec 2011	1 Aug 2012	$6.020	-	20,447	-	-	20,447
17 Dec 2011	1 Dec 2012	$6.020	-	36,537	-	-	36,537
17 Dec 2011	1 Aug 2013	$6.020	-	56,984	-	-	56,984
17 Dec 2011	1 Aug 2014	$6.020	-	56,985	-	-	56,985
17 Dec 2011	1 Aug 2015	$6.020	-	20,447	-	-	20,447
Total			**-**	**570,736**	**(180,985)**	**-**	**389,751**
Weighted average exercise price				$5.4551	$5.1700		$5.5874

2011

No rights were granted during 2011.

The weighted average share price at the date of exercise of rights vested during the 2012 year was $5.57 (2011: $nil). The weighted average remaining contractual life of share rights outstanding at the end of the period was 1.7 years (2011 – 0.0 years).

Options

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

2012

No options were granted during 2012.

2011

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
13 Aug 2007	12 Aug 2012	$2.104	2,500,000	-	2,500,000	-	-	-
Weighted average exercise price			2.1040		2.1040			

The weighted average share price at the date of exercise of options exercised during the 2012 year was $nil (2011: $4.79).

For the rights granted during the current year under the New Hope Corporation Ltd Employee Performance Rights Share Plan, the fair value at grant date is calculated as the number of rights offered at the five day volume weighted average share price at offer date. For the prior year's options issued under the New Hope Corporations Ltd Employee Share Option Plan, the fair value was independently determined using the monte carlo option pricing model.

NOTE 42. SHARE-BASED PAYMENTS (continued)

The inputs and assumptions for the grant made during the prior period 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
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.

NOTE 43. 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:

Washington H. Soul Pattinson and Company Limited takeover for Exco Resources Limited

On the 23 August 2012, Washington H. Soul Pattinson and Company Limited (WHSP) announced a proposal to acquire all of the outstanding shares it does not already hold in Exco Resources Limited (ASX: EXS) (Exco) for $0.19 cash per share by way of an off-market takeover.

On 19 September 2012, WHSP agreed to increase its offer to $0.265 cents per share provided WHSP receives acceptances which together with its existing shareholding give WHSP an interest in 90% of Exco's ordinary shares. Exco directors have unanimously recommended WHSP's revised offer in the absence of a superior proposal and will accept the offer in relation to shares they control. The increased price of $0.265 cents per share values Exco at $97,452,000. At the close of trading 19 October 2012, WHSP held 20.06% of the shares in Exco and the aggregate Facility acceptances represented 35.95% of the shares in Exco. The terms of the Acceptance Facility are set out in WHSP's Bidder Statement.

New Hope Corporation Limited – Takeover offer for Bridgeport Energy Limited

On the 26 July 2012, New Hope Corporation Limited (New Hope) announced that, through one of its subsidiaries, it intended to make an off market takeover bid for all the shares it did not currently hold in Bridgeport Energy Limited (Bridgeport). The offer was for $0.41 cash per Bridgeport share equivalent to $45,488,000. Subsequent to year end, New Hope has acquired 100% of the equity in Bridgeport.

Bridgeport Energy Limited's unaudited management accounts as at 31 July 2012 reported the following assets and liabilities:

	$'000
Estimated consideration payable	45,488
Fair Value of previous interest in acquiree	18,876
	64,364
Cash	2,101
Receivables	1,009
Inventory	87
Plant and equipment	1,020
Oil producing assets	27,897
Accounts payable	(969)
Provisions	(1,651)
Net assets acquired	29,494
Difference on acquisition (net asset fair value adjustment, identifiable intangibles, goodwill, etc)	34,870

Acquisition related costs of $385,000 are included in other expenses in income statement and in operating cash flows in the statement of cash flows.

As at 31 July 2012, the initial acquisition accounting is incomplete and the above amounts are only provisional. The business combination accounting will be finalised during the 2013 financial year.

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 36 to 100 are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the Corporations Regulations 2001;
   b) give a true and fair view of the financial position as at 31 July 2012 and the performance for the year ended on that date of the consolidated group;
   c) 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; and
   d) at the date of this declaration, there are reasonable grounds to believe that the Company and wholly owned subsidiaries identified in Note 35 to the financial statements as being parties to a Deed of Cross Guarantee, will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the Deed.
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;

This declaration is made in accordance with a resolution of the Board of Directors.

