Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728
ASX Code: **SOL**

Annual Report 2016

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 144 years later their single pharmacy would have evolved into a company as prominent and diversified as WHSP.

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

DIVERSIFIED PORTFOLIO | **LONG TERM FOCUSED** | **CONSERVATIVE AND VALUE FOCUSED**

OVER THE LAST 15 YEARS WHSP HAS

CONTINUALLY INCREASED DIVIDENDS

GROWING AT A COMPOUND ANNUAL GROWTH RATE OF **10.6%** PA

+

DELIVERED A TSR OF 12.6% PER ANNUM

OUTPERFORMING THE ALL ORDS ACCUMULATION INDEX BY **4.5%** PA

Calendar

Final Dividend

Record date	21 November 2016
Payment date	12 December 2016

Annual General Meeting

AGM date	9 December 2016
AGM venue	The Wesley Theatre Wesley Conference Centre 220 Pitt Street, Sydney
Group Company displays open	10.45am
AGM commences	12.00 noon

For more information visit our website
www.whsp.com.au

Corporate Directory

Directors

Robert D Millner	Chairman – Non-Executive Director
Todd J Barlow	Managing Director and Chief Executive Officer
Michael J Hawker	Non-Executive Director
Thomas C D Millner	Non-Executive Director
Warwick M Negus	Non-Executive Director
Melinda R Roderick	Finance Director and Chief Financial Officer
Robert G Westphal	Non-Executive Director
David E Wills	Non-Executive Director

Company Secretary

Ian D Bloodworth

Auditors

Pitcher Partners Sydney

160 Pitt Street, Sydney Circa 1950

Contents

Key Highlights

NET PROFIT AFTER TAX
$149.4m
79.3% ▲

REGULAR PROFIT AFTER TAX
$177.2m
9.1% ▲

PRE-TAX VALUE OF PORTFOLIO
$6.03b
9.6% ▲

LAST 12 MONTH TSR
31.4%
OUTPERFORMANCE 27.4%

TOTAL DIVIDENDS (FULLY FRANKED)
52cps
4.0% ▲

TOTAL SHAREHOLDERS
14,836
25.7% ▲

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

The results for 2015 have been restated by transferring expenses of $6.0 million from the regular result to non-regular items following a reallocation by an Associated Entity. Refer to Note 3 of the Preliminary Final Report.

Chairman's Review

PROFIT AFTER TAX INCREASED BY OVER 79%

Dear Shareholders,

I am pleased to present the 2016 Annual Report for Washington H. Soul Pattinson and Company Limited (WHSP, Parent Company) on behalf of the Board of Directors of the Parent Company.

Consolidated Financial Performance

The profit after tax attributable to shareholders for the year ended 31 July 2016 was $149.4 million, an increase of 79.3% compared to the $83.3 million for last year.

The regular profit after tax* was $177.2 million, an increase of 9.1% over the $162.4 million** for 2015. The result was driven by:

- another strong contribution by TPG Telecom Limited (up 38.7%);
- Brickworks Limited continued to capitalise on the strong building sector (up 33.5%); and
- Australian Pharmaceutical Industries Limited (API) continued its upward trend (up 26.4%).

The results of New Hope Corporation Limited (down 90.4%) continued to be impacted by lower coal and oil prices.

WHSP's diversified portfolio of investments continues to provide it with protection against the variability of results from different sectors of the economy. This year, improved results in telecommunications, building products and pharmacy have offset lower results from resources.

The net loss from non-regular items was $27.8 million, compared with a loss of $79.1 million last year.

Comparisons with the prior year are as follows:

	2016 $'000	2015 $'000	% Change
Regular profit after tax* attributable to shareholders	177,222	**162,405	+ 9.1%
Profit after tax attributable to shareholders	149,421	83,330	+ 79.3%
Interim Dividend (paid in May each year)	21 cents	20 cents	+ 5.0%
Final Dividend (payable 12 December 2016)	31 cents	30 cents	+ 3.3%
Total Dividends	52 cents	50 cents	+ 4.0%

* *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 the Consolidated Financial Statements – Note 3, Segment information.*

** *The results for 2015 have been restated by transferring expenses of $6.0 million from the regular result to non-regular items following a reallocation by an Associated Entity. Refer to Note 3 of the Consolidated Financial Statements.*

Assets of the Parent Company Washington H. Soul Pattinson and Company Limited

The assets of WHSP are summarised below. The net asset value at 31 July 2016 was $6.03 billion, an increase of $528 million or 9.6% compared to $5.50 billion as at 31 July 2015.

As at 31 July 2016	WHSP's Holding %	Value of WHSP's Holding $m	12 month Movement $m	12 month Movement %
Major Strategic Investments – listed (at market value)				
TPG Telecom Limited	25.2%	2,738	709	34.9%
Brickworks Limited	44.1%	987	9	0.9%
New Hope Corporation Limited	59.6%	793	(154)	(16.2%)
Aust. Pharmaceutical Industries Limited	24.6%	231	40	20.8%
BKI Investment Company Limited	10.3%	101	(8)	(7.1%)
Ruralco Holdings Limited	20.1%	53	(8)	(13.1%)
Apex Healthcare Berhad	30.3%	45	(10)	(18.3%)
		4,948	**578**	**13.2%**
Other Listed Investments (at market value)		669	39	6.3%
Unlisted Investments[1]		161	(93)	(36.5%)
Property[1] (net of borrowings)		176	107	156.1%
Cash and net funds on deposit		24	(130)	(84.5%)
Loans and other net assets		50	27	119.1%
Net asset value (pre-tax)[2]		**6,028**	**528**	**9.6%**
ASX All Ordinaries Index				**(0.7%)**

1 At Directors' valuations

2 The tax payable if all of these assets had been disposed of on 31 July 2016 would have been approximately $1.27 billion.

The value of the Major Strategic Investments above grew by 13.2% during the year significantly outperforming the ASX All Ordinaries Index which decreased by 0.7%.

The net investment in other listed investments was $31.3 million for the year and previously unlisted investments were listed on the ASX during the period. Acquisitions included Australia and New Zealand Banking Group Limited (ANZ Bank), Bailador Technology Investments Limited and Woolworths Limited. The net gain on disposals for the year was $24.1 million and included BHP Billiton Limited and Whitehaven Coal Limited.

Unlisted investments reduced in value by $93.0 million, primarily as a result of the impairment of copper assets and the movement of investments with a brought forward value of $46.0 million from unlisted to listed investments during the period.

During the year, property revaluations, the acquisition of two office buildings in Pennant Hills, NSW and the acquisition of land in Victoria added $107.5 million to the property portfolio.

Washington H. Soul Pattinson and Company Limited

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

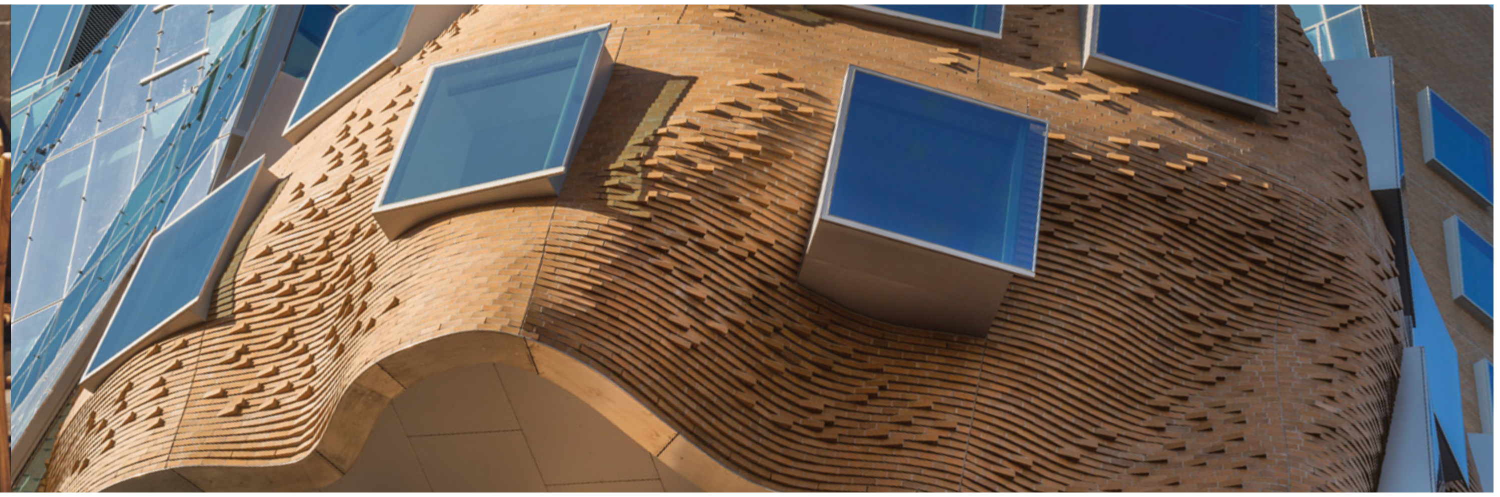
Total shareholder return (TSR) measures share price movement over time and assumes dividends received are reinvested by purchasing additional shares.

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

FY2016 TOTAL SHAREHOLDER RETURN OVER 31%

Total Shareholder Returns to 31 July 2016

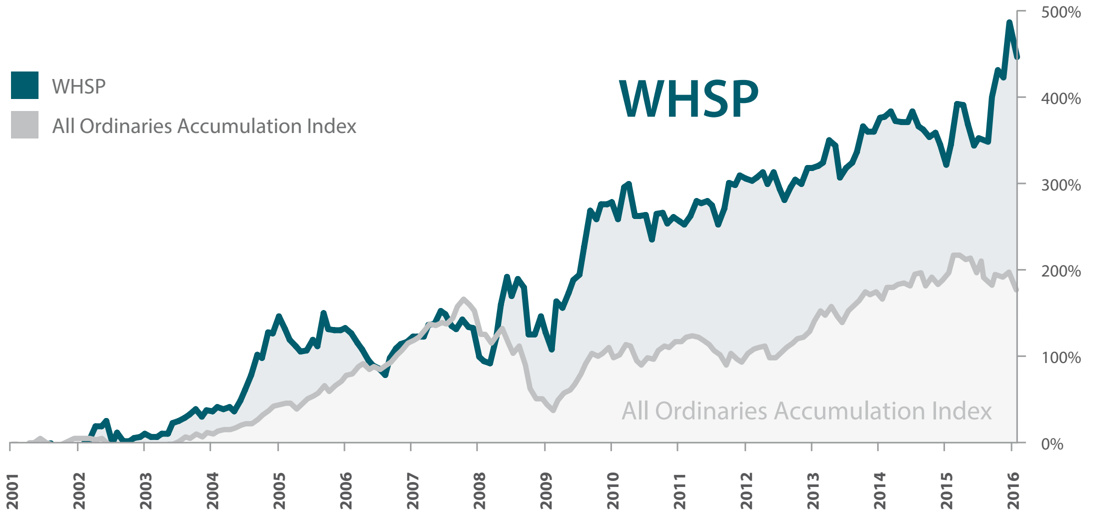
Annual Return	1 Year	3 Years	5 Years	10 Years	15 Years
WHSP	**31.4%**	**12.5%**	**9.6%**	**12.3%**	**12.6%**
All Ordinaries Accumulation Index	4.0%	8.5%	9.4%	5.7%	8.1%
Out Performance by WHSP	**27.4%**	**4.0%**	**0.2%**	**6.6%**	**4.5%**



Brickworks Limited

The following chart shows the total return over time of an initial investment made in WHSP shares in July 2001 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP over the last 15 years has more than doubled an investment in the index.

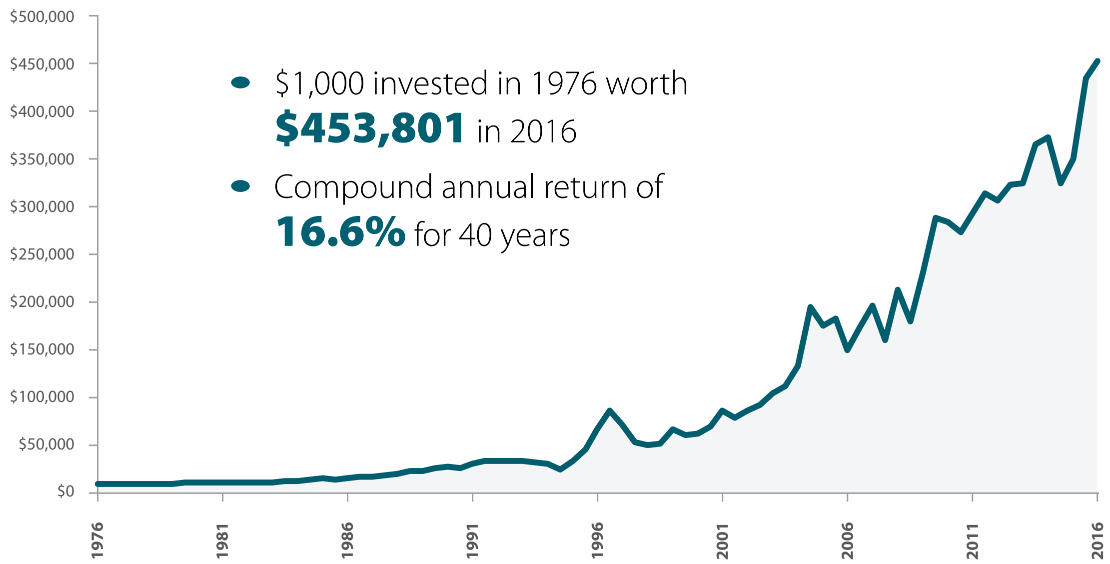
15 Year Total Shareholder Return



Source: IRESS – Includes the re-investment of dividends.

The following chart shows that the wealth creation is even more pronounced over a longer period. If a shareholder had invested $1,000 in 1976 and reinvested all dividends, the shareholding would have appreciated to nearly $454,000 as at 31 July 2016. This equates to a compound annual growth rate of 16.6% year on year for 40 years.

Wealth Creation over 40 years



New Hope Group

Dividends

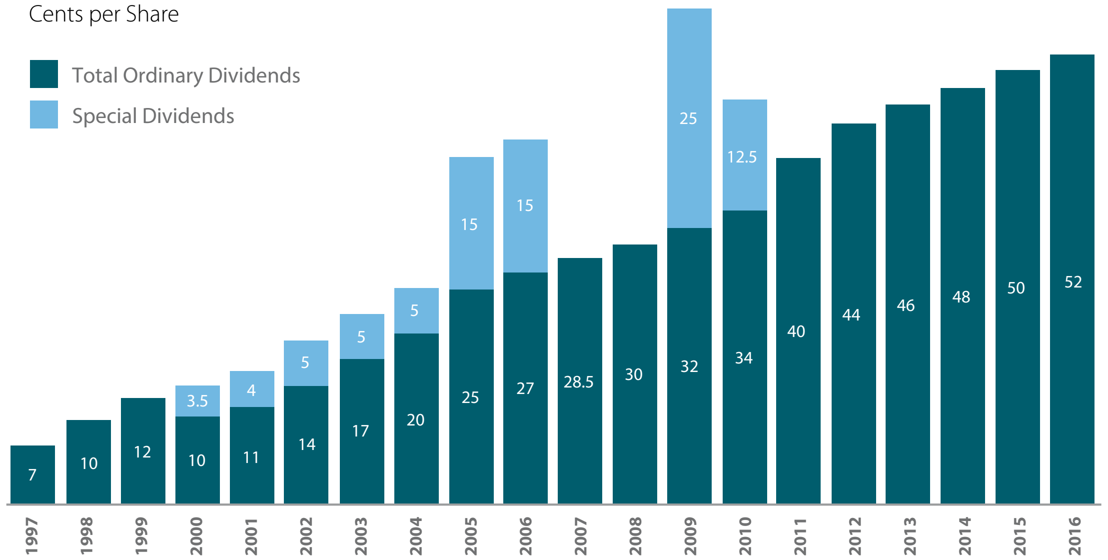
The chart below demonstrates WHSP's exceptional history of paying dividends to shareholders. The Company has not missed paying a dividend since listing in 1903 (including during the Great Depression of the 1930s and the Global Financial Crisis of 2007–08).

TOTAL DIVIDEND FOR THE YEAR

52¢

20 Year Dividend History

Cents per Share



Final Dividend

The Directors have declared a fully franked final dividend of 31 cents per share in respect of the year ended 31 July 2016 (2015: 30 cents fully franked). This brings total dividends for the year to 52 cents per share fully franked (2015: 50 cents fully franked).

The record date for the final dividend will be 21 November 2016 with payment due on 12 December 2016.

WHSP is one of only two companies in the ASX All Ordinaries Index to have increased its dividend every year for the last 16 years.

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

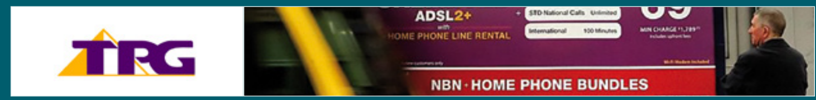
This year it will pay out, as dividends, 90.6% of its net regular cash inflows from operations (2015: 87.9%).

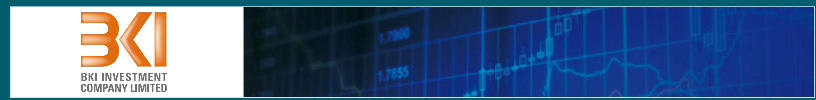
WHSP's diversified portfolio continues to deliver reliable cash returns which enable it to provide increasing fully franked dividends to its shareholders.

R D Millner
Chairman

Review of Group Entities

as at 31 July 2016





TPG Telecom Limited

Associated entity: **25.2% held**
Dividends paid to WHSP: **$27.7 million**
Total Market Capitalisation: **$10.89 billion**
Value of WHSP's Holding: **$2.74 billion**

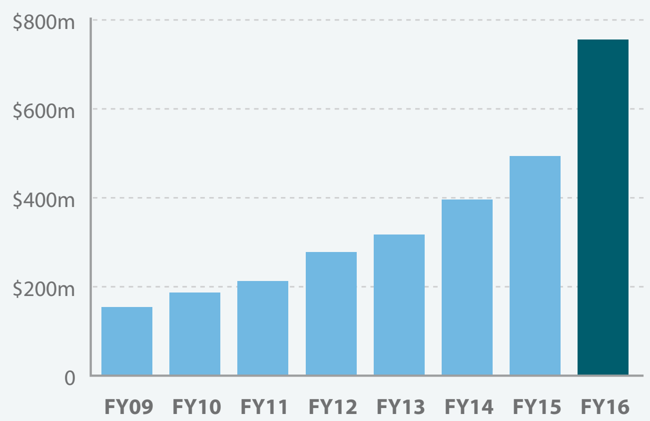
ASX code: **TPM**

TPG reported the following results for the year ended 31 July 2016:

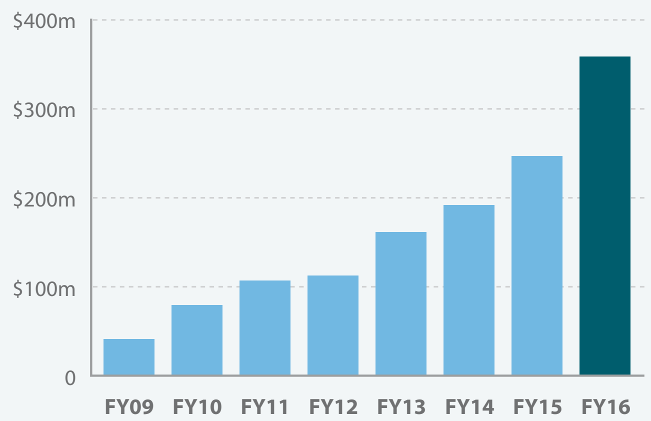
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $849.4 million, an increase of 75%.
- Net profit after tax (NPAT) of $379.6 million, an increase of 69%.
- Earnings per share 45.3 cents, an increase of 61%.

2016 marks TPG's eighth consecutive year of strong growth.

Operating Cash Flow (pre tax)



NPAT



The 2016 results include the following irregular items:

- $73.1 million gain on TPG's previously held interest in iiNet ($73.1 million post tax);
- $17.6 million profit realised on a part-disposal of TPG's interest in Vocus ($12.3 million post tax);
- $10.3 million transaction fees relating to TPG's acquisition of iiNet ($10.3 million post tax); and
- $6.3 million restructuring costs arising from iiNet integration activities ($4.4 millon post tax).

NET PROFIT AFTER TAX INCREASED 69%

Excluding these irregular items, TPG's underlying EBITDA for the year was $775.3 million, an increase of $290.0 million or 60% over last year. This growth includes the maiden contribution from iiNet of $248.9 million for the eleven and a quarter months post acquisition.

Consumer Business

The consumer division's EBITDA for the year was $255.7 million, an increase of $16.0 million compared to last year. This 7% increase reflects organic growth driven by ongoing broadband subscriber growth (up by 64,000 in the year) and nine months of lower access costs arising from the ACCC's fixed access determination.

As at 31 July 2016 the consumer division had 885,000 broadband subscribers and 304,000 mobile subscribers.

Corporate Business

TPG's corporate division achieved an EBITDA of $269.3 million, an increase of $27.0 million compared to $242.3 million last year. This 11% increase was achieved despite a negative $10.1 million accounting impact on the division's EBITDA for the year arising from the consolidation of iiNet. Excluding this the EBITDA growth would have been $37.1 million or 15%.

This growth reflects the strong sales for the year and the continued margin expansion.

iiNet

iiNet contributed EBITDA of $242.6 million (for the eleven and a quarter months post acquisition) inclusive of $6.3 million of restructuring costs arising from integration activities. Without those costs the EBITDA result would have been $248.9 million. By comparison, iiNet reported an underlying EBITDA of $201.7 million for its 2015 financial year.

The principal drivers of this year's EBITDA growth were:

- realisation of post-acquisition integration benefits;
- nine months of lower access costs arising from the ACCC's fixed access determination; and
- an increased contribution from Tech2.

As at 31 July 2016 iiNet had 983,000 broadband subscribers.

Cash Flow and Gearing

TPG delivered another strong cash flow result in the 2016 financial year with $759.2 million of cash generated from operations (pre-tax). After tax, capital expenditure and Indefeasible right of use lease payments, TPG had free cash flow of $318.0 million.

At the end of the year TPG had bank debt of $1,350 million and a net debt to underlying EBITDA leverage ratio of approximately 1.8 times.

Dividend

In light of TPG's strong cash flow and earnings growth, its board of directors increased the final dividend to 7.5 cents per share fully franked. This brought total dividends for the year to 14.5 cents per share fully franked, an increase of 26% over last year.

Contribution

TPG contributed a net profit of $97.5 million to the Group (2015: $60.2 million 26.9% held).

Brickworks Limited

Associated entity: **44.1% held** Dividends paid to WHSP: **$30.2 million** Total Market Capitalisation: **$2.24 billion** Value of WHSP's Holding: **$987 million** ASX code: **BKW**	BRICKWORKS LIMITED

UNDERLYING NET PROFIT AFTER TAX INCREASED 22.3%

Brickworks posted a record underlying net profit after tax (NPAT) for the year ended 31 July 2016 of $147.1 million, up 22.3% on last year. A feature of the result was the diversified earnings contribution, with Building Products, Land and Development and Investments all delivering an uplift in underlying earnings compared to the prior year.

After including the impact of significant items, statutory NPAT was $78.2 million. The significant items, totalling $68.9 million after tax, primarily relate to the impairment of goodwill in Austral Bricks WA and significant restructuring activities in Austral Bricks and Auswest Timbers, resulting in the closure of plants and the non-cash write down of assets at those sites.

On record sales revenue of $748.1 million, Building Products' underlying earnings before interest and tax (EBIT) was $75.4 million, up 33.7% on the prior year. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was up 26.0% to $102.8 million, on a combination of continued volume growth and increased margins.

Land and Development underlying EBIT was $73.5 million for the 12 months to 31 July 2016, up 14.1% primarily due to a strong revaluation profit in the Joint Venture Industrial Property Trust.

Underlying earnings per share were 98.9 cents, up 21.9% from 81.1 cents for 2015.

The directors of Brickworks have declared a fully franked final dividend of 32 cents per share for the year ended 31 July 2016, up 6.7% from 30 cents last year. Together with the interim dividend of 16 cents per share, this brings the total dividends paid for the year to 48 cents per share, up 3 cents or 6.7% on 2015.

Brickworks Limited

Building Products

Total dwelling commencements for Australia were up 3.1% to 225,367 for the twelve months to 30 June 2016. This level of residential building activity is the highest on record in Australia and was driven by unprecedented growth in non-detached housing commencements over the past four years. In the 12 months to June 2016 non-detached housing developments represented around 50% of total commencements.

australbricks

Austral Bricks delivered a 21.5% increase in earnings for the year. Sales revenue was up 6.9% to $405.8 million on sales volume of over 670 million bricks. Performance on the east coast was particularly strong, driven primarily by the major markets of New South Wales and Victoria.

Austral Masonry delivered another increase in earnings on sales revenue of $90.9 million, up 4.4% on the prior year. Total sales volume increased to 479,000 tonnes for the year, driven by strong growth in south-east Queensland and New South Wales.

Bristile Roofing's earnings increased on the prior year, with revenue up 11.5% to $124.2 million, on sales volume of almost 3.7 million square metres of tiles.

Austral Precast delivered a strong turn-around in performance with earnings significantly higher than 2015 and sales volume in excess of 20,000 panels for the year. Sales revenue was $74.0 million, up 11.4%.

Auswest Timber's revenue was down 5.7% at $52.5 million on sales volume of 62,000 cubic metres for the year. Significant progress has been made to enhance operational efficiency, with productivity improvements being widespread across all sites.

Land and Development

Land and Development produced an EBIT of $73.5 million for the year, up 14.1% from $64.4 million for the prior year.

The improved result was due to the growth in the Joint Venture Industrial Property Trust (Property Trust) which is a 50/50 partnership between Brickworks and the Goodman Industrial Trust. The Property Trust generated an EBIT of $74.9 million, up 22.6% from $61.1 million in the prior year.

Net property income distributed from the Property Trust was $15.3 million, in line with the prior year, despite the settlement of the Coles CDC facility in August 2015. The lost rent from this sale was offset by lower interest payments, rent increases on stabilised assets and the additional rental income of new developments at Oakdale Central and Rochedale.

The total value of the Property Trust at 31 July 2016 was $1.01 billion with borrowings of $347.4 million, giving a total net value of $663.7 million. Brickworks' share of the Property Trust's net asset value was $331.9 million.

Outlook – Building Products

Current residential building activity in Australia is at the highest level on record, driven by strong population growth over the past five years, low interest rates and rising house prices. With approvals remaining elevated, commencements are likely to stay high for some time to come, particularly considering the significant weather related delays experienced in June, July and August 2016.

Although the overall housing market remains very strong, conditions vary significantly across the country. On the east coast, strong demand in Victoria is being fuelled by the highest rate of net interstate migration in the country. Meanwhile in New South Wales, housing activity is expected to stay robust for an extended period of time, due to a large undersupply of housing that developed during the 2000s and remains significant even today.

The short-term outlook for Building Products remains positive, with a full order book and a long pipeline of work at higher margins in Brickworks' major east coast markets set to support earnings in 2017. Brickworks' business growth initiatives will provide diversification and underpin earnings in the event of a cyclical decline in market activity over the medium term.

Contribution

Brickworks contributed a net profit of $9.6 million (2015: $19.5 million 44.2% held) to the Group. Its contribution to regular profit was $38.8 million (2015: $29.1 million 44.2% held). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

New Hope Corporation Limited

Controlled entity: **59.6% held**
Dividends paid to WHSP: **$39.7 million**
Total Market Capitalisation: **$1.33 billion**
Value of WHSP's Holding: **$793 million**

ASX code: **NHC**

OPERATING CASH SURPLUS
$61m

New Hope reported a net profit after tax and before non-regular items of $5.0 million for the year ended 31 July 2016. This result comprised: a loss of $3.6 million from coal mining, marketing and logistics operations; a loss of $4.1 million from oil operations; and a profit of $12.7 million from treasury. The result was down 90.3% on the 2015 result of $51.7 million.

After non-regular items, the result for the year was a net loss after tax of $53.7 million. This comprised: a loss of $34.9 million from coal mining, marketing and logistics operations; a loss of $26.5 million from oil operations; and a profit of $7.7 million from treasury. This result was down 146% on the 2015 loss of $21.8 million.

During the year New Hope generated an operating cash surplus of $61.2 million (including receipts from customers and payments to suppliers) and received interest of $25.4 million from held to maturity investments (term deposits). Cash outflows from investing activities rose due to the acquisition of a 40% interest in the Bengalla project ($898 million including acquisition costs).

Before non-regular items, basic earnings for 2016 were 0.6 cents per share, compared to 6.2 cents per share in 2015. After non-regular items basic earnings were (6.5) cents per share for 2016 against (2.6) cents in 2015.

New Hope paid a fully franked final dividend of 2.0 cents per share (2015: 2.5 cents and 3.5 cents special dividend).

Mining Operations

Coal production for the year was 6.6 million tonnes compared to 5.7 million tonnes produced in 2015. Bengalla contributed 1.4 million tonnes during the five months of New Hope's ownership and the Queensland mining operations produced 5.2 million tonnes compared to 5.7 million tonnes produced in 2015.

Coal sales for 2016 totalled 6.9 million tonnes (including 1.5 million tonnes from Bengalla) which was well above the 5.7 million tonnes sold in 2015.

New Acland Stage 3 Development (NAC03)

The approvals process for the NAC03 mining leases progressed with the Queensland Land Court expected to deliver a recommendation by December 2016, approximately six months later than previously anticipated. Construction of NAC03 is planned to commence in the first quarter of 2017 pending grant of the mining leases and environmental authority. Federal Government approval is expected in 2016.

New Hope

Queensland Bulk Handling (QBH)

QBH, New Hope's 100% owned coal terminal at the Port of Brisbane, exported 7.0 million tonnes of coal on 90 vessels, a similar result to last year. QBH remains essentially a demurrage free port.

Bengalla Joint Venture

New Hope's acquisition of a 40% interest in the Bengalla open cut coal mine in New South Wales' Hunter Valley region from Coal and Allied settled on 1 March 2016. Since settlement New Hope has played an active role in the transition from Coal and Allied and the ongoing management of the Bengalla operation in conjunction with the other joint venture participants (Wesfarmers 40%, Mitsui 10% and Taipower 10%).

The operational performance of the Bengalla mine has been consistent with New Hope's pre-acquisition expectations. Total coal production for the period 1 March 2016 to 31 July 2016 was 3.5 million tonnes.

New Hope Exploration Projects

New Hope continued its active exploration program utilising its own drill rigs during the year. Exploration activities focused on resource definition in and around the New Acland project area for the revised New Acland stage 3 project. The drilling operations were supported by gravity and geochemical surveys.

Oil and Gas

Oil production for the year totalled 191,993 barrels (an average of 563 barrels per day) against the prior year result of 158,884 barrels, an increase in production of 20.8%. Sales revenue for the year was $10.5 million against $11.9 million last year, a decrease of 11.8%. The reduction in sales revenue was entirely a consequence of the continued drop in the oil price through the first half of the year which reached a low in January 2016 of US$27 per barrel. The price subsequently increased and stabilised at circa US$45 per barrel at year end. The decline in oil prices in US Dollar terms was partially offset by a declining AUD:USD exchange rate. The average price realised for the 2016 year was A$56.6 per barrel compared to A$74.3 per barrel in 2015.

Despite difficult trading conditions Bridgeport was able to limit its EBITDA loss to $1.9 million before non-regular items. Non-regular items included: impairments of oil producing assets of $10.5 million (after tax); impairments of oil exploration assets of $8.4 million (after tax); and a loss of $3.4 million resulting from de-recognition of petroleum resource rent tax balances.

Outlook

During the past year the material capital investment decision was made to invest a significant proportion of available cash funds into a 40% interest in the Bengalla coal mine located in the Hunter Valley of New South Wales. During the next financial year Bengalla should increase New Hope's equity production of thermal coal by approximately 3.5 million tonnes to a total of approximately 8.9 million tonnes. New Hope is working with its joint venture partners and the Bengalla management team to improve operational efficiency and effectiveness at the Bengalla operation.

The New Hope management team is focused on achieving the grant of the New Acland stage 3 mining leases as expeditiously as possible in order to avoid the negative impacts of any delays in transition from mining stage 2 reserves to stage 3.

Bridgeport continues to seek opportunities to grow its production base and is now the second largest conventional oil producer in Queensland. Following significant investment in seismic studies of its extensive exploration portfolio Bridgeport is identifying drilling targets for oil exploration to take advantage of any increase in oil prices in the future.

Since 31 July 2016 prices for Australian thermal coal on the seaborne market have reached levels around US$70 per tonne. This represents an increase of approximately 40% from the lows of just under US$50 per tonne which prevailed during the 2016 financial year.

Contribution

New Hope contributed a net loss of $29.2 million (2015: $13.0 million loss 59.7% held) to the Group. Its contribution to regular profit was $3.1 million (2015: $31.8 million 59.7% held).

Australian Pharmaceutical Industries Limited

Associated entity: **24.6% held**
Dividends paid to WHSP: **$6 million**
Total Market Capitalisation: **$939 million**
Value of WHSP's Holding: **$231 million**

ASX code: **API**

NET PROFIT CONTRIBUTED TO THE GROUP
$11m

API's financial year ended on 31 August 2016. The results for the full year were released to the market on 20 October 2016.

For the six months ended 29 February 2016, API reported the following results which are compared to those of the first half last year:

- Total revenue of $1.8 billion, up 4.4%;
- Earnings before interest and tax of $44.6 million, up 15.6%;
- Underlying net profit after tax of $25.3 million, up 18.1%; and
- Net profit after tax of $22.9 million, up 7.7%.

API attributed this strong growth to its strategy which is centred on building the Priceline Pharmacy network while generating sustainable returns through its pharmaceutical distribution.

In June API paid a fully franked interim dividend of 2.5 cents per share, an increase of 25% over last year.

WHSP has equity accounted API's result for the 12 months to 28 February 2016. API contributed a net profit of $11.0 million (2015: $11.3 million) to the Group. Its contribution to regular profit was $11.6 million (2015: $9.2 million).

api

BKI Investment Company Limited

Associated entity: **10.3% held**
Dividends paid to WHSP: **$4.5 million**
Total Market Capitalisation: **$975 million**
Value of WHSP's Holding: **$101 million**

ASX code: **BKI**

BKI INVESTMENT COMPANY LIMITED

NET PROFIT CONTRIBUTED TO THE GROUP
$4.5m

For the year ended 30 June 2016 BKI reported a net operating result before special investment revenue of $41.2 million, an increase of 0.7% over 2015.

BKI's net operating result was mainly driven by higher dividend distributions from Transurban, APA Group, Sydney Airports, Macquarie Group, TPG Telecom and Ramsay Healthcare. Lower dividends were received from BHP Billiton, Woolworths, Woodside Petroleum, ANZ Banking Group and Suncorp Group, while revenues from bank deposits and investments held for trading were also lower. BKI also received special dividend income for the year from New Hope Corporation, Milton Corporation, Suncorp Group and IAG Group.

BKI's net investment for the year was approximately $76 million, with major long term investments made in companies including: Commonwealth Bank, ANZ Banking Group, Westpac Banking Corporation, National Australia Bank, Macquarie Group, Qube Logistics, Telstra Corporation, Ramsay Healthcare, Caltex Australia, APA Group and Sydney Airports. The main disposals from BKI's investment portfolio included Bendigo and Adelaide Bank, Clydesdale Bank, RioTinto Limited and the partial sell-down of the position in BHP Billiton.

BKI's total shareholder returns for 5 years, 10 years and 12 years were above the ASX 300 Index by 3.5% per annum, 2.0% per annum and 1.2% per annum respectively.

BKI has paid total fully franked dividends for the year of 7.25 cents per share, an increase of 0.7%. As at 31 July 2016, BKI's fully franked dividend yield was 4.4% (based on the immediate past 12 month rolling dividend and share price of $1.63), while the grossed up yield was 6.4% (based on a tax rate of 30%).

WHSP has equity accounted BKI's result for the 12 months to 30 June 2016. BKI contributed a net profit of $4.5 million to the Group (2015: $4.8 million 11.1% held).

12 Year Total Shareholder Return#
11.3% pa
As at 30 June 2016

Market Cap
$946m
As at 30 June 2016

Shareholders
14,358

Management Expense Ratio
0.16%
As at 30 June 2016

Dividend Yield
6.6%
*Grossed up, as at 30 June 2016

Total Shareholder Return including Franking Credits

* Assumes a tax rate of 30%

Ruralco Holdings Limited

Associated entity: **20.1% held**
Dividends paid to WHSP: **$2.4 million**
Total Market Capitalisation: **$263 million**
Value of WHSP's Holding: **$53 million**

ASX code: **RHL**

Ruralco HOLDINGS LIMITED

NET PROFIT CONTRIBUTED TO THE GROUP

$2.2m

Ruralco's financial year ends on 30 September 2016. Ruralco's results for the full year are not scheduled to be released to the market until 15 November 2016.

Ruralco released its result for the six months to 31 March 2016 on 17 May 2016. Revenue increased by 8.2% to $803.7 million compared to the previous corresponding period. The net profit after tax was $10.8 million, an increase of 3.2% compared to the first half last year.

Ruralco's record result reflects the maturing of new businesses in the network and highlighted the strength of its earnings platform and its geographical diversity in balancing the effect of the tough seasonal conditions experienced during the half year.

An interim dividend of 8 cents per share fully franked was paid in June 2016. This represented a 55% dividend payout ratio which was in line with Ruralco's new dividend policy which supports its strategic growth agenda via network expansion and vertical integration.

WHSP has equity accounted Ruralco's result for the 12 months to 31 March 2016. Ruralco contributed a net profit of $2.2 million to the Group (2015: $3.3 million).

Ruralco

Apex Healthcare Berhad

Associated entity: **30.3% held**
Dividends paid to WHSP: **$1.3 million**
Total Market Capitalisation: **$149 million**
Value of WHSP's Holding: **$45 million**

Listed on Bursa Malaysia, code: **APEX MK**

Apex Healthcare Service • Quality • Integrity

DIVIDEND PAID TO THE GROUP INCREASED

6.8%

Apex develops, manufactures, markets and distributes pharmaceuticals, diagnostic products and equipment, consumer healthcare products and orthopaedic devices. It has operations in Malaysia, Singapore, Vietnam and Myanmar (Burma) and is publicly listed on the Main Board of Bursa Malaysia.

For the six months ended 30 June 2016 Apex generated revenue of $98.1 million, an increase of 6.4% over the $92.2 million for the previous corresponding six month period. Net profit after tax was $6.5 million, an increase of 23.7% compared to first half of 2015.

Apex paid an interim dividend of 1.8 cents per share for the six months ended 30 June 2016, an increase of 6.8% compared to the prior year's interim dividend.

WHSP has equity accounted Apex's result for the 12 months to 30 June 2016. Apex contributed a net profit of $3.4 million to the Group (2015: $3.4 million).

CopperChem Limited and Exco Resources Limited

Controlled entities: **100% held**	
Unlisted entities	

CopperChem and Exco Resources are copper and gold exploration companies which have processing facilities capable of producing copper sulphate, copper concentrate, and gold bullion.

Exploration activities are continuing on a number of prospective targets for the purpose of identifying additional copper resources for future mining activities within the operating radius of the Cloncurry processing facilities. Exploration activity ramped up with the drilling of a number of prospective targets in the Cloncurry region, with encouraging gold exploration results received for the Wallace Gold Project south-east of Cloncurry.

Production activities recommenced at the White Dam mine in South Australia during the year with gold production expected to continue until late in the 2017 calendar year. Further gold deposits are being identified within the broader CopperChem/Exco portfolio for continued gold production.

Revenue from copper sales for the year was $148,000 and revenue from gold sales for the year was $468,000. This will increase significantly as gold production ramps up in 2017 financial year.

The continued reduction of the Australian dollar copper price resulted in further impairments being required against the carrying values of copper assets.

The copper concentrator and operations at Cloncurry will remain on care and maintenance until there is an improvement in the copper price.

CopperChem and Exco contributed a net loss of $42.2 million to the Group (2015: $67.2 million loss) of which non-regular expenses (including impairments) totalled $33.3 million (2015: $59.6 million loss).

CopperChem

Other Investments

	% held
Ampcontrol Pty Limited	43.3%
Belaroma Coffee Pty Limited	40.0%
Clover Corporation Limited	28.6%
Cromford Group Pty Limited	100.0%
Heritage Brands Limited	25.1%
Lindsay Australia Limited	19.2%
Pitt Capital Partners Limited	100.0%
Quickstep Holdings Limited	15.9%
Rum Jungle Resources Limited	38.3%
Specialist Oncology Property Pty Limited	24.1%
TPI Enterprises Limited	19.4%

Investment Properties

100% held

Pennant Hills

Castle Hill

WHSP continues to investigate opportunities in real estate, particularly property benefitting from urban renewal. Following the acquisition of two office buildings in Pennant Hills, NSW during the first half, Pitt Street Real Estate Partners (PSRE) has leased up the vacancy at rents higher than anticipated. In addition, PSRE has investigated the potential rezoning of the properties to mixed use and they now form part of the Pennant Hills Town Centre Master Plan which is due to be released in the first half of 2017. The Pennant Hills properties add to WHSP's existing asset in Castle Hill, NSW.

The Castle Hill property consists of a four hectare land parcel with 15,000 square metres of warehouse and 5,000 square metres of office space. In December, the NSW Department of Planning and Infrastructure released its Showground Station Precinct Proposal for exhibition. WHSP's property is within this precinct. The plan aims to activate the precinct for a higher and better use following the introduction of the North West Rail Link. It is expected that the outcome of the plan will be known by the end of December 2016.

In August 2015, PSRE was awarded a contract to develop and deliver two bus depots for Transdev Australasia, on behalf of Public Transport Victoria. Development of the bus depots continued through the year. Construction of the Sunshine West depot was completed in July 2016, with settlement in late September 2016. The Thomastown depot is under construction and due for completion in December 2016.

Directors' Report

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP, Parent Company) present their report and the financial statements of the Consolidated Entity, being the Parent Company and its subsidiaries (the Group), for the financial year ended 31 July 2016.

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 M J Hawker**
- **Mr T C D Millner**
- **Mr W M Negus**
- **Ms M R Roderick**
- **Mr R G Westphal**
- **Mr D E Wills**

The following person was appointed as a Director of WHSP on 14 October 2015 and remains a Director at the date of this report:

- **Mr T J Barlow**

Principal Activities

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

Dividends

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

	Cents Per Share cents	Total Amount $'000	Franking %	Date of Payment
Declared and paid during the year				
Final ordinary dividend 2015	30	71,819	100%	7 December 2015
Interim ordinary dividend 2016	21	50,273	100%	12 May 2016
Dealt with in the financial report as dividends	51	122,092		
Declared after the end of the year				
Final ordinary dividend 2016	31	74,213	100%	12 December 2016

Review of Operations

The profit after tax attributable to shareholders for the year ended 31 July 2016 was $149.4 million, 79.3% higher than the $83.3 million for the prior year.

The Parent Company, TPG Telecom Limited and the private equity portfolio increased their contributions to Group profit while the contribution by Australian Pharmaceutical Industries Limited was in line with last year.

Brickworks contributed an increased profit from operations but a reduced total contribution due to impairments and restructuring costs associated with operations in Western Australia.

The results of New Hope Corporation Limited continued to be impacted by the lower coal and oil prices.

Comparison with the prior year is as follows:

	2016 $000	**2015** $000	**Change** %
Revenue from continuing operations	620,661	641,604	- 3.3%
Profit after tax attributable to shareholders	149,421	83,330	+ 79.3%
Interim Dividend (paid in May each year)	21 cents	20 cents	+ 5.0%
Final Dividend (payable 12 December 2016)	31 cents	30 cents	+ 3.3%
Total Dividends	**52 cents**	**50 cents**	**+ 4.0%**

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 21 of this annual report.

State of affairs

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

Financial Position, Financial Instruments and Going Concern

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

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

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

Litigation

An entity acting on the directions of Perpetual Investment Management Limited has lodged a claim against WHSP and Brickworks Limited (Brickworks) in the Federal Court.

The claim seeks orders including to have the cross shareholding between WHSP and Brickworks unwound. WHSP is vigorously defending the claim.

Events Subsequent to the Reporting Date

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

Likely Developments, Business Strategy and Prospects

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

Corporate Governance Statement

The Parent Company's Corporate Governance Statement may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au/whsp/wp-content/uploads/2016/10/WHSP-Corporate-Governance-Statement.pdf

Workplace Gender Equality

In accordance with the requirements of the *Workplace Gender Equality Act 2012*, WHSP lodged its annual public report for the year ended 31 March 2016 with the Workplace Gender Equality Agency on 26 May 2016.

The report may be viewed in the Employment section of the Company's web site at *www.whsp.com.au*.

Environmental Compliance

The Group was subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* during the year. This Act requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2014/15 report to the Greenhouse and Energy Data Officer on 29 October 2015.

New Hope Group (NHG)

The NHG was not prosecuted for any breach of environmental laws during the year.

Environmental performance

The majority of the NHG's operations, which include coal mining operations and exploration tenements, the Jondaryan rail loading facility, the Queensland Bulk Handling coal export port facility and oil and gas operations are in Queensland. The key piece of environmental legislation in Queensland is the *Environmental Protection Act 1994* (EP Act). The EP Act protects our environment with a focus on ecologically sustainable development.

The NHG's operations have proactively undertaken initiatives to improve their environmental performance.

Environmental systems

During the prior year the NHG adopted a new environmental policy aligned with the requirements of the ISO 14001 standard and it has continued the embedding of the Environmental Management System (EMS) in 2016. The EMS assists the NHG to improve its environmental performance by increasing environmental awareness, optimising operational control, monitoring compliance and facilitating continuous improvement.

Environmental reporting

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

CopperChem Limited (CopperChem) and Exco Resources Limited (Exco)

CopperChem's mining operations (Great Australia Operations (GAO) and Mount Colin) and Exco's Queensland exploration tenements are regulated by the Queensland Department of Environment and Heritage Protection (DEHP) under *Queensland's Environmental Protection Act (1994)*. Mining operations and exploration tenements each function under a site specific Environmental Authority (EA).

CopperChem continues to consult with DEHP over their legacy concerns with groundwater quality at the GAO and no infringements have resulted from these concerns. The site transitioned to care and maintenance in mid 2015 and CopperChem continues to undertake the required environmental monitoring and compliance activities at GAO. Environmental monitoring, management and compliance activities are continuing at Mount Colin Mine which is also on care and maintenance. All major water infrastructure at GAO and Mt Colin is maintained in good working order to meet water management objectives and compliance with Environmental Authorities.

Exco's mining operations at White Dam Gold Mine (WDGM) and exploration tenements in South Australia are regulated by the Department of State Development (DSD) under *South Australia's Mining Act 1971* and the South Australian Environmental Protection Authority under the *Environmental Protection Act 1993*. A compliance report is prepared and submitted to DSD annually. A mine extension and cutback was granted by DSD for the start of 2016. WDGM is operated in compliance with its lease conditions and regularly undertakes environmental monitoring activities. It did not receive any environmental infringements during the year.

Directors

Information regarding the Directors of the Parent Company:

Robert Dobson Millner FAICD

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

Mr Millner has extensive experience in the investment industry.

Other current listed company directorships:

- Apex Healthcare Berhad – Appointed 2000
- Australian Pharmaceutical Industries Limited – Appointed 2000
- Brickworks Limited – Appointed 1997 Chairman since 1999
- BKI Investment Company Limited – Appointed 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

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

Managing Director since October 2015
Member of the Risk Committee

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

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

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

Other current listed company directorships:

- TPI Enterprises Limited – Appointed 2015
- New Hope Corporation Limited – Appointed 2015
- PM Capital Asian Opportunities Fund Limited – Appointed 2015

Michael John Hawker AM B.Sc(Sydney), FAICD, SF Fin

Non-executive Director since 2012
Chairman of the Nomination and Risk Committees, member of the Audit and Remuneration Committees

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

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

Other current listed company directorships:

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

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

Non-executive Director since 2011

Member of the Investment, Nomination and Risk Committees

Mr Millner's experience includes management of investment portfolios, research and analysis of listed equities and business development. Mr Millner is the Chief Executive Officer of BKI Investment Company Limited (BKI). He joined BKI in 2008 from Souls Funds Management Limited where he was responsible for the investment portfolio of BKI.

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

Other current listed company directorships:

- New Hope Corporation Limited – Appointed 2015
- PM Capital Global Opportunities Fund Limited – Appointed 2013

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

Non-executive Director since 2014

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

Mr Negus has over 20 years experience in the banking and finance sectors including both senior management and director roles. He has extensive experience in managing equity and property portfolios.

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

Mr Negus is also a director of FINSIA, Tantallon Capital Advisors Pte. Limited and Terrace Tower Group Pty Limited. He is a Member of the Council of UNSW and the Sydney Advisory Board of the Salvation Army.

Other current listed company directorships:

- Bank of Queensland Limited – Appointed September 2016

Melinda Rose Roderick B.Econ(Macq), CA, GAICD

Finance Director since 2014

Member of the Risk Committee

Ms Roderick has over 25 years accounting and operational experience having previously held senior financial roles within the financial services and insurance sectors including eight years as an external auditor within a chartered accounting practice.

She joined WHSP in 2006 as the Chief Financial Officer and has a comprehensive understanding of the Company's complex accounting matters.

Ms Roderick is a member of the Institute of Chartered Accountants and holds a Bachelor of Economics Degree from Macquarie University.

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

Non-executive Director since 2006

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

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

Former listed company directorships in the past three years:

- Xanadu Mines Ltd – Appointed 2010. Resigned November 2013

David Edward Wills B.Com(UNSW), FCA, MAICD

Non-executive Director since 2006

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

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

Company Secretary

Ian David Bloodworth

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

Directors' Meetings

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

		Board		Audit Committee		Investment Committee		Nomination Committee		Remuneration Committee		Risk Committee	
	Committee Member	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Mr R D Millner	I, N, Re, Ri	13	13	–	–	10	10	2	2	7	7	5	5
Mr T J Barlow	I, Ri	9	9	–	–	7	7	–	–	–	–	4	4
Mr M J Hawker	A, N, Re, Ri	13	13	7	7	–	–	2	2	7	7	5	5
Mr T C D Millner	I, N, Re, Ri	13	13	–	–	10	10	2	2	7	7	5	5
Mr W M Negus	A, I, N, Re, Ri	13	12	7	6	10	10	2	2	7	7	5	5
Ms M R Roderick	Ri	13	13	–	–	–	–	–	–	–	–	5	5
Mr R G Westphal	A, N, Re, Ri	13	13	7	7	–	–	2	2	7	7	5	5
Mr D E Wills	A, N, Re, Ri	13	13	7	7	–	–	2	2	7	7	5	5

A Member of the Audit Committee of Directors during the year.
I Member of the Investment Committee of Directors during the year.
N Member of the Nomination Committee of Directors during the year.
Re Member of the Remuneration Committee of Directors during the year.
Ri Member of the Risk Committee of Directors during the year.

Directors' Interests

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	21,273,602
Mr T J Barlow	5,000
Mr M J Hawker	28,690
Mr T C D Millner	18,557,977
Mr W M Negus	47,000
Ms M R Roderick	5,000
Mr R G Westphal	22,739
Mr D E Wills	396,433

Remuneration Report

Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee I am pleased to present to you WHSP's Remuneration Report for the financial year ended 31 July 2016. WHSP's remuneration policy is designed to attract and retain high calibre talent whilst providing incentives for senior management to deliver sustainable value for our shareholders. For the year, a new variable pay framework was introduced for the Parent Company that is aimed at better aligning executive performance with the short and long-term strategic objectives approved by the Board and ensuring that senior executive variable pay outcomes remain consistent with shareholder returns.

The long-term incentive plan was voted on at the 2015 Annual General Meeting and approval was given for the issue of performance rights to Executive Directors.

For the year, WHSP recorded improved results in telecommunications, building products and pharmacy, which has offset lower results in mining resources. It is on this basis that regular earnings per share increased 9.1% to 74 cents and group profit after tax increased by 79.3% to $149.4 million. Moreover, total shareholder return was 31.4% and pre-tax net asset value increased 9.6% to $6 billion for the year.

During the year, a short-term incentive (STI) plan was introduced for the Parent Company which applies a cash inflow hurdle that is designed to enable increasing dividends and a net asset value performance hurdle that is designed to grow the value of the investment portfolio in support of shareholder wealth creation. For the year, cash inflow performance resulted in 80% of the target STI pool being awarded under this condition, whilst 150% of the target STI pool was awarded for outperformance related to net asset value per share. The new STI plan came into effect from 1 January 2016 and therefore awards have been pro-rated for the seven months to 31 July 2016.

The Remuneration Committee is keen to ensure that shareholders continue to benefit from strong performance by the company. By incentivising our Executive Directors and senior management through the alignment of their performance with outcomes that benefit shareholders we are seeking to achieve a mutually beneficial outcome for all stakeholders.

The following Remuneration Report considers the key management personnel of the Parent Company and the Consolidated Entity. New Hope Corporation Limited (New Hope) forms part of the Consolidated Entity and the remuneration of certain key management personnel of New Hope is included in this Report. New Hope is publicly listed and, accordingly, has its own Remuneration Committee and produces its own Remuneration Report in accordance with the *Corporations Act 2001* to be voted on by its shareholders.

We will continue to develop our remuneration policies in future years to ensure that WHSP's practices and outcomes remain relevant by reflecting evolving strategic objectives and the expectations of Company shareholders.

Yours sincerely,

David Wills
Non-Executive Director
Chair of the Remuneration Committee

Scope of Report

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

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

Abbreviations used in this report

ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
EPS	Earnings per share
KMP	Key management personnel
KPI	Key performance indicator
LTI	Long-term incentive
New Hope	New Hope Corporation Limited
NHRC	New Hope Remuneration Committee
STI	Short-term incentive
TSR	Total shareholder return
VWAP	Volume weighted average price

Structure of Report

This report is structured as follows:

1. KMP included in this report
2. Remuneration policy and framework
3. Elements of remuneration
4. Performance indicators
5. Remuneration expenses for KMP
6. Contractual arrangements for executive KMP
7. Share-based compensation
8. Other statutory information

1. KMP included in this report

Non-executive Directors

Mr Robert D Millner	Chairman
Mr Michael J Hawker	
Mr Warwick M Negus	
Mr Thomas C D Millner	
Mr Robert G Westphal	
Mr David E Wills	

Executive Directors

Mr Todd J Barlow	Managing Director and Chief Executive Officer from 14 October 2015, formerly Chief Executive Officer
Ms Melinda R Roderick	Finance Director and Chief Financial Officer

Other key management personnel of the Parent Company and Consolidated Entity

Mr Ian D Bloodworth	Company Secretary

Key management personnel of the Consolidated Entity

Mr Shane O Stephan	Managing Director, New Hope
Mr Bruce D Denney	Chief Operating Officer, New Hope to 18 December 2015
Mr Andrew L Boyd	Chief Operating Officer, New Hope from 21 December 2015
Mr Matthew J Busch	Chief Financial Officer, New Hope

2. Remuneration policy and framework

Remuneration Governance

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

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

The Remuneration Committee is authorised by the Board to obtain independent professional advice on the appropriateness of remuneration packages if deemed necessary. Such advice was received during the year, refer to page 45 of this report for further information.

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

Non-executive Directors

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

Executive Directors and Senior Executives

Parent Company

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

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

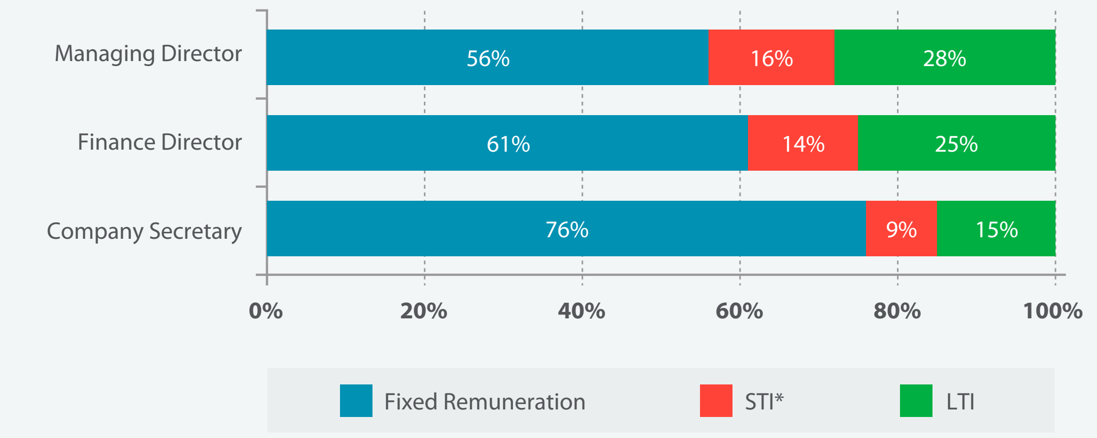
The total value of each remuneration package is approved by the Remuneration Committee based on data obtained from external sources.

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

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

Target remuneration mix (based on entitlement to 100% of the target STIs and LTIs which are at risk and subject to performance hurdles) for the year ended 31 July 2016 was:

Target Remuneration Mix



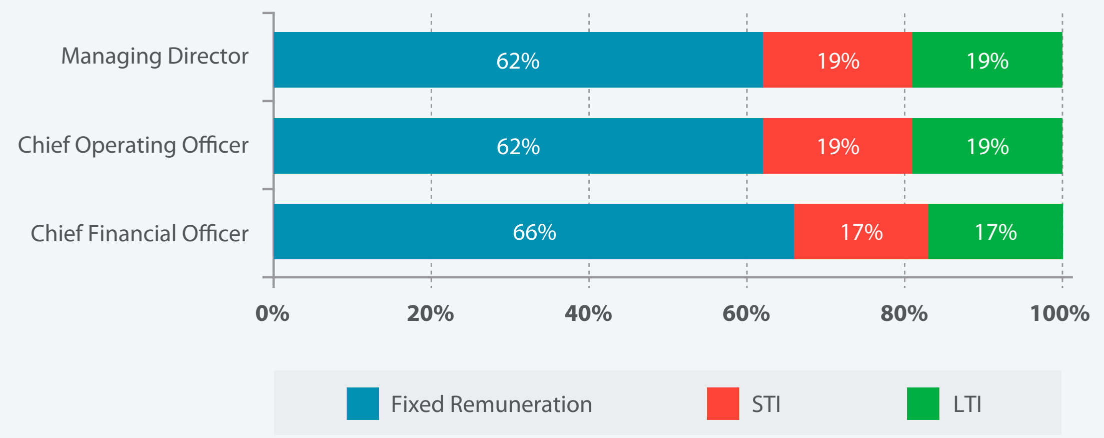
*STI was for the 7 months ended 31 July 2016 only

New Hope Corporation Limited

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

Executive remuneration comprises a mix of fixed remuneration, STIs and LTIs. Target remuneration mix (based on the entitlement to 100% of the available STIs and LTIs which is at risk and subject to performance hurdles) for the year ended 31 July 2016 was:

New Hope Target Remuneration Mix



3. Elements of remuneration

Non-executive Directors

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

The Remuneration Committee reviews market data annually to assist in setting Non-executive Director remuneration. Based on this data for 2015 the remuneration received by Non-executive Directors for the year ended 31 July 2016 was in line with the 50th percentile for ASX listed Companies with a market capitalisation between $3.5 billion and $7.5 billion.

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

During the year ended 31 July 2016 remuneration of the Non-executive Directors by the Parent Company amounted to $1,211,981.

With effect from 31 July 2004 the retiring allowance for Non-executive Directors was frozen at three times the average annual fees for the three years prior to that date. Non-executive Directors appointed after 31 July 2004 do not qualify for a retiring allowance. Mr David Fairfull was paid a retiring allowance of $162,500 upon his resignation from the Board of Directors on 5 December 2014.

As set out in the 2012, 2013, 2014 and 2015 Remuneration Reports, Mr Peter Robinson was entitled to an employment termination payment (ETP) on cessation of his employment as part consideration for transferring from a defined benefit superannuation plan to a target benefit superannuation plan. The ETP continued to increase by interest calculated at commercial rates until Mr Robinson's retirement on 31 March 2015. The interest for the 2015 financial year was $19,555 and the final amount of the ETP paid was $888,302.

Mr Robinson received total termination payments of $1,773,157 upon retirement on 31 March 2015. Shareholder approval was not required for these payments under Division 2 of Part 2D.2 of the *Corporations Act 2001* as the non-exempt payments did not exceed Mr Robinson's average annual base salary from the Group over the prior three years. The exempt components of the payment were unused annual leave and long service leave which totalled $825,529.

Executive Directors and Senior Executives

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

Mr Barlow was appointed Chief Executive Officer in April 2015 and became Managing Director in October 2015. Mr Barlow's remuneration continues to be at the lower end of the benchmark data used by the Remuneration Committee and may be progressively increased in future years based on performance and increasing experience.

STIs
Structure of STIs for the KMP of the Parent Company

<table>
<tr><th>Feature</th><th colspan="5">Description</th></tr>
<tr><td rowspan="5">STI pool</td><td rowspan="4">Based on target performance</td><td colspan="4">50% of Managing Director's fixed remuneration</td></tr>
<tr><td colspan="4">40% of Finance Director's fixed remuneration</td></tr>
<tr><td colspan="4">20% of Company Secretary's fixed remuneration</td></tr>
<tr><td colspan="4">10% of the fixed remuneration of other participants in the plan</td></tr>
<tr><td colspan="5">The size of the pool is determined by the performance metrics below, in the event that the targets are exceeded (performance metrics exceed 100%) the pool will be increased as set out below.</td></tr>
<tr><td rowspan="14">Performance metrics</td><td colspan="5">The STI metrics align with WHSP's strategic goals to maximise shareholders' returns.</td></tr>
<tr><td>Objective</td><td>Weighting</td><td>Threshold (80%)</td><td>Target (100%)</td><td>Outperformance</td></tr>
<tr><td rowspan="5">Regular cash to the parent company net of regular expenses</td><td rowspan="5">50%</td><td rowspan="5">> 0% and < 4% higher than last year</td><td rowspan="5">4% to < 5% higher than previous year</td><td>5% to < 6% = 110%</td></tr>
<tr><td>6% to < 7% = 120%</td></tr>
<tr><td>7% to < 8% = 130%</td></tr>
<tr><td>8% to < 9% = 140%</td></tr>
<tr><td>9% and higher = 150%</td></tr>
<tr><td colspan="5">As dividends are paid out of parent company cash, increasing net cash inflows enable the payment of increasing dividends.</td></tr>
<tr><td rowspan="5">Adjusted net asset value (post tax) per share (adjusted by adding back dividends paid by the parent company)</td><td rowspan="5">50%</td><td rowspan="5">> 0% and < 2% higher than ASX200 Accumulation Index</td><td rowspan="5">2% to < 3% higher than ASX200 Accumulation Index</td><td>3% to <4% = 110%</td></tr>
<tr><td>4% to < 5% = 120%</td></tr>
<tr><td>5% to < 6% = 130%</td></tr>
<tr><td>6% to < 7% = 140%</td></tr>
<tr><td>7% and higher = 150%</td></tr>
<tr><td colspan="5">Increases in net asset value per share drive increases in the WHSP share price.</td></tr>
<tr><td>Entitlement to the STI pool</td><td colspan="5">Each participant's entitlement to the STI pool is determined by the Remuneration Committee based on the performance of their duties and their contribution to meeting the objectives of the parent company including performance, efficiency, risk and marketing.
The total of all STIs determined by the Remuneration Committee cannot exceed the STI pool.</td></tr>
<tr><td>Delivery of STI</td><td colspan="5">100% of the STI awarded is paid in cash following release of the year end results.</td></tr>
</table>

The STI plan was introduced during the year ended 31 July 2016 and was designed to motivate and reward senior executives to generate increasing net cash flow (to facilitate increasing dividends) and to grow the value of the investment portfolio (measured by net asset value) for the benefit of shareholders. The STIs were effective from 1 January 2016 and have been pro-rated for the period 1 January 2016 to 31 July 2016.

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

Structure of LTIs for the KMP of the Parent Company

Feature	Description	
Opportunity/ Allocation	50% of Managing Director's fixed remuneration 40% of Finance Director's fixed remuneration 20% of Company Secretary's fixed remuneration The above amounts are divided by the VWAP of WHSP shares for the 30 trading days prior to 1 August each year to determine to number of rights issued.	
TSR rights	50% of rights issued are subject a TSR performance condition	
EPS rights	50% of rights issued are subject an EPS performance condition	
TSR performance hurdle	TSR is initially assessed over a 3 year period and compared to the ASX All Ordinaries Accumulation Index (Index). Vesting will occur based on the company's positioning relative to the Index. If less than 100% of the rights vest, performance is reassessed over a 4 year period. This incentive is designed to focus executives on delivering sustainable long-term shareholder returns.	
	TSR performance per annum	**Rights to vest**
	TSR% < Index	Nil
	TSR% = Index	50%
	Index < TSR% < (Index + 3% per annum)	Progressive pro-rata from 50% to 100%
	TSR% = (Index + 3% per annum) or higher	100%
EPS performance hurdle	EPS movement is initially assessed over a 3 year period and compared to the target set out below. Vesting will occur based on the company's achievement of that target. If less than 100% of the rights vest, performance is reassessed over a 4 year period. This incentive is designed to align the interests of executives with shareholders.	
	Regular EPS	Regular EPS is the regular profit after tax of the consolidated WHSP Group, divided by the weighted average number of WHSP shares on issue across the measurement period. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Consolidated Financial Statements – Note 3, Segment information.
	Regular EPS CAGR over measurement period	**Rights to vest**
	Regular EPS CAGR < 5%	Nil
	Regular EPS CAGR = 5%	50%
	5% < Regular EPS CAGR < 10%	Progressive pro-rata from 50% to 100%
	Regular EPS CAGR = 10% or higher	100%
Payable by participants	Nil	No amounts are payable by the participants upon the granting or the exercising of the rights.
Delivery of LTI	Rights vest over the 3 years following the 3 year performance period unless retesting applies. Refer to item 7 'Share-based Compensation' below for further details.	
Service Condition	The participant is to have been in the continuous employment of WHSP from 1 August 2015 to the relevant vesting date.	
Board Discretion	In the event of serious misconduct or a material misstatement in the financial statements, the Board may cancel LTI based remuneration and recover LTI remuneration paid in previous financial years. The Board may waive vesting conditions in the event of a participant leaving employment.	
Expiry	The performance rights issued during the year expire on 30 November 2020.	

The LTI plan was introduced during the year ended 31 July 2016 and was designed to reward senior executives for above market performance as reflected by the hurdles set above. The plan was effective from 1 August 2015 and the first test period will be for the three years ended 31 July 2018.

Total Remuneration Package
The total value of each remuneration package is approved by the Remuneration Committee based on market data. Based on this data for 2015 the remuneration received by Executive Directors and the Company Secretary for the year ended 31 July 2016 was under the 50th percentile for ASX listed Companies with a market capitalisation between $3.5 billion and $7.5 billion.

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

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

Feature	Description	
Maximum Opportunity/ Allocation	31% of New Hope Managing Director's fixed remuneration	
	31% of New Hope Chief Operating Officer's fixed remuneration	
	25% of New Hope Chief Financial Officer's fixed remuneration	
Performance metrics	STIs are designed to motivate and reward senior executives to achieve the short-term goals of New Hope.	
	Objective	**Weighting**
	New Hope Group Profit, Sales and Investment Performance	60%
	New Hope Group Compliance: Safety, Environment and Risk Management	20%
	New Hope Group Production Cost, Project Development and Merger and Acquisition Activities	20%
	Each of the STIs KPIs is made up of qualitative and quantitative measures with the quantitative measures set annually by the NHRC.	
Delivery of STI	100% of the STI awarded is paid in cash following release of the year end results.	

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

Given the historically low coal price and profit performance of New Hope, it was agreed that no STI be paid for the 2016 financial year.

LTIs

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

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

Feature	Description		
Maximum Opportunity/ Allocation	31% of New Hope Managing Director's fixed remuneration		
	31% of New Hope Chief Operating Officer's fixed remuneration		
	25% of New Hope Chief Financial Officer's fixed remuneration		
	Maximum allowable LTIs are provided for in senior executive employment contracts. At the end of each period the NHRC awards executives a percentage of their maximum allowable LTIs having regard to the performance of the executive and New Hope during the period. The value of the executive's LTIs is converted into Performance Rights by reference to the five day volume weighted average share price of New Hope over the five days immediately preceding issue.		
KPIs	**Objective**		**Weighting**
	Shareholder Value		50%
	Project Development and Merger and Acquisition Activities		25%
	Strategic Plan (including Succession Planning and Stakeholder Management)		25%
Performance and service conditions	Performance Rights are issued subject to performance and service conditions. The service condition requires that the executive remain an employee of New Hope for the duration of the three year vesting period. The performance conditions attaching to the rights are measured over three years. The NHRC will determine the percentage of rights that will vest based on the performance of the executive and New Hope during the three year period. LTIs are designed to motivate and reward senior executives to achieve the strategic goals set by New Hope, align shareholder and executive objectives and to retain the services of senior executives.		
Shareholder value rights	TSR of New Hope expressed as a percentage of the ASX 200 accumulation index (Index) over a three year period.		
	TSR as a % of the Index		**Rights to vest**
	< 100%		Nil
	100% to < 105%		50%
	105% to < 110%		60%
	110% to <115%		70%
	115 to < 120%		80%
	120 to < 125%		90%
	> 125%		100%
Payable by participants	Nil	No amounts are payable by the participants upon the granting or the exercising of the rights.	
Discretion	The NHRC has discretion to select alternative equity instruments for the award of LTIs in the event that Performance Rights do not align to the strategic goals set by the NHRC or New Hope.		

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

4. Performance indicators

Parent Company

Performance against key measures:

Metric	Target	Performance	Impact on incentive award
STI			
Regular cash to the parent company net of regular expenses	4% higher than previous year	1.3% higher than last year Threshold performance	80% of target STI pool awarded
Adjusted net asset value (post tax) per share	2% higher than ASX200 Accumulation Index	10.6% higher than ASX200 Accumulation Index Out performance	150% of target STI pool awarded
LTI	The first test period will be for the three years ended 31 July 2018.		

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

	2012 $'000	**2013** $'000	**2014** $'000	**2015** $'000	**2016** $'000
Consolidated Entity					
Revenue from continuing activities	912,359	791,315	658,116	641,604	**620,661**
Profit after tax attributable to shareholders	142,989	105,421	131,729	83,330	**149,421**
Parent Company					
Net regular cash from operations	139,173	140,282	140,494	136,204	**137,435**
Share price at year end	$13.15	$13.50	$15.13	$13.70	**$17.43**
Ordinary dividends paid/declared	44 cents	46 cents	48 cents	50 cents	**52 cents**

New Hope Corporation Limited

Given the historically low coal price and profit performance of New Hope, it was agreed that no STI be paid for the 2016 financial year.

5. Remuneration expenses for KMP

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

			Short-term Benefits			Post-Employment Benefits	Long-term Benefits		Share-based Payments	
	Parent Entity $	Controlled Entities $	Salary & Fees $	STI $	Non-monetary[1] $	Super-annuation $	Long Service Leave $	Termination Benefits $	LTI Rights[2] $	Total $
Non-executive Directors – 2016										
R D Millner	329,109	367,058	624,883	–	27,892	43,392	–	–	–	696,167
M J Hawker	181,708	–	165,943	–	–	15,765	–	–	–	181,708
T C D Millner	158,583	92,659	192,404	–	39,895	18,943	–	–	–	251,242
W M Negus	168,791	–	154,147	–	–	14,644	–	–	–	168,791
R G Westphal	191,499	–	174,885	–	–	16,614	–	–	–	191,499
D E Wills	182,291	27,375	191,476	–	–	18,190	–	–	–	209,666
	1,211,981	487,092								
Executive Directors – 2016										
T J Barlow – Managing Director	1,431,363	202,575	1,103,166	350,150	(1,450)	36,909	34,839	–	110,324	1,633,938
M R Roderick – Finance Director	896,179	–	610,241	170,082	(1,053)	29,940	19,477	–	67,492	896,179
Other KMP – 2016										
I D Bloodworth	416,224	–	301,939	44,799	16,566	28,468	6,801	–	17,651	416,224
S O Stephan	–	1,416,052	1,247,833	–	9,740	19,385	11,520	–	127,574	1,416,052
B D Denney[3]	–	410,715	312,686	–	9,930	7,111	10,682	136,316	(66,010)	410,715
A L Boyd[4]	–	465,134	389,709	–	38,728	14,370	22,327	–	–	465,134
M J Busch	–	635,825	546,028	–	(990)	19,305	9,796	–	61,686	635,825
Total	**3,955,747**	**3,617,393**	**6,015,340**	**565,031**	**139,258**	**283,036**	**115,442**	**136,316**	**318,717**	**7,573,140**

1. *Non-monetary remuneration includes salary sacrificed fringe benefits and movements in annual leave provisions.*
2. *The LTI rights expense is determined by amortising the fair value of the rights over the vesting period of the rights. Refer to item 7. Share-based Compensation on page 41 of this report.*
3. *Mr B D Denney resigned as Chief Operating Officer of New Hope on 18 December 2015. The negative share based payment amount reflects rights forfeited.*
4. *Mr A L Boyd was appointed as the Chief Operating Officer of New Hope on 21 December 2015.*

			Short-term Benefits			Post-Employment Benefits	Long-term Benefits		Share-based Payments	
	Parent Entity $	Controlled Entities $	Salary & Fees $	STI $	Non-monetary $	Super-annuation $	Long Service Leave $	Termination Benefits $	LTI Rights $	Total $
Non-executive Directors – 2015										
R D Millner	307,587	366,533	604,773	–	26,979	42,368	–	–	–	674,120
D J Fairfull[1] (resigned 5 December 2014)	209,167	51,262	89,433	–	–	8,496	–	162,500	–	260,429
M J Hawker	148,167	–	135,312	–	–	12,855	–	–	–	148,167
T C D Millner	142,333	–	102,487	–	30,308	9,538	–	–	–	142,333
W M Negus (appointed 1 November 2014)	107,333	–	98,021	–	–	9,312	–	–	–	107,333
R G Westphal	172,332	–	157,381	–	–	14,951	–	–	–	172,332
D E Wills	152,332	27,375	164,116	–	–	15,591	–	–	–	179,707
	1,239,251	445,170								
Executive Directors – 2015										
P R Robinson[2] (retired 31 March 2015)	2,400,012	135,050	669,950	–	61,930	30,025	–	1,773,157	–	2,535,062
M R Roderick – Finance Director	628,843	–	352,073	–	235,211	29,940	11,619	–	–	628,843
Other KMP – 2015										
T J Barlow (appointed 1 April 2015)	314,476	59,126	331,023	–	–	11,436	31,143	–	–	373,602
I D Bloodworth	329,024	–	212,387	–	89,596	21,276	5,765	–	–	329,024
S O Stephan[3]	–	1,307,272	1,209,630	(24,967)	42,778	18,915	17,860	–	43,056	1,307,272
B D Denney[3]	–	832,487	673,774	(15,605)	72,920	18,915	6,944	–	75,539	832,487
M J Busch[3]	–	626,544	513,950	(9,363)	44,970	18,779	9,716	–	48,492	626,544
Total	**4,911,606**	**3,405,649**	**5,314,310**	**(49,935)**	**604,692**	**262,397**	**83,047**	**1,935,657**	**167,087**	**8,317,255**

1. *Retiring allowance of $162,500 paid to Mr D J Fairfull upon his resignation from the Board of Directors on 5 December 2014. Refer to the Non-executive Directors section of this report on page 32 for further details.*
2. *Termination benefits of $1,773,157 paid to Mr P R Robinson upon retirement on 31 March 2015. Refer to the Executive Director and Senior Executives section of this report on page 32 for further details.*
3. *STI 2015 represents the difference between the accrual for the 2014 STI and the actual payment made during the 2015 financial year. No STI was awarded or accrued in respect of the 2015 year.*

5. Remuneration expenses for KMP continued

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

	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2016	2015	2016	2015	2016	2015
Parent Company						
T J Barlow	68%	100%	24%	0%	8%	0%
M R Roderick	73%	100%	19%	0%	8%	0%
I D Bloodworth	85%	100%	11%	0%	4%	0%
New Hope Corporation Limited						
S O Stephan	91%	97%	0%	0%	9%	3%
B D Denney	116%	91%	0%	0%	(16%)	9%
A L Boyd	100%	–	0%	–	0%	–
M J Busch	90%	92%	0%	0%	10%	8%

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

(iii) STIs granted and forfeited for the year

2016	Target STI $	Awarded %	Forfeited %
Parent Company			
T J Barlow	291,667	120%	0%
M R Roderick	157,500	108%	0%
I D Bloodworth	40,833	110%	0%
New Hope Corporation Limited			
S O Stephan	400,000	0%	100%
B D Denney	95,890	0%	100%
A L Boyd	121,112	0%	100%
M J Busch	150,000	0%	100%

6. Contractual arrangements for executive KMP

	Term of agreement and notice period[1]	Base remuneration including Superannuation[2]	Termination Payments[3]
Parent Company			
T J Barlow	No fixed term 6 months notice period	$1,000,000	6 months base remuneration
M R Roderick	No fixed term 3 months notice period	$675,000	3 months base remuneration
I D Bloodworth	No fixed term 3 months notice period	$350,000	3 months base remuneration
New Hope Corporation Limited			
S O Stephan	No fixed term 6 months notice period	$1,300,000	6 months base remuneration
A L Boyd	No fixed term 3 months notice period	$650,000	3 months base remuneration
M J Busch	No fixed term 3 months notice period	$600,000	3 months base remuneration

1. *This notice applies equally to either party.*
2. *Base remuneration including Superannuation as at 31 July 2016.*
3. *Base salary payable if the company terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance).*

7. Share-based Compensation

Parent Company

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

The assessed fair value of the Rights at grant date is allocated equally over the period from grant date to vesting date and these amounts are included in the remuneration of the executive. The fair value of the rights was independently determined by valuation specialists Lonergan Edwards & Associates Limited based on the market price of WHSP's shares at the grant date, with an adjustment made to take into account the vesting period, expected dividends during that period that will not be received by the participants and the probability that the market performance conditions will be met.

7. Share-based Compensation continued

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

WHSP Grant Date	Vesting Date If met over 3 years		Vesting Date If re-tested over 4 years		Grant Date Value $
EPS Rights					
December 2015	50%	September 2018	50%	September 2019	13.86
	30%	August 2019	30%	September 2019	13.86
	20%	August 2020	20%	August 2020	13.86
TSR Rights					
December 2015	50%	September 2018	50%	September 2019	12.25
	30%	August 2019	30%	September 2019	11.08
	20%	August 2020	20%	August 2020	10.87

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

WHSP	Grant Date	Balance at start of year Number	Granted during the year Number	Vested Number	Vested %	Forfeited Number	Forfeited %	Balance at end of year Number	Maximum value in future periods[1] $
T J Barlow	Dec 2015	–	31,045	–	–	–	–	31,045	220,648
M R Roderick	Dec 2015	–	18,992	–	–	–	–	18,992	134,983
I D Bloodworth	Dec 2015	–	4,967	–	–	–	–	4,967	35,302

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

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

New Hope Corporation Limited

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

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

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

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

NEW HOPE Grant Date	Vesting Date	Grant Date Value $
December 2011	August 2015	5.84
December 2012	August 2015	4.08
December 2012	August 2016	4.08
December 2014	August 2017	1.58
November 2015	August 2017	1.91
November 2015	August 2018	2.17

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

NEW HOPE	Grant Date	Vesting Date	Balance at start of year Number	Granted during the year Number	Vested Number	Vested %	Forfeited Number	Forfeited %	Balance at end of year Number	Maximum value in future periods[1] $
S O Stephan	Dec 2011	Aug 2015	8,432	–	8,432	100%	–	–	–	–
	Dec 2012	Aug 2015	11,211	–	11,211	100%	–	–	–	–
	Dec 2012	Aug 2016	11,210	–	–	–	–	–	11,210	–
	Nov 2015	Aug 2017	–	134,228	–	–	–	–	134,228	73,297
	Nov 2015	Aug 2018	–	204,082	–	–	–	–	204,082	160,750
B D Denney	Dec 2011	Aug 2015	8,010	–	8,010	100%	–	–	–	–
	Dec 2012	Aug 2015	11,211	–	11,211	100%			–	–
	Dec 2012	Aug 2016	11,210	–	–	–	11,210	100%	–	–
	Dec 2014	Aug 2017	83,893	–	–	–	83,893	100%	–	–
M J Busch	Dec 2011	Aug 2015	4,005	–	4,005	100%	–	–	–	–
	Dec 2012	Aug 2015	8,408	–	8,408	100%	–	–	–	–
	Dec 2012	Aug 2016	8,408	–	–	–	–	–	8,408	–
	Dec 2014	Aug 2017	50,336	–	–	–	–	–	50,336	50,336
	Nov 2015	Aug 2018	–	76,531	–	–	–	–	76,531	76,531

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

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

8. Other statutory information

Shareholdings of KMP

The following tables show the number of:

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

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

Shares in Washington H. Soul Pattinson and Company Limited	Balance at start of year	Purchased/ (sold)	Received on the vesting of rights	Other changes during the Year	Balance at end of year
Directors of Washington H. Soul Pattinson and Company Limited					
R D Millner	20,878,602	220,000	–	–	21,098,602
T J Barlow	5,000	–	–	–	5,000
M J Hawker	19,000	9,690	–	–	28,690
T C D Millner	18,162,977	220,000	–	–	18,382,977
W M Negus	35,000	12,000	–	–	47,000
M R Roderick	5,000	–	–	–	5,000
R G Westphal	22,739	–	–	–	22,739
D E Wills	376,433	20,000	–	–	396,433

Shares in New Hope Corporation Limited	Balance at start of year	Purchased/ (sold)	Received on the vesting of rights	Other changes during the Year[1]	Balance at end of year
Directors of Washington H. Soul Pattinson and Company Limited					
R D Millner	3,781,962	–	–	–	3,781,962
T C D Millner	3,754,368	20,000	–	–	3,774,368
D E Wills	90,670	–	–	–	90,670
Other key management personnel					
S O Stephan	162,078	59,300	19,643	–	241,021
B D Denney	46,452	–	19,221	(65,673)	–
A L Boyd	–	–	–	15,438	15,438
M J Busch	698,911	–	12,413	–	711,324

1. Other changes during the year represent the balances held at the dates persons became or ceased to be KMP.

Pitt Capital Partners Limited Class RP01 Preference Shares	Balance at start of year	Purchased/ (sold)	Received on the vesting of rights	Other changes during the Year	Balance at end of year
Directors of Washington H. Soul Pattinson and Company Limited					
T J Barlow	1	–	–	–	1

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

Loans to KMP

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

Other transactions with KMP

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

Unsecured deposits are accepted from some Directors of WHSP and their related entities and interest is paid at normal commercial rates. Interest paid during the current financial year amounted to $1,228,178 (2015: $1,590,264). The balance of deposits at 31 July 2016 was $48,200,787 (2015: $47,326,145). Deposits were received from Mr R D Millner, Mr T C D Millner and Mr R G Westphal and/or their related entities.

Reliance on external remuneration consultants

During the year the Remuneration Committee engaged PricewaterhouseCoopers (PwC) to provide advice on the executive long-term incentive plan design and prepare the necessary plan documentation. PwC was paid $39,386 for these services.

PwC has confirmed that all remuneration advice has been made free from undue influence by members of the Group's KMP.

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

- PwC was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of the services was executed by the chair of the remuneration committee under delegated authority on behalf of the board; and
- the report containing the remuneration advice was provided by PwC directly to the chair of the remuneration committee.

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

Voting on the 2015 Remuneration Report

The Parent Company's Remuneration Report for the 2015 financial year was adopted at its 2015 Annual General Meeting on a show of hands with no votes against.

This is the end of the Remuneration Report

Directors' Report

Options

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

Indemnification of Officers and Auditors

Indemnification

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

Insurance

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

Auditors

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

Proceedings on behalf of the Company

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

Non Audit Services

During the year, Pitcher Partners Sydney, the Parent Company's auditor, performed certain other services in addition to their statutory duties. An entity associated with Pitcher Partners Sydney was paid $173,491 for providing tax compliance and other services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 36 of the financial statements.

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

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 July 2016 has been received and is included on page 47.

Rounding of Amounts

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

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

R D Millner
Director – Chairman

T J Barlow
Managing Director

Dated this 25th day of October 2016.

Auditor's Independence Declaration

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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

In relation to the independent audit for the year ended 31 July 2016, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct.

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

J Gavljak
Partner

PITCHER PARTNERS
Sydney

24 October 2016

Financial Report

for the year ended 31 July 2016

About this report

This financial report is for the Consolidated entity consisting of Washington H. Soul Pattinson and Company Limited and its controlled entities for the year ending 31 July 2016. Throughout the report, the Consolidated entity is also referred to as the 'Group'.

We are continuously developing the Group's financial reporting with the aim to enhance our shareholders understanding of the Group and to highlight the parent company information of Washington H. Soul Pattinson and Company Limited, illustrating the market value of our investments and the cash flows generated by them from which dividends to our shareholders are paid.

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

Consolidated entity perspective

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

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

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

Parent company perspective

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

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

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

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

This financial report was authorised for issue in accordance with a resolution of the Directors on 24 October 2016.

Contents

Consolidated Income Statement

for the year ended 31 July 2016

	Notes	2016 $'000	2015 $'000
Revenue from continuing operations	15	620,661	641,604
Other income	16	145,902	4,504
Cost of sales		(392,308)	(365,121)
Selling and distribution expenses		(153,806)	(142,627)
Administration expenses		(34,600)	(39,381)
Acquisition costs expensed		(45,604)	–
Other expenses		(13,313)	(8,591)
Impairment expense	17	(116,539)	(123,801)
Finance costs		(2,535)	(3,063)
Share of results from equity accounted associates	10	122,503	95,079
Profit before income tax		**130,361**	**58,603**
Income tax (expense)/benefit	18a	(902)	16,951
Profit after tax for the year		**129,459**	**75,554**
Loss/(profit) after tax attributable to non-controlling interests		19,962	7,776
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		**149,421**	**83,330**

	2016 cents	2015 cents
Earnings per share		
Basic and diluted earnings per share attributable to ordinary equity holders of Washington H. Soul Pattinson and Company Limited		
Earnings per share from all operations	**62.42**	**34.81**
	No. of shares	No. of shares
Weighted average number of shares used in calculating basic and diluted earnings per share	239,395,320	239,395,320

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

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2016

	2016 $'000	2015 $'000
Profit after tax for the year	129,459	75,554
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Net movement in the fair value of long term equity investments, net of tax	(40,304)	8,411
Transfer to profit and loss on disposal of long term equity investments, net of tax	(10,692)	(3,950)
Net movement in hedge reserve, net of tax	17,141	(14,139)
Net movement in foreign currency translation reserve, net of tax	(320)	627
Net movement in equity reserve, net of tax	2,813	(3,593)
Total other comprehensive (expense)/income for the year, net of tax	**(31,362)**	**(12,644)**
Total comprehensive income for the year	**98,097**	**62,910**
Total comprehensive expense attributable to non-controlling interests	12,761	16,091
Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited	**110,858**	**79,001**

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 2016

	Notes	31 July 2016 $'000	31 July 2015 $'000
Current assets			
Cash and cash equivalents	14	126,709	59,424
Term deposits	13	47,660	1,217,011
Trade and other receivables	28	116,775	75,348
Inventories	29	79,039	72,870
Trading equities	11	31,605	21,300
Derivative financial instruments	22	2,313	–
Current tax asset		1,486	–
Total current assets		**405,587**	**1,445,953**
Non-current assets			
Trade and other receivables	28	30,187	4,299
Equity accounted associates	10	1,265,214	1,088,592
Long term equity investments	11	585,703	615,645
Other financial assets	11	11,837	5,425
Investment properties	12	92,932	20,720
Property, plant and equipment	25	1,388,735	584,703
Exploration and evaluation assets	26	402,298	407,831
Deferred tax assets	19	56,076	59,309
Intangible assets	27	60,478	20,538
Total non-current assets		**3,893,460**	**2,807,062**
Total assets		**4,299,047**	**4,253,015**
Current liabilities			
Trade and other payables	30	75,831	49,329
Interest bearing liabilities	23	52,167	47,347
Derivative financial instruments	22	167	23,144
Current tax liabilities		1,677	4,903
Provisions	31	50,066	36,675
Total current liabilities		**179,908**	**161,398**
Non-current liabilities			
Interest bearing liabilities	23	35,558	104
Deferred tax liabilities	19	240,038	253,042
Provisions	31	96,892	64,036
Total non-current liabilities		**372,488**	**317,182**
Total liabilities		**552,396**	**478,580**
Net assets		**3,746,651**	**3,774,435**
Equity			
Share capital	5	43,232	43,232
Reserves	4	623,684	661,279
Retained profits		2,372,467	2,322,067
Parent entity interest		3,039,383	3,026,578
Non-controlling interest		707,268	747,857
Total equity		**3,746,651**	**3,774,435**

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 2016

Year ended 31 July 2016	Share capital $'000	Retained profits $'000	Reserves $'000	Total Parent entity interest $'000	Non-controlling interest $'000	Total equity $'000
Total equity at the beginning of the year – 1 August 2015	**43,232**	**2,322,067**	**661,279**	**3,026,578**	**747,857**	**3,774,435**
Net profit for the year after tax	**–**	**149,421**	**–**	**149,421**	**(19,962)**	**129,459**
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	–	–	(51,139)	(51,139)	143	(50,996)
Net movement in hedge reserve, net of tax	–	–	9,979	9,979	7,162	17,141
Net movement in foreign currency translation reserve, net of tax	–	–	(216)	(216)	(104)	(320)
Net movement in equity reserve, net of tax	–	–	2,813	2,813	–	2,813
Total comprehensive income for the year	**–**	**149,421**	**(38,563)**	**110,858**	**(12,761)**	**98,097**
Transactions with owners						
Dividends declared and paid	–	(99,064)	–	(99,064)	(27,963)	(127,027)
Net movement in share-based payments reserve	–	43	968	1,011	(95)	916
Non-controlling interests share of subsidiaries	–	–	–	–	(18)	(18)
Equity transfer from members on issue of share capital in controlled entity	–	–	–	–	248	248
Total equity at the end of the year – 31 July 2016	**43,232**	**2,372,467**	**623,684**	**3,039,383**	**707,268**	**3,746,651**
Year ended 31 July 2015						
Total equity at the beginning of the year – 1 August 2014	**43,232**	**2,334,728**	**665,424**	**3,043,384**	**796,741**	**3,840,125**
Net profit for the year after tax	**–**	**83,330**	**–**	**83,330**	**(7,776)**	**75,554**
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	–	–	6,495	6,495	(2,034)	4,461
Net movement in hedge reserve, net of tax	–	–	(7,858)	(7,858)	(6,281)	(14,139)
Net movement in foreign currency translation reserve, net of tax	–	–	627	627	–	627
Net movement in equity reserve, net of tax	–	–	(3,593)	(3,593)	–	(3,593)
Total comprehensive income for the year	**–**	**83,330**	**(4,329)**	**79,001**	**(16,091)**	**62,910**
Transactions with owners						
Dividends declared and paid	–	(95,126)	–	(95,126)	(33,892)	(129,018)
Net movement in share-based payments reserve	–	(865)	184	(681)	800	119
Non-controlling interests share of subsidiaries	–	–	–	–	(26)	(26)
Equity transfer from members on issue of share capital in controlled entity	–	–	–	–	325	325
Total equity at the end of the year – 31 July 2015	**43,232**	**2,322,067**	**661,279**	**3,026,578**	**747,857**	**3,774,435**

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

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		598,389	592,947
Payments to suppliers and employees inclusive of GST		(559,921)	(502,923)
		38,468	**90,024**
Dividends received		98,603	94,648
Interest received		32,202	46,393
Acquisition costs expensed	6	(45,604)	–
Finance costs		(973)	(1,438)
Income taxes paid		(2,869)	(6,937)
Net cash inflow from operating activities	14	**119,827**	**222,690**
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		(68,533)	(77,430)
Proceeds from sale of property, plant and equipment		829	336
Payments for exploration and evaluation activities		(22,387)	(60,350)
Net proceeds from term deposits		1,161,399	52,933
Payment for acquisition and development of investment properties		(71,316)	(31,204)
Proceeds from sale of investment properties		–	153,069
Payments for equity investments		(86,149)	(80,905)
Proceeds from sale of long term equity investments		49,130	29,222
Proceeds from sale of an equity accounted associate		4,108	–
Payments to acquire equity accounted associates		(6,287)	(5,014)
Loans advanced		(41,285)	(17,843)
Loan repayments		1,701	3,554
Payments for acquisition of businesses, net of cash	6	(849,530)	–
Net cash inflow/(outflow) from investing activities		**71,680**	**(33,632)**
Cash flows from financing activities			
Dividends paid to our shareholders		(122,092)	(117,304)
Dividends paid by subsidiaries to non-controlling interests		(27,963)	(33,892)
Proceeds from interest bearing liabilities		1,356	1,238
Payment on close out of interest rate swap		–	(2,112)
Proceeds from external borrowings		23,358	11,572
Repayment of external borrowings		(988)	(56,950)
Net cash (outflow) from financing activities		**(126,329)**	**(197,448)**
Net increase/(decrease) in cash and cash equivalents		**65,178**	**(8,390)**
Cash and cash equivalents at the beginning of the year		59,424	64,933
Effects of exchange rate changes on cash and cash equivalents		2,107	2,881
Cash and cash equivalents at the end of the year	14	**126,709**	**59,424**

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

Notes to the Financial Statements

Basis of preparation

This financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a for profit basis;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000), or in certain cases, to the nearest dollar, unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 August 2015;
- does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective such as *AASB 15 Revenue from Contracts with Customers; AASB 9 Financial Instruments* (December 2010) as amended by 2013-9 and *AASB 16 Leases*. Refer to note 35 – Other accounting policies for more information;
- has been prepared on a historical cost basis except for the following items, which are measured on an alternative basis.

Item	Measurement basis
Long term equity investments	Fair value
Held for sale equities	Fair value
Trading equities	Fair value
Investment properties	Fair value
Inventories	Net realisable value

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

Basis of consolidation

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

i. Controlled entities (Subsidiaries)

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

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

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

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

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

ii. Joint arrangements

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

Joint operations

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

Joint ventures

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

iii. Associates

Associates are all entities over which the Group has significant influence and are neither subsidiaries nor jointly controlled. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received/receivable from associates are recognised in the consolidated financial statements by reducing the carrying amount of the investment.

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

iv. Transactions eliminated on consolidation

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

Other accounting policies

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

Key judgements and estimates

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

Note reference	Key judgements and estimates	Page
Note 6	Business combination – acquisition fair value	72
Note 9	Classification of joint arrangements as a joint operation	74
Note 10	Recoverable value of investments in Associates	78
Note 11	Impairment of financial assets	81
Note 17	Recoverable value and impairment	90
Note 18	Petroleum resource rent tax (PRRT)	92
Note 19	Deferred tax assets	94
Note 25	Impairment of non-current assets • Estimation of reserves and resources – Coal • New Acland Coal Stage 3 approvals • Oil producing assets	107
Note 25	Determination of recoverable value - Copper assets	108
Note 26	Exploration and evaluation expenditure	109
Note 27	Impairment of goodwill	112
Note 28	Recoverability of receivables	114
Note 31	Mining restoration and site rehabilitation	116

Parent Company Information

1

NOTE 1 PARENT COMPANY FINANCIAL INFORMATION

Source of shareholders dividends

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

Regular profit after tax is a measure of the Parent company's performance. This measurement excludes the effects of non-regular items of income and expense which by nature are outside the ordinary course of business or are part of ordinary operations but are unusual due to their size.

The classification of income and expenses as regular or non-regular is consistent with the Consolidated entity's measurement of segment results.

ACCOUNTING POLICIES

Parent company

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

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

The consolidated financial statements recognises the individual assets, liabilities, income and expenses of the controlled entities. Associates are equity accounted, with the initial investment being increased/(decreased) by profits/(losses) recognised in the income statement, movements in other comprehensive income and decreased by dividends received. Dividends from both controlled entities and associates are not recognised in the consolidated financial income statement.

Statement of Financial Position

As at 31 July 2016	2016 $'000	2015 $'000
Current assets		
Cash and term deposits	72,453	165,855
Other current assets	36,585	46,300
Total current assets	109,038	212,155
Non-current assets		
Long term equity investments – measured at market value	581,432	608,030
Other financial assets		
– Listed controlled and associated entities – measured at the lower of cost or impaired value	562,309	526,002
– Unlisted entities – measured at the lower of cost or impaired value	265,259	297,410
Other non-current assets	147,318	97,062
Total non-current assets	1,556,318	1,528,504
Total assets	1,665,356	1,740,659
Total current liabilities	52,134	48,676
Total non-current liabilities	72,866	89,112
Total liabilities	125,000	137,788
Net assets	1,540,356	1,602,871
Equity		
Share capital	43,232	43,232
Reserves	571,178	610,339
Retained profits	925,946	949,300
Total equity	1,540,356	1,602,871

Income Statement

	2016 $'000	2015 $'000
Profit after tax	98,737	165,200
Less: Non-regular items after tax		
Special dividends received from New Hope Corporation Limited	(17,349)	(17,349)
Net gain on disposal of investments	(11,713)	(1,595)
Net impairment expense/(reversal) on investments	67,320	(14,837)
Other expenses	441	229
Regular profit after tax	137,436	131,648
Other comprehensive income		
Net movement in the fair value of the listed investment portfolio	(39,363)	(776)

Market value of listed entities as at 31 July 2016
(based on ASX closing prices 31 July 2016)

As at 31 July 2016		2016 $'000
Long term equity investments		
Milton Corporation Limited		147,151
Commonwealth Bank of Australia		60,883
Perpetual Limited		27,898
Lindsay Australia Limited		27,208
ANZ Banking Group Limited		24,362
National Australia Bank Limited		23,136
Bailador Technology Investments Limited		22,600
Brambles Limited		21,783
Telstra Corporation Limited		21,730
Wesfarmers Limited		21,521
Other listed entities		183,160
Market value of long term equity investments		581,432
Listed controlled and associated entities	Holding	
TPG Telecom Limited	25.2%	2,737,949
Brickworks Limited	44.1%	986,646
New Hope Corporation Limited	59.6%	793,114
Australian Pharmaceutical Industries Ltd	24.6%	230,813
BKI Investment Company Limited	10.3%	100,668
Ruralco Holdings Limited	20.1%	52,947
Apex Healthcare Berhad	30.3%	45,247
TPI Enterprises Limited	19.4%	28,898
Clover Limited	28.6%	19,336
Rum Jungle Resources Limited	38.3%	8,486
Market value of listed controlled and associated entities		5,004,104
Total market value of WHSP's listed investments		5,585,536*

Tax payable if WHSP's listed investments were disposed:

WHSP is a long term equity investor.

If WHSP had disposed of its listed investments on 31 July 2016, a capital gains tax liability of approximately $1.341 billion would have arisen based on market values as at 31 July 2016. Of this amount, only $60.9 million has been recognised in the Parent company accounts at 31 July 2016.

* The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 July 2016 and are therefore subject to price fluctuations. Refer to note 7.

Regular Profit after Tax and Regular Operating Cash Flows

For the year ended 31 July 2016	2016 $'000
Interest income	5,159
Dividend and distribution income	
Milton Corporation Limited	6,385
Commonwealth Bank of Australia	3,305
Perpetual Limited	1,532
Lindsay Australia Limited	1,165
ANZ Banking Group Limited	1,650
National Australia Bank Limited	1,726
Bailador Technology Investments Limited	–
Brambles Limited	460
Telstra Corporation Limited	1,167
Wesfarmers Limited	1,012
Other listed entities	9,984
TPG Telecom Limited	27,744
Brickworks Limited	30,194
New Hope Corporation Limited	22,305
Australian Pharmaceutical Industries Ltd	6,010
BKI Investment Company Limited	4,477
Ruralco Holdings Limited	2,391
Apex Healthcare Berhad	1,256
Clover Corporation Limited	354
Unlisted controlled and associates	12,224
Total dividend and distribution income	135,341
Net pharmacy profit	1,575
Other revenue	1,649
Realised and fair value gains on equities	5,140
Other expenses	(6,930)
Finance costs	(1,334)
Regular profit before tax	140,600
Income tax (expense)	(3,164)
Regular profit after tax	137,436
Non-cash fair value losses on equities	2,507
Net movements in working capital	(2,508)
Regular operating cash flows	137,435

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

	2016 $'000
Dividends paid/payable	
– Interim of 20 cents per share paid 12 May 2016	50,273
– Final of 31 cents per share payable 12 December 2016	74,213
Total dividends paid/payable	124,486
Payout ratio	
Dividends as a percentage of regular operating cash flows	90.6%

Parent Company Information

1

NOTE 1
PARENT COMPANY FINANCIAL INFORMATION (continued)

a) Interest bearing liabilities

The Parent company accepts deposits from its Directors and Director-related parties under normal commercial terms and conditions. As at 31 July 2016, the balance of these deposits was $49.860 million (2015: $47.326 million) refer note 23.

At 31 July 2016, the Parent company has no external borrowings from financial institutions and is not subject to any externally imposed capital requirements.

b) Guarantees entered into by the Parent company

The Parent company provides cash backed guarantees for environmental bonds that are required by CopperChem Limited. As at 31 July 2016 these guarantees totalled $5.013 million (2015: $5.013 million).

c) Contingent liabilities of the Parent company

Washington H. Soul Pattinson and Company Limited is in litigation with Perpetual Investment Management Limited which is proceeding with cross-claims in seeking to have the cross-shareholding between Washington H. Soul Pattinson and Company Limited and Brickworks Limited unwound.

Washington H. Soul Pattinson and Company Limited continue to vigorously defend cross-claim.

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

The Parent company did not have any contractual commitments as at 31 July 2016 or 31 July 2015.

2

NOTE 2
PAYMENT OF DIVIDENDS TO SHAREHOLDERS

Accounting policy

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

	2016 $'000	2015 $'000
a) Dividends paid during the year		
Final dividend for the year ended 31 July 2015 of 30 cents (2014: 29 cents) per fully paid ordinary share paid on 7 December 2015 (2014: 8 December 2014) fully franked based on tax paid at 30%	71,819	69,425
Interim dividend for the year ended 31 July 2016 of 21 cents (2015: 20 cents) per fully paid ordinary share paid on 12 May 2016 (2015: 14 May 2015) fully franked based on tax paid at 30%	50,273	47,879
Total dividends paid	**122,092**	**117,304**
b) Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors have declared the payment of:		
A final dividend of 31 cents per fully paid ordinary share, (2015: 30 cents) fully franked based on tax paid at 30%	74,213	71,819
This dividend is due to be paid on 12 December 2016 (2015: 7 December 2015) out of retained profits as at 31 July 2016, and has not been recognised as a liability at year end.		
c) Franking of dividends		
The final dividend for 31 July 2016 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 2016.		
Franking credits available for future dividend payments		
Franking credits available for subsequent financial years based on an Australian company tax rate of 30% (2015: 30%).	540,553	529,996
The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.		
Subsequent to year end, the franking account will be reduced by the final dividend to be paid on 12 December 2016 (2015: 7 December 2015).	(31,805)	(30,779)
Balance of franking credits available after payment of the final dividend	**508,748**	**499,217**

Group Structure and Performance

3

NOTE 3
SEGMENT INFORMATION – HOW THE GROUP IS ORGANISED AND MANAGED

How the Group is organised – Corporate structure

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

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

No controlled entities were acquired or disposed of during the year ended 31 July 2016.

A subsidiary, New Hope Corporation Limited, acquired a 40% interest in the Bengalla coal mine, which is a jointly controlled operation. Refer to note 6 for details of this acquisition.

For changes in ownership of Associates, refer note 10.

How the Group is managed – Segment reporting

The Parent company, its subsidiaries and associates operate within five segments. Segments are based on product and service type and are predominately based in Australia.

The level of ownership determines the extent to which the Parent company is able to manage the underlying operations of its investment. The Group is managed by operating segment.

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

As the Chief Operating Decision Maker is not regularly provided with the operating results from the listed associates (material contributors to reported profit) these associates are included within the Investing activities segment except for Syndicated Metals Limited, which is included within the Copper and Gold operations segment. Results for listed associates are sourced from publicly available information. Unlisted associates are considered not to be material contributors to the Group. These have been included within the segment as disclosed in the diagram on the following page:

The Group's operating segments are described as:

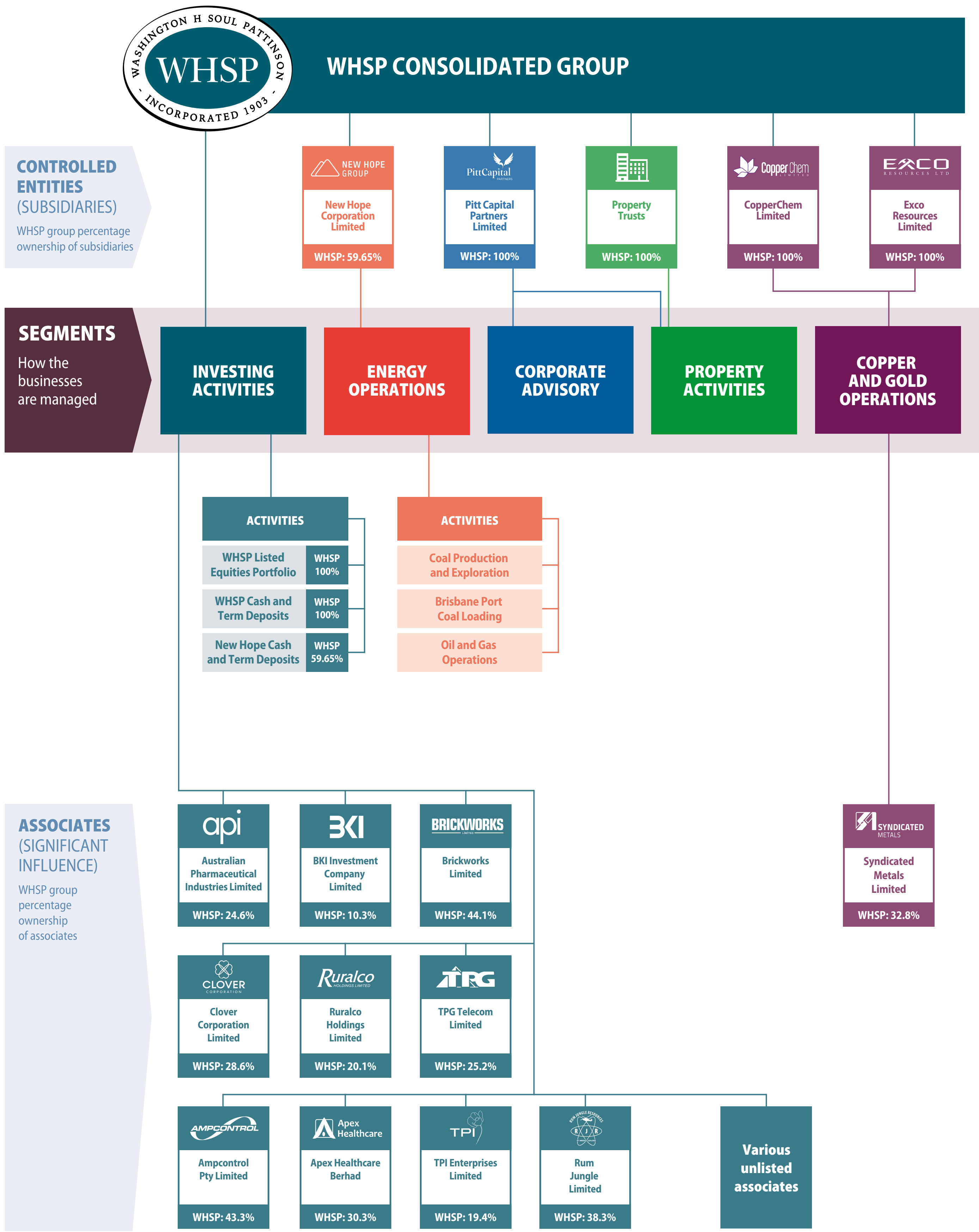
Investing activities
The Group invests in cash, term deposits, and equity investments.

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

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

Corporate advisory
The Group provides corporate advisory services.

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



Group Structure and Performance

3

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

Business performance – measurement of Segment results

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

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

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

The Directors have presented this information which is used by the Chief Operating Decision Maker, as they consider the disclosure enhances the understanding of the results to members and users of the financial statements. Non-regular items are disclosed in note 3b.

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

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

	2016 $'000	2015 $'000
Regular profit after tax attributable to members	177,222	162,405*
Non-regular items – net of tax		
Gain on disposal of equity investments	11,713	2,410
Gain on disposal of equity accounted associate	1,489	–
Loss on initial recognition of equity accounted associate	(1,682)	–
Gain on deemed disposal of equity accounted associates	83,318	1,450
Impairment (expense)/reversal on equity accounted associates	(7,554)	72,947
Impairment (expense) on equity investments	(12,023)	(16,170)
Impairment (expense) on oil producing and exploration assets	(13,277)	(21,949)
Impairment (expense) on goodwill	–	(2,480)
Impairment (expense) – copper assets	(22,374)	(58,114)
Impairment (expense) on non-current assets – coals to liquids facility	–	(10,638)
Impairment (expense) on other assets	(6,675)	(6,632)
Share of significant (expenses) from associate entities	(29,834)	(23,391)
Deferred tax (expense) recognised on equity accounted associate entities	(20,900)	(13,902)
Acquisition costs expensed	(19,042)	–
Land access compensation	2,982	–
Other items	6,058	(2,606)
Total non-regular losses after tax attributable to members	**(27,801)**	**(79,075)***
Profit after tax attributable to members	**149,421**	**83,330**

* *The regular profit after tax for 2015 has been restated by transferring expenses of $5.956 million from regular profit to non-regular items following a reallocation by an Associated Entity.*

a) Reporting segments

	Investing activities $'000	Energy $'000	Copper and Gold operations $'000	Corporate advisory $'000	Property $'000	Intersegment/ unallocated $'000	Consolidated $'000
Year ended 31 July 2016							
Revenue from external customers	**86,281**	**514,164**	**616**	**1,397**	**5,867**	**12,336**	**620,661**
Intersegment revenue	29,708	–	–	9,236	914	(39,858)	–
Total revenue	**115,989**	**514,164**	**616**	**10,633**	**6,781**	**(27,522)**	**620,661**
Regular profit/(loss) before income tax	**230,288**	**(18,361)**	**(9,746)**	**7,452**	**3,239**	**(30,861)**	**182,011**
Non-regular items before tax (note 3b)	72,615	(68,750)	(55,515)	–	–	–	(51,650)
Profit/(loss) before income tax	**302,903**	**(87,111)**	**(65,261)**	**7,452**	**3,239**	**(30,861)**	**130,361**
Less income tax benefit/(expense)	(62,586)	25,795	39,092	(2,273)	(930)	–	(902)
Profit/(loss) after tax	**240,317**	**(61,316)**	**(26,169)**	**5,179**	**2,309**	**(30,861)**	**129,459**
Less loss/(profit) attributable to non-controlling interests	(3,119)	24,742	–	(1,610)	(51)	–	19,962
Profit/(loss) after tax attributable to members	**237,198**	**(36,574)**	**(26,169)**	**3,569**	**2,258**	**(30,861)**	**149,421**
Profit/(loss) after tax attributable to members (as above)	**237,198**	**(36,574)**	**(26,169)**	**3,569**	**2,258**	**(30,861)**	**149,421**
Non-regular loss/(profit) after tax attributable to members (note 3b)	(18,654)	29,337	17,118	–	–	–	27,801
Regular profit/(loss) after tax attributable to members	**218,544**	**(7,237)**	**(9,051)**	**3,569**	**2,258**	**(30,861)**	**177,222**
Profit/(loss) before income tax includes the following items:							
Interest revenue	22,484	567	273	109	15	–	23,448
Interest (expense)	(1,338)	(249)	(304)	–	(644)	–	(2,535)
Depreciation and amortisation (expense)	(2,209)	(74,905)	(2,339)	(17)	(143)	–	(79,613)
Impairment (expense)/reversal	(35,001)	(28,146)	(53,392)	–	–	–	(116,539)
Share of results from equity accounted associates	124,693	–	(2,183)	–	(7)	–	122,503

Group Structure and Performance

3

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

a) Reporting segments (continued)

	Investing activities $'000	Energy $'000	Copper and Gold operations $'000	Corporate advisory $'000	Property $'000	Intersegment/ unallocated $'000	Consolidated $'000
Year ended 31 July 2015							
Revenue from external customers	**108,679**	**465,420**	**51,636**	**1,949**	**2,290**	**11,630**	**641,604**
Intersegment revenue	37,758	–	–	6,152	2,100	(46,010)	–
Total revenue	**146,437**	**465,420**	**51,636**	**8,101**	**4,390**	**(34,380)**	**641,604**
Regular profit/(loss) before income tax	**209,290**	**31,546**	**(9,967)**	**4,866**	**9,251**	**(41,897)**	**203,089**
Non-regular items before tax (note 3b)	23,957	(79,880)	(88,563)	–	–	–	(144,486)
Profit/(loss) before income tax	**233,247**	**(48,334)**	**(98,530)**	**4,866**	**9,251**	**(41,897)**	**58,603**
Less income tax benefit/(expense)	(28,773)	14,898	24,884	(296)	(831)	7,069	16,951
Profit/(loss) after tax	**204,474**	**(33,436)**	**(73,646)**	**4,570**	**8,420**	**(34,828)**	**75,554**
Less loss/(profit) attributable to non-controlling interests	(4,687)	13,493	–	–	(1,030)	–	7,776
Profit/(loss) after tax attributable to members	**199,787**	**(19,943)**	**(73,646)**	**4,570**	**7,390**	**(34,828)**	**83,330**
Profit/(loss) after tax attributable to members (as above)	**199,787**	**(19,943)**	**(73,646)**	**4,570**	**7,390**	**(34,828)**	**83,330**
Non-regular loss/(profit) after tax attributable to members (note 3b)	(19,648)	35,066	63,657	–	–	–	79,075*
Regular profit/(loss) after tax attributable to members	**180,139**	**15,123**	**(9,989)**	**4,570**	**7,390**	**(34,828)**	**162,405***
Profit/(loss) before income tax includes the following items:							
Interest revenue	43,803	230	11	163	109	–	44,316
Interest (expense)	(1,595)	(1)	(825)	–	(642)	–	(3,063)
Depreciation and amortisation (expense)	(2,267)	(61,181)	(16,675)	(16)	(104)	–	(80,243)
Impairment (expense)/reversal	42,189	(79,880)	(86,110)	–	–	–	(123,801)
Share of results from equity accounted associates	90,122	–	(249)	–	3,156	2,050	95,079

* *The results for 2015 has been restated by transferring expenses of $5.956 million from regular profit to non-regular items following a reallocation by an Associated Entity.*

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

	Before tax $'000	Tax $'000	After tax $'000	Attributable to: Non-controlling interest $'000	Attributable to: Members $'000
Year ended 31 July 2016					
Gain on disposal of equity investments	16,501	(4,788)	11,713	–	11,713
Loss on initial recognition of an associate	(1,682)	–	(1,682)	–	(1,682)
Gain on deemed disposal of associates	118,850	(35,532)	83,318	–	83,318
Gain on disposal of associate	2,127	(638)	1,489	–	1,489
Impairment (expense) of assets	(116,539)	43,627	(72,912)	(11,009)	(61,903)
Share of significant (expenses) from associate entities	(29,834)	–	(29,834)	–	(29,834)
Deferred tax recognised on equity accounted associate entities	–	(20,900)	(20,900)	–	(20,900)
Acquisition costs expensed	(45,604)	13,681	(31,923)	(12,881)	(19,042)
Land access compensation	5,000	–	5,000	2,018	2,982
Significant tax items	–	6,413	6,413	–	6,413
Other	(469)	114	(355)	–	(355)
Total non-regular items	**(51,650)**	**1,977**	**(49,673)**	**(21,872)**	**(27,801)**
Year ended 31 July 2015					
Gain on disposal of equity investments	3,408	(534)	2,874	464	2,410
Gain on deemed disposal of associates	2,076	(626)	1,450	–	1,450
Impairment reversal on equity accounted associate	72,947	–	72,947	–	72,947
Impairment (expense) of assets	(196,748)	49,960	(146,788)	(30,805)	(115,983)
Share of significant (expenses) from associate entities	(23,391)	–	(23,391)	–	(23,391)
Deferred tax recognised on equity accounted associate entities	–	(13,902)	(13,902)	–	(13,902)
Restructuring costs	(1,291)	74	(1,217)	–	(1,217)
Consulting and legal costs	(325)	98	(227)	–	(227)
Other	(1,162)	–	(1,162)	–	(1,162)
Total non-regular items	**(144,486)**	**35,070**	**(109,416)**	**(30,341)**	**(79,075)***

* *The results for 2015 has been restated by transferring expenses of $5.956 million from regular profit to non-regular items following a reallocation by an Associated Entity.*

Group Structure and Performance

4

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

Accounting policies – Reserves

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

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

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

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

	2016 $'000	2015 $'000
a) Reserves		
General reserve	404,548	404,548
Asset revaluation reserve	220,103	271,242
Capital profits reserve	11,368	11,368
Hedging reserve	244	(9,735)
Share-based payments reserve	1,677	709
Foreign currency translation reserve	(126)	90
Equity reserve	(14,130)	(16,943)
Balance 31 July	**623,684**	**661,279**
b) Major movements in reserves consist of:		
Asset revaluation reserve		
Balance 1 August	**271,242**	**264,747**
Revaluation of long term equity investments, gross	(55,960)	(5,933)
Revaluation of long term equity investments, deferred tax	18,373	(60)
Transfer on sale of long term equity investments to profit, gross	(12,324)	(4,691)
Transfer on sale of long term equity investments to profit, deferred tax	1,844	1,205
Transfer on impairment of long term equity investments to profit, gross	12,934	8,138
Transfer on impairment of long term equity investments to profit, deferred tax	(3,880)	(2,444)
Share of associates (decrements)/increments	(12,126)	10,280
Balance 31 July	**220,103**	**271,242**

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

	2016 $'000	2015 $'000
Hedge reserve		
Balance 1 August	**(9,735)**	**(1,877)**
Revaluation, gross	1,925	(27,115)
Revaluation, deferred tax	(627)	8,638
Transfer to profit, gross	13,032	15,471
Transfer to profit, deferred tax	(3,909)	(4,599)
Share of associates (decrements)	(442)	(253)
Balance 31 July	**244**	**(9,735)**

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

c) Nature and purpose of other reserves

General reserve

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

Capital profits reserve

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

Share-based payments reserve

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

Foreign currency translation reserve

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

Equity reserve

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

Group Structure and Performance

5

NOTE 5
SHARE CAPITAL AND CAPITAL MANAGEMENT

Accounting policy – Share capital

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

	Group and Parent company		Group and Parent company	
	2016 No of shares	2016 $'000	2015 No of shares	2015 $'000
Fully paid ordinary shares	239,395,320	43,232	239,395,320	43,232

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

Capital Management

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

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

The Group's capital consists of shareholders' equity net of debt. The movement in shareholders equity is shown in the statement of changes in equity. Refer to page 53.

At 31 July 2016, the Parent company had no external borrowings from financial institutions and is not subject to any externally imposed capital requirements. The Parent company has accepted deposits from Directors and their related parties totalling $49.861 million (2015: $47.326 million). Refer to note 23.

In the current year, non-recourse debt of $22.825 million was used to finance investment properties held within 100% controlled entities. Refer to note 23a.

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

6

NOTE 6
BUSINESS COMBINATIONS

Accounting policy – Business combinations

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

The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the investment. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

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

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

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

a) Acquisitions during the year

New Hope Corporation Limited acquisition of Bengalla Joint Venture

On 1 March 2016, a subsidiary of Washington H. Soul Pattinson and Company Limited, New Hope Corporation Limited, acquired a 40% interest in the Bengalla Joint Venture, a coal mining and extraction operation producing thermal coal in the Hunter Valley, New South Wales.

The Joint Venture is accounted for as a joint operation, whereby the Group recognises its direct right to the assets, liabilities, revenue and expenses of the joint operation and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

	2016 $'000
i) Purchase Consideration	
Cash Paid – Current Year	850,796
Purchase price adjustment receivable	(1,668)
Total Purchase Consideration	**849,128**

Group Structure and Performance

6

NOTE 6
BUSINESS COMBINATIONS (continued)

i) Purchase Consideration continued

	2016 $'000
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	4,748
Receivables	15,079
Inventories	12,464
Property, plant and equipment	829,532
Intangibles	41,500
Accounts payables and accruals	(18,386)
Provisions	(35,809)
Net assets acquired	**849,128**

Revenue and profit contribution

The acquired business contributed revenue of $97.411 million and profit before tax since acquisition of $5.036 million (i.e before non-regulars) to New Hope Corporation Limited for the period 1 March 2016 to 31 July 2016. Due to the variability in key market factors and operational variations it is considered impractical to discuss an estimated revenue and profit/(loss) assuming the acquisition had occurred 1 August 2015. The anticipated increase in annual production and sales tonnes is 3.36 million tonnes.

ii) Net cash outflow to acquire Bengalla Joint Venture

	2016 $'000
Outflow of cash to acquire Bengalla Joint Venture, net of cash acquired	
Total cash consideration	850,796
Less: Cash balance acquired	(4,748)
Outflow of cash – investing activities	846,048
Stamp duty expensed	44,738
Other acquisition costs expensed	737
Total net outflow of cash	**891,523**

New Hope Corporation Limited acquisition of Oil producing assets

During the year, a subsidiary of Washington H. Soul Pattinson and Company Limited, New Hope Corporation Limited acquired a business constituting the Moonie oil producing and exploration fields and also the unowned 40% joint operation interest in the Utopia oil production and exploration fields. These transactions constitute a business combination. The acquisitions resulted in cash outflows of $3.482 million for the acquisition of oil producing assets and assumption of rehabilitation related provisions.

Significant judgements and estimates

Acquisition fair value

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

7

NOTE 7
EVENTS AFTER THE REPORTING DATE

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 of the Group in subsequent financial years:

The market value of Washington H. Soul Pattinson and Company Limited's holding in TPG Telecom Limited as at 19 October 2016, was $1.628 billion which was $1.110 billion below the market value as at 31 July 2016. Whilst movements in market values have an impact on the net asset value of the Parent company, there is no impact on the statutory financial statements of the Group as TPG Telecom Limited is accounted for as an equity accounted associate. The carrying value of TPG Telecom Limited as at 31 July 2016 was $447.036 million.

Accounting for Our Investments

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

8

NOTE 8
INVESTMENTS IN CONTROLLED ENTITIES (SUBSIDIARIES)

Accounting policy – Investments in controlled entities

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

Washington H. Soul Pattinson and Company Limited, the Parent company has a 59.65% shareholding in its subsidiary, New Hope Corporation Limited. New Hope Corporation Limited is a diversified energy company, with operations covering coal mining and production, coal port operations and oil and gas production and exploration. Operations are mainly based in South East Queensland and most recently in the Hunter Valley region, NSW with the Bengalla Joint Venture.

The remaining 40.35% shareholding in New Hope Corporation Limited (non-controlling interests) has a proportional share in the results and equity of New Hope Corporation Limited.

The Group consolidates the net assets and results of subsidiaries in full, and discloses separately for each, the amounts not controlled by the Group (non-controlling interests).

The following provides a summary of the financial information of New Hope Corporation Limited:

- Total assets $2.019 billion (2015: 2.075 billion); Total liabilities $268.137 million (2015: $222.533 million); Net assets $1.750 billion (2015; $1.853 billion) and a net increase in cash and cash equivalents $64.266 million (2015: decrease $35.107 million), Non-controlling interest share of net assets $706.289 million (2015: $747.685 million), loss after income tax for the year $20.013 million (2015: $8.806 million).

Accounting for Our Investments

9

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

Accounting policy – Investments in Joint arrangements

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

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

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

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

Name	Accounted for as:	Group's interest	Segment allocated to:
Bengalla Joint Venture	Joint operation	40%	Energy operations
Lenton Joint Venture	Joint operation	90%	Energy operations
Yamala Joint Venture	Joint operation	70%	Energy operations
Cuisiner Joint Venture – Barta projects	Joint operation	15%	Energy operations
Cuisiner Joint Venture – Wompi project	Joint operation	17.5%	Energy operations

Key judgement

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

10

NOTE 10
INVESTMENTS IN ASSOCIATES

Accounting policy – Investments in associates

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

As the accounting policy for Investments in associates is considered key to understanding the Group's results and financial position, the detailed accounting policy is set out in the basis of consolidation at the beginning of this financial report (refer to page 56).

	2016 $'000	2015 $'000
Non-Current Assets		
Equity accounted associates	1,265,214	1,088,592

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

a) Movements in equity accounted carrying values

	2016	2015
Carrying amount at 1 August	1,088,592	944,726
New investments during the period	6,287	13,059
Reclassification of Long term equity investment to equity accounted associate	2,803	–
Fair value loss on initial recognition as an equity accounted associate	(1,682)	–
Gains on deemed disposal of equity accounted associates	118,850	2,076
Share of profits after income tax, before write downs	122,503	95,079
Impairment (expense)/reversal of equity accounted associates	(7,554)	72,947
Dividends received/receivable	(72,722)	(69,339)
Add back share of dividends received by associate	23,028	22,178
Share of associates (decrement)/increment in reserves	(12,910)	7,866
Disposal of equity accounted associate	(1,981)	–
Equity accounted carrying amount at 31 July	**1,265,214**	**1,088,592**

Accounting for Our Investments

10

NOTE 10
INVESTMENTS IN ASSOCIATES

b) Details of investments and results in associates

Name of associated entity	Balance date	Group's percentage of holding at balance date*		Contribution to Group net profit for the year**						Fair value of listed investments***	
				2016			2015				
		Jul 2016	Jul 2015	Regular	Non-Regular#	Total	Regular	Non-regular#	Total	Jul 2016	July 2015
Associates – held by WHSP		%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Apex Healthcare Berhad Pharmaceutical manufacturer and distributor	31 Dec	30.3	30.3	3,417	–	3,417	3,381	–	3,381	45,247	55,364
Australian Pharmaceutical Industries Limited(ii) Pharmaceutical wholesaler	31 Aug	24.6	24.6	11,611	(600)	11,011	9,186	2,118	11,304	230,813	191,142
BKI Investment Company Limited(ii) Listed investment company	30 June	10.3	11.1	4,524	–	4,524	4,777	–	4,777	100,668	108,371
Brickworks Limited(ii) Manufacturer of clay products	31 July	44.1	44.2	38,841	(29,211)	9,630	29,089	(9,558)	19,531	986,646	978,113
Clover Corporation Limited Refinement and processing of natural oil	31 July	28.6	28.6	632	–	632	3	–	3	19,336	8,017
Rum Jungle Resources Limited(iii) Phosphate and Potash explorer	30 June	38.3	–	–	–	–	–	–	–	8,486	–
Ruralco Holdings Limited(ii) Rural supplies and services	30 Sept	20.1	20.3	3,787	(1,572)	2,215	3,735	(473)	3,262	52,947	60,921
TPG Telecom Limited(i) Telecommunications and internet provider	31 July	25.2	26.9	91,825	5,699	97,524	66,201^	(5,956)^	60,245	2,737,949	2,029,441
TPI Enterprises Limited Manufacturer of narcotic concentrate from poppy straw	31 Dec	19.4	19.4	(3,128)	(1,631)	(4,759)	(2,585)	(1,779)	(4,364)	28,898	n/a
Associates – held by controlled entities	various	various	various	829	(2,520)	(1,691)	4,683	(7,743)	(3,060)	n/a	n/a
Share of results from equity accounted associates before gain on deemed disposal and impairment (expense)/reversal				**152,338**	**(29,835)**	**122,503**	**118,470**	**(23,391)**	**95,079**		
Gain on deemed disposal of associates											
TPG Telecom Limited(i)				–	81,760	81,760	–	–	–		
Other equity accounted associates(ii)				–	1,558	1,558	–	1,450	1,450		
Impairment reversal of investment in associates											
– Australian Pharmaceutical Industries Limited				–	–	–	–	72,947	72,947		
– TPI Enterprises Limited				–	(7,554)	(7,554)	–	–	–		
Total gains on deemed disposal and impairment (expense)/reversal of equity accounted associates				**–**	**75,764**	**75,764**	**–**	**74,397**	**74,397**		
Share of results, gains on deemed disposal and impairment (expense)/reversal of equity accounted associates				**152,338**	**45,929**	**198,267**	**118,470**	**51,006**	**169,476**		

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

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

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

\# *Non-regular items defined in note 3.*

^ *Results have been restated by transferring expenses of $5.956 million from regular profit to non-regular items*

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

Accounting for Our Investments

10

NOTE 10
INVESTMENTS IN ASSOCIATES

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

(i) During the year, TPG Telecom Limited issued shares to new and existing shareholders as follows:

- Issued shares to iiNet shareholders;
- Issued shares to new and existing institutional shareholders (Placement); and
- Issued shares to retail shareholders through the (Share purchase plan). Washington H. Soul Pattinson and Company Limited only participated in the share purchase plan.

As a result of the issue of shares to iiNet shareholders, the institutional placement and the share purchase plan:

- the Group's shareholding in TPG Telecom Limited decreased from 26.88% (July 2015) to 25.15%; and
- the Group recognised a pre-tax gain on the deemed disposal of $116.624 million (after tax gain of $81.760 million).

(ii) The following associates issued shares by way of a dividend reinvestment plan, employee share scheme or capital raising:

- Australian Pharmaceutical Industries Limited;
- BKI Investment Company Limited;
- Brickworks Limited; and
- Ruralco Holdings Limited.

Washington H. Soul Pattinson and Company Limited did not participate in the above share issues. As a result there has been a change in the Group's holding in each of these investments.

(iii) During the year, Washington H. Soul Pattinson and Company Limited participated and underwrote Rum Jungle Resources Limited's renounceable rights issue. This resulted in the Group's holding increasing to 38.3% (up from 14.6%) and the investment is now classified as an equity accounted associate. Total consideration for the Group's participation and underwriting of the renounceable rights issue was $6.257 million.

During the year, an associate of Washington H. Soul Pattinson and Company Limited, Supercorp Pty Limited was disposed of for an after tax profit of $1.489 million.

Key estimate and judgements

Recoverable value of investments in associates

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

During the year ended 31 July 2016, TPI Enterprises was impaired by $7.554 million (2015: $nil).

In the prior year $72.947 million of previously recognised impairment on Australian Pharmaceutical Industries Limited was reversed increasing the equity accounted carrying value to $152.316 million or $1.27 per share. At 31 July 2015, the last sale price of Australian Pharmaceutical Industries Limited was $1.59 per share. The previous impairment recognised on Australian Pharmaceutical Industries Limited has now been reversed in full.

c) Group's share of associates' expenditure commitments

	2016 $'000	2015 $'000
Capital commitments	100,596	56,962
Lease commitments	137,211	155,695

d) Group's share of associates' contingent liabilities

	2016 $'000	2015 $'000
Share of contingent liabilities incurred jointly with other investors of the associate	19,179	15,141

e) Summarised Group's share of associates financial information

	2016 $'000	2015 $'000
Assets	2,796,095	2,258,532
Liabilities	(1,168,989)	(830,422)
Net assets	1,627,106	1,428,110
Revenue	2,312,674	1,983,496
Profit before income tax	176,751	136,051
Income tax expense	(54,248)	(40,972)
Profit after income tax	122,503	95,079

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

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

	Brickworks Limited		TPG Telecom Limited	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current assets	344,168	316,851	358,600	253,900
Non-current assets	1,021,450	1,055,363	3,412,400	1,399,900
Current liabilities	(145,498)	(183,480)	(513,900)	(258,100)
Non-current liabilities	(356,931)	(333,864)	(1,477,900)	(392,500)
Net assets	**863,189**	**854,870**	**1,779,200**	**1,003,200**
Group's percentage holding	**44.14%**	**44.23%**	**25.15%**	**26.88%**
Group's share of total net assets	381,012	378,109	447,469	269,660
Goodwill/(discount)	16,054	15,085	(433)	1,140
Equity accounted carrying value	**397,066**	**393,194**	**447,036**	**270,800**
Revenue	750,985	723,611	2,387,800	1,270,600
Profit after tax attributable to members	78,190	78,090	379,600	224,100
Other comprehensive income	(12,851)	(1,732)	(34,700)	31,900
Total comprehensive income	**65,339**	**76,358**	**344,900**	**256,000**
Dividends received by Washington H. Soul Pattinson and Company Limited from the associate	**30,194**	**28,227**	**27,744**	**21,874**

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

Accounting for Our Investments

11

NOTE 11
OTHER EQUITY INVESTMENTS

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

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

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

Trading equities
Trading equities are initially recognised at fair value and any transaction costs are immediately expensed. The portfolio consists of equities that are principally held for the purpose of selling in the short to medium term. Trading equities are included in current assets.

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

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

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

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

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

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

	2016 $'000	2015 $'000
Current Assets		
Trading equities – Listed	15,459	12,956
Trading equities – Unlisted	16,146	8,344
Total trading equities	31,605	21,300
Non-Current Assets		
Long term equity investments – Listed	585,700	615,642
Long term equity investments – Unlisted	3	3
Total long term equity investments	585,703	615,645
Other financial assets – unlisted equity investments	11,837	5,425

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

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

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

Long term equity investments - Listed
At 31 July 2016, Washington H. Soul Pattinson and Company Limited (the Parent company) held $581.432 million (2015: $608.030 million).

Listed and unlisted trading equities
Represents equities held by Washington H. Soul Pattinson and Company Limited (the Parent company).

Key estimate and judgements
Impairment of financial assets
In the 2016 financial statements, the Group made significant judgements about the impairment of a number of its long term equity investments and its unlisted other financial assets.

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

Accounting for Our Investments

12

NOTE 12
INVESTMENT PROPERTIES

Accounting policy – Investment properties

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

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

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

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

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

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

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

	2016 $'000	2015 $'000
Non-Current Assets		
Investment properties		
Industrial property	21,008	20,720
Commercial property	71,924	–
	92,932	20,720
Reconciliation		
Opening net book amount	20,720	139,421
Acquisitions	71,603	–
Capitalised costs	146	26,844
Movement in tenant incentives, contracted rent uplift balances and leasing fee asset	463	1,649
Disposal of investment properties	–	(147,194)
Closing net book amount	**92,932**	**20,720**

In the current year, the Group acquired two commercial properties in Pennant Hills for a total of $71.603 million.

In the prior year, the Australian Logistics Property Fund, a 100% controlled entity, sold two distribution warehouses.

a) Amounts recognised in the income statement for investment properties

	2016 $'000	2015 $'000
Rental income	4,768	1,676
Direct operating expenses from property that generated rental income	2,652	1,344
Direct operating expenses from property that did not generate income	–	55

Operating expenses for property that generated income includes finance costs of $644,000 (2015: $597,000).

b) Measuring investment properties at fair value

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

Castle Hill industrial property

For the year ended 31 July 2016, Industrial property represents land and buildings (including 15,000 square metres of warehouse and 5,000 square metres of office space) located in the Castle Hill industrial zone. This property was purchased in April 2014. In August 2014, this was announced as an Urban Activation Precinct (now known as Priority Precinct) by the New South Wales Department of Planning. The Group is continuing to investigate the potential rezoning of this property and have therefore determined that at balance date, there has been no material change in its fair value and hence continue to carry the property at cost.

Pennant Hills commercial properties

In October 2015 and December 2015, the Group acquired two commercial buildings in Pennant Hills for a total cost of $71.603 million. Since acquisition, there has been no material changes in the fair values of these properties.

The fair value hierarchy, as discussed in note 21 to this report, provides an indication about the reliability of the inputs used in determining fair value. The fair value estimates for Investment properties are included in level 3 of the fair value hierarchy.

c) Non-current assets pledged as security

As at 31 July 2016, $45.520 million of the Group's investment property was pledged as security.

Refer to note 23 for information on non-current assets pledged as security by the Group.

d) Leasing arrangements

	2016 $'000	2015 $'000
The Group is entitled to receive rental income from non-cancellable operating leases on investment properties. The amounts have not been recognised in the financial statements and are receivable as follows:		
Within one year	5,125	–
Later than one year but not later than five years	8,805	–
Later than five years	524	–
	14,454	–

Accounting for Our Investments

13

NOTE 13
TERM DEPOSITS

Accounting policy – Term deposits

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

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

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

	2016 $'000	2015 $'000
Current Assets		
Term deposits	47,660	1,217,011

Term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 2.44% per annum (2015:2.77%).

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

At 31 July 2016, Washington H. Soul Pattinson and Company Limited (the Parent company) held $46.000 million (2015: $138.079 million); and New Hope Corporation Limited, a controlled entity, held $116,000 (2015: $1.040 billion) of the consolidated balance.

14

NOTE 14
CASH AND CASH EQUIVALENTS

Accounting policy – Cash and cash equivalents

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

	2016 $'000	2015 $'000
Current Assets		
Cash at bank and on deposit	126,709	59,424

Cash at bank and on deposit attracts interest at rates between 0% and 1.90% per annum (2015: 0% and 2.93%).

Cash at bank in the statement of financial position at reporting date includes cash held by the Parent company and its controlled entities. At 31 July 2016, New Hope Corporation Limited, a controlled entity of Washington H. Soul Pattinson and Company Limited held $91.162 million (2015: $24.789 million) of the consolidated balance.

Reconciliation of profit after income tax to net cash inflow from operating activities	2016 $'000	2015 $'000
Profit after tax for the year	**129,459**	**75,554**
Adjustments for non-cash items:		
Depreciation and amortisation	79,613	82,749
Impairment charges	116,539	123,801
Net (gain) on disposal of long term equity investments	(16,501)	(5,543)
Fair value (gain)/loss on revaluation of trading equities	(5,140)	6,018
Loss on disposal of unlisted investments	–	2,135
Net (gain) on sale of held for sale assets	–	(1,151)
Net (gain) on disposal of investment properties	–	(4,991)
Share of (profits) of associates not received as dividends or distributions	(48,393)	(27,815)
Net foreign exchange (gain)	(2,107)	(2,881)
Fair value loss on initial recognition of an equity accounted associate	1,682	–
Revaluation of interest rate swap	–	2,112
(Gains) on deemed disposal of equity accounted associates	(118,850)	(2,076)
(Gain) on sale of equity accounted associate	(2,127)	–
Other non-cash items	(27)	(331)
Changes in operating assets and liabilities, net of effects from purchase and sales of businesses:		
(Increase)/decrease in trade debtors, other debtors and prepayments	(61,906)	19,832
(Increase)/decrease in inventory	(6,169)	89
Increase/(decrease) in trade creditors and accruals	66,503	(21,350)
(Decrease)/increase in employee entitlements, other liabilities and provisions	(1,238)	2,627
Decrease in current tax asset	1,486	3,693
(Decrease)/increase in current tax payable	(3,226)	4,842
(Decrease) in deferred tax liability	(13,004)	(12,798)
Decrease/(increase) in deferred tax asset	3,233	(21,826)
Net cash inflow from operating activities	**119,827**	**222,690**

Revenue and Expenses

15 NOTE 15 REVENUE

Accounting policy – Revenue

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

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

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

	2016 $'000	2015 $'000
From continuing operating activities		
Sales revenue		
Sale of goods	526,355	537,583
Services	34,071	25,192
Total Sales revenue	**560,426**	**562,775**
Other revenue		
Dividends received – Other corporations	28,398	25,491
Interest received – Other corporations	23,448	44,316
Rental income	5,973	2,695
Other	2,416	6,327
Total other revenue	60,235	78,829
Total revenue	**620,661**	**641,604**

Revenue composition

A significant portion of the Group's sales revenue is derived from New Hope Corporation Limited $486.220 million (2015: $441.009 million) through the sale of:

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

Sales revenue also includes the sale of:

- Pharmaceutical products sold through Washington H. Soul Pattinson and Company Limited's Pitt Street chemist;
- Copper concentrate and copper sulphate sold domestically and internationally through CopperChem Limited;
- Gold, domestically through Exco Resources Limited; and
- Sales of Pipe and film, domestically through Cromford Pty Limited.

16 NOTE 16 OTHER INCOME

Accounting policies – Other income

Other income represents gains or losses made on:

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

	2016 $'000	2015 $'000
Gain on sale of investment properties	–	4,991
Gains on deemed disposals of equity accounted associates	118,850	2,076
Gain on disposal of equity accounted associate	2,127	–
Loss on initial recognition of an equity accounted associate	(1,682)	–
Gains/(losses) on trading equities fair valued through profit and loss	5,140	(6,018)
Gains on sale of long term equity investments	16,501	5,543
Land access compensation	5,000	–
(Loss) on disposal of unlisted investment	–	(2,135)
Other items	(34)	47
Total other income	**145,902**	**4,504**

Revenue and Expenses

17

NOTE 17
EXPENSES

Accounting policies – Expenses

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

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

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

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

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

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

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

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

Exploration costs expensed
Exploration costs that do not satisfy the criteria to be capitalised are expensed. Refer note 26 for discussion on the criteria.

	Notes	2016 $'000	2015 $'000
Profit before income tax expense includes the following specific expenses:			
Depreciation			
Buildings		1,374	1,261
Plant and equipment		53,996	58,018
Total depreciation		**55,370**	**59,279**
Amortisation			
Mining reserves and mine development		18,795	18,805
Intangible assets		1,722	1,568
Oil producing assets		3,593	2,993
Lease incentive and leasing fee assets		133	104
Total amortisation		**24,243**	**23,470**
Impairment charges/(reversals)			
Equity accounted associates (i)		7,554	(72,947)
Long term equity investments (ii)		17,912	25,697
Oil producing assets (iii)		28,146	51,456
Goodwill (iii)		–	4,157
Non-current assets - coal to liquids facility (iv)		–	24,267
Non-current assets – copper assets (v)		45,293	83,021
Other assets		17,634	8,150
Total impairment charges/(reversals)		**116,539**	**123,801**
Impairment is allocated to asset classes:			
Equity accounted associates	10	7,554	(72,947)
Long term equity investments	11	17,912	25,697
Property, plant and equipment	25	48,247	127,801
Exploration and evaluation assets	26	28,192	34,800
Intangible assets – goodwill	27	–	4,157
Intangible assets – other	27	–	1,018
Other operating assets		14,634	3,275
Total impairment charges/(reversals)		**116,539**	**123,801**
Employee benefits expense (vi)		**120,185**	**107,823**
Finance costs (vii)		**2,535**	**3,063**
Operating lease costs expensed		**5,159**	**4,811**
Exploration costs expensed (viii)		**14,150**	**15,976**

Revenue and Expenses

17

NOTE 17
EXPENSES (continued)

i) Impairment (expense)/reversal on equity accounted associates
The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2016. Where carrying values of an investment exceeded the recoverable amount, the investment has been impaired. During the year ended 31 July 2016, an impairment expense of $7.554 million was recognised on the investment in TPI Enterprises Limited. In the prior year, previously recognised impairment on the investment in Australian Pharmaceutical Industries Limited was reversed by $72.947 million.

ii) Impairment of long term equity investments
During the year ended 31 July 2016, there were significant and prolonged decreases in the share prices of listed equity investments held by the Group. Management has determined the recoverable value of these investments to be below their cost and have therefore recognised an impairment expense in respect of these investments. Impairments were recognised by the Parent company ($12.934 million) and New Hope Corporation Limited ($4.978 million). The impairment loss after tax impacted the result attributable to members by $12.023 million (2015: $16.170 million).

iii) Impairment of goodwill and oil producing assets
During the year ended 31 July 2016, New Hope Corporation Limited determined that the continued significant decline in global oil prices indicated the carrying value of certain oil producing and exploration assets were impaired. Refer to notes 25 and 26.

Impairment expenses have been recognised on the following asset classes: Oil producing assets $15.029 million (2015: $51.456 million); Oil exploration assets $13.117 million (2015: nil); and goodwill nil (2015: $4.157 million). The impairment loss after tax impacted the result attributable to members by $13.277 million (2015: $24.429 million).

iv) Impairment of non-current assets – coal to liquids facility
In the prior year, New Hope Corporation Limited assessed the recoverable value of its coal to liquids proof of concept plant and impaired these assets by $24.267 million. The impairment loss after tax impacted the result attributable to members by $10.638 million.

v) Impairment of non-current assets – copper assets
As a result of continued and significant declines in the global copper price, the Group has determined that the carrying values of certain mining and exploration assets were no longer recoverable. An impairment loss on these assets of $45.293 million (2015: $83.021 million) was recognised during the year. An additional impairment expense of $8.099 million was recognised on other copper assets. These impairment losses after tax impacted the result attributable to members by $22.374 million (2015: $58.114 million).

vi) Employee benefits expense
Includes $100.782 million (2015: $86.513 million) relating to New Hope Corporation Limited.

vii) Finance costs
The Parent company incurred interest of $1.335 million (2015: $1.592 million) on interest bearing deposits from Directors and their related parties. A 100% controlled entity, the PSRE Urban Regeneration Trust incurred interest of $644,000 (2015: nil) relating to Investment properties (commercial properties).

viii) Exploration costs expensed
Includes exploration costs expensed, $14.150 million (2015: $15.976 million) relating to New Hope Corporation Limited

Key Estimate

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

Taxation

18

NOTE 18
INCOME TAX EXPENSE

Accounting policy – Income tax expense

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

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

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

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

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

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

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

a) Income tax expense/(benefit) comprises:

	2016 $'000	2015 $'000
Current income tax expense/(benefit)		
Current year	2,278	18,152
Adjustments in respect of prior years	(4,185)	(3,422)
Deferred income tax (benefit)/expense		
– Relating to the origination and reversal of temporary differences	(765)	(30,720)
– Petroleum resource rent tax expense/(benefit)	3,574	(961)
Income tax expense/(benefit) recognised in the income statement	**902**	**(16,951)**
Deferred income tax expense/(benefit) included in income tax expense comprises:		
(Increase) in deferred tax assets	(33,944)	(19,188)
Increase/(decrease) in deferred tax liabilities	36,753	(12,493)
	2,809	**(31,681)**

Taxation

18

NOTE 18
INCOME TAX EXPENSE (continued)

	2016 $'000	2015 $'000
b) Reconciliation of prima facie tax expense to income tax expense/(benefit):		
Profit before income tax	**130,361**	**58,603**
Tax at the Australian tax rate of 30% (2015: 30%)	39,108	17,581
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sale of long term equity investments	(172)	(345)
Net Impairment (expense)	(11,235)	(13,662)
Franking credits received (excluding controlled and associate entities)	(11,379)	(9,965)
Tax effect of entities entering into the Washington H. Soul Pattinson and Company Limited tax consolidated group	(7,379)	–
Deferred tax asset not recognised on current year net losses	2,864	3,749
Net effect of New Hope Corporation Limited's Petroleum resource rent tax expense/(benefit)	2,502	(673)
Tax (benefit) on the carrying value of equity accounted associates	(15,469)	(14,622)
Other	2,062	986
Total income tax expense/(benefit)	**902**	**(16,951)**
The effective tax rates are as follows:	0.7%	(29%)

c) Amounts recognised directly in equity

	2016 $'000	2015 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly charged or credited to equity		
Decrease/(increase) to deferred tax assets	4,917	(3,638)
(Decrease)/increase to deferred tax liabilities	(17,497)	695
Net deferred tax – (credited) directly to equity	**(12,580)**	**(2,943)**

d) Tax effect of impairments and tax losses

	2016 $'000	2015 $'000
Impairments and unused tax losses for which no deferred tax asset has been recognised	178,117	237,732
Potential tax benefit at 30%	**53,435**	**71,320**

Key Estimates:

Petroleum resource rent tax (PRRT)
As a result of the 100% acquisition of Bridgeport Energy Limited during 2013, the Group is subject to Petroleum resource rent tax (PRRT) effective 1 July 2012 being the date of the extension of the PRRT to onshore petroleum projects. The Group has accounted for the current and deferred tax impact of PRRT in accordance with the requirements outlined in the income tax expense policy. As such, the Group has recorded current and deferred tax assets and liabilities relating to PRRT at the prevailing PRRT rate at 31 July 2016 and 31 July 2015.

A subsidiary of the Group, New Hope Corporation Limited (New Hope), as head company of the New Hope income tax consolidated group, has made a PRRT consolidation election and as such the New Hope tax consolidated group includes two PRRT consolidated groups at 31 July 2016 and 31 July 2015. New Hope has accounted for its PRRT tax balances in accordance with the stand alone taxpayer method in alignment with the tax funding arrangements.

19

NOTE 19
DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Accounting policy – Deferred tax assets and deferred tax liabilities

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

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

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

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

	2016 $'000	2015 $'000
Deferred tax assets temporary differences attributed to:		
Amounts recognised in the income statement		
Provisions	44,549	29,559
Accrued expenses	973	1,979
Impairment losses	14,909	29,286
Capitalised exploration	7,334	6,479
Property, plant and equipment	5,509	696
Petroleum resource rent tax	–	3,574
Tax value of losses carried-forward	88,028	48,674
Other	10,625	7,142
	171,927	**127,389**
Amounts recognised directly in equity		
Cash flow hedges	–	6,943
Long term equity investments	4,701	2,414
Share issue costs	10	10
	4,711	9,367
Total deferred tax assets	**176,638**	**136,756**
Set-off of deferred tax liabilities pursuant to set-off provisions	(120,562)	(77,447)
Net deferred tax assets	**56,076**	**59,309**
Movements:		
Opening balance at 1 August	136,756	113,930
Credited to the income statement – operating profit (note 18a)	33,944	19,188
(Charged)/credited to equity (note 18c)	(4,917)	3,638
Amounts recognised on acquisition of businesses	10,855	–
Closing balance at 31 July	**176,638**	**136,756**

Taxation

19

NOTE 19
DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

Key Estimate

Deferred tax assets

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

Deferred tax liabilities temporary differences attributed to:	2016 $'000	2015 $'000
Amounts recognised in the income statement		
Property, plant and equipment	1,897	14,591
Mine reserves	–	345
Capitalised exploration	92,681	90,013
Inventories	6,619	6,933
Investments	163,067	105,687
Receivables	44	440
Other	3,929	5,192
	268,237	**223,201**
Amounts recognised directly in equity		
Long term equity investments	76,640	90,684
Property, plant and equipment	9,662	7,160
Cash flow hedges	694	–
Other investments	5,367	9,444
	92,363	**107,288**
Total deferred tax liabilities	**360,600**	**330,489**
Set-off of deferred tax liabilities pursuant to set-off provisions	(120,562)	(77,447)
Net deferred tax liabilities	**240,038**	**253,042**
Movements:		
Opening balance 1 August	330,489	342,287
Charged/(credited) to the income statement – operating profit (note 18a)	36,753	(12,493)
(Credited)/charged to equity (note 18c)	(17,497)	695
Amounts recognised on acquisition of businesses	10,855	–
Closing balance at 31 July	**360,600**	**330,489**

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

Risk Management

20

NOTE 20
FINANCIAL RISK MANAGEMENT

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

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

The Group holds the following financial instruments:	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	126,709	59,424
Term deposits	47,660	1,217,011
Loans and receivables	146,962	79,647
Trading equities	31,605	21,300
Derivative financial instruments	2,313	–
Long term equity investments	585,703	615,645
Equity accounted associates	1,265,214	1,088,592
Other financial assets	11,837	5,425
Total financial assets	**2,218,003**	**3,087,044**
Financial liabilities		
Trade and other payables	75,831	49,329
Deposits accepted	49,861	47,326
Derivative financial instruments	167	23,144
Borrowings	22,825	–
Lease liabilities	15,039	125
Total financial liabilities	**163,723**	**119,924**

a) Market Risk

i. Foreign exchange risk

Foreign exchange risk arises when in local currency terms the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates. 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 export coal sales risk management policy is to hedge up to 65% of anticipated transactions in US Dollars for the subsequent year, up to 57% of anticipated revenue beyond a year but less than two years and up to 50% for revenue beyond two years but less than three years. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

Risk Management

20

NOTE 20
FINANCIAL RISK MANAGEMENT

a) Market Risk

i. Foreign exchange risk (continued)

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

	2016 USD $'000	2015 USD $'000
US Dollar exposure		
Cash and cash equivalents	9,135	3,867
Trade receivables	13,501	11,383
Forward exchange contracts – sell foreign currency (cash flow hedge)	20,000	137,000
Trade payables	389	11

Sensitivity analysis

Based on the trade receivables, cash held and trade payables at 31 July 2016, 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 $2.300 million/($1.882 million) (2015: $1.638 million/($1.380 million)), mainly as a result of foreign exchange gains/(losses) on translation of US dollar receivables and cash balances as detailed in the above table. The Group's equity as at reporting date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2016, 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 $2.961 million/($2.419 million) (2015: $21.075 million/($17.208 million)). There is no effect on post-tax profits.

ii. Price Risk

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

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

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

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

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

	Impact to post-tax profit		Impact on reserves	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trading equities	(773)	(648)	–	–
Long term equity investments	–	–	(20,503)	(21,578)
Total	**(773)**	**(648)**	**(20,503)**	**(21,578)**

iii. Fair value interest rate risk

Refer to 20e below.

b) Credit Risk

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

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to export and domestic customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk.

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

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

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

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

	2016 $'000	2015 $'000
Cash and cash equivalents	126,709	59,424
Term deposits	47,660	1,217,011
Loans and receivables	146,962	79,647
Derivative financial instruments	2,313	–
	323,644	**1,356,082**

The loans and receivables balances as stated above reflect the recoverable value and are net of any impairments or provisions. Refer note 28 for further description on the impairment of receivables.

c) Liquidity risk

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

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

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

Financing arrangements
Details of financial facilities available are set out in note 23.

d) Maturity of financial liabilities

The Group's trade and other payables are all payable within one year. The Group's maturity analysis for derivative financial instrument's is set out in note 22.

Risk Management

20

NOTE 20
FINANCIAL RISK MANAGEMENT

e) Cash flow and fair value interest rate risk

The Group currently holds 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 13 and 14 for details. Based on the deposits held at reporting date, the sensitivity to a hypothetical 1% per annum increase or decrease in interest rates would increase/(decrease) after tax profit by $1.221 million (2015: $8.935 million). This scenario assumes all cash and term deposits at balance date continue to remain invested for the whole year.

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

21

NOTE 21
FAIR VALUE ESTIMATION

Accounting policy – Fair value estimation

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

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

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

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

Fair value hierarchy

Judgements and estimates are made in determining the fair values of assets and liabilities. To provide an indication of the reliability of the inputs used in determining fair value, the Group categorises each asset and liability into one of the following three levels as prescribed by accounting standards:

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

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

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

Fair value measurements

The following table presents the Group's assets measured and recognised at fair value as at 31 July 2016 and 31 July 2015.

As at 31 July 2016	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Trading equities	11	15,459	–	16,146	31,605
Long term equity investments	11	585,700	–	3	585,703
Other financial assets – equity investments	11	–	–	11,837	11,837
Derivatives – Foreign exchange hedge	22	–	2,313	–	2,313
Non-financial assets					
Investment properties	12	–	–	92,932	92,932
Total assets		**601,159**	**2,313**	**120,918**	**724,390**
Financial liabilities					
Derivatives - Interest rate swaps		–	167	–	167
Total liabilities		**–**	**167**	**–**	**167**

As at 31 July 2015	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Trading equities	11	12,956	–	8,344	21,300
Long term equity investments	11	615,642	–	3	615,645
Other financial assets – equity investments	11	–	–	5,425	5,425
Non