R D MILLNER	**P R ROBINSON**
Director	***Director***

Dated this 23rd day of October 2012.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial report of Washington H. Soul Pattinson and Company Limited, which comprises the consolidated statement of financial position as at 31st July 2012, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising Washington H. Soul Pattinson and Company Limited and the entities it controlled at the year ended or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Washington H. Soul Pattinson and Company Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with AASB 101: *Presentation of financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation 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.

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

Independent Auditor's Report (continued)

MOORE STEPHENS

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the *Corporation Act 2001*, provided to the directors of Washington H. Soul Pattinson and Company Limited on 22nd October 2012, 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,

a. the financial report of Washington H. Soul Pattinson and Company Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Washington H. Soul Pattinson and Company Limited's consolidated financial position as at 31st July 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 27 of the directors' report for the year ended 31st July 2012. 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 31st July 2012, 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 23rd day of October 2012.

Moore Stephens Sydney ABN 90 773 984 843. Liability limited by a scheme approved under Professional Standards Legislation*

*Other than for the acts or omissions of financial services licensees. An independent member of Moore Stephens International Limited - members in principal cities throughout the world. The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

ASX Additional Information

DISTRIBUTION OF EQUITY SECURITIES AS AT 10 OCTOBER 2012

Size of Shareholding	Number of Shareholders	Number of Shares
1 – 1,000	3,474	1,829,108
1,001 – 5,000	3,747	9,658,423
5,001 – 10,000	917	6,973,842
10,001 – 100,000	844	21,726,549
100,001 and over	86	199,207,398
TOTAL	**9,068**	**239,395,320**
Holding less than a marketable parcel	183	1,059

SUBSTANTIAL SHAREHOLDERS AS AT 10 OCTOBER 2012

As disclosed in notices received by the Company.

	Ordinary Shares Held	% of Issued Shares
Brickworks Limited	102,257,830	42.72
Perpetual Limited	29,318,700	12.25

TOP 20 SHAREHOLDERS AS AT 10 OCTOBER 2012

	Ordinary Shares Held	% of Issued Shares
Brickworks Limited	102,257,830	42.72
RBC Dexia Investor Services Australia Nominees Pty Limited (Pi Pooled A/C)	14,632,861	6.11
Milton Corporation Limited	9,094,840	3.80
Dixson Trust Pty Limited	8,499,940	3.55
J S Millner Holdings Pty Limited	7,830,232	3.27
J P Morgan Nominees Australia Limited	6,644,113	2.78
National Nominees Limited	6,215,741	2.60
T G Millner Holdings Pty Limited	3,151,051	1.32
Hexham Holdings Pty Limited	2,783,127	1.16
Mr Robert Dobson Millner & Mr Michael John Millner (Est James S Millner A/C)	2,514,477	1.05
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	2,353,774	0.98
Argo Investments Limited	2,182,606	0.91
HSBC Custody Nominees (Australia) Limited	2,040,432	0.85
BNP Paribas Noms Pty Ltd (Master Cust DRP)	2,030,896	0.85
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/C)	1,994,434	0.83
Farjoy Pty Ltd	1,320,263	0.55
UBS Nominees Pty Ltd	1,237,727	0.52
Dixson Trust Pty Limited (A/C NO 1)	1,175,290	0.49
Mary Millner Holdings Pty Limited	1,106,860	0.46
J P Morgan Nominees Australia Limited (Cash Income A/C)	1,017,651	0.43

ASX Additional Information (continued)

VOTING RIGHTS

Votes of Members – The Company's Constitution provides:

Subject to the Constitution, the Listing Rules, the Corporations Act and to any rights or restrictions attaching to any class of shares, at a meeting of the Company's members:

a) on a show of hands, each member has one vote;

(b) subject to section 250L(4) on a poll, each member has:

   (i) for each fully paid share held by the member, one vote; and

   (ii) for each partly-paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited nor paid in advance of a call) is of the total amounts paid and payable (excluding amounts credited) for the share.

UNQUOTED EQUITY SECURITIES

The Company had no unquoted equity securities at any time during the year ended 31 July 2012 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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Facsimile: (02) 9233 1025
Internet Website Address: www.whsp.com.au

SHARE REGISTER

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150 Stirling Highway, Nedlands WA 6009
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(02) 8003 6825 (NSW)
(07) 3103 3838 (QLD)
(03) 9018 7102 (VIC)
Telephone: +61 8 9389 8033 (outside Australia)
Facsimile: +61 8 9389 7871
Internet Website Address: www.advancedshare.com.au

AUDITORS

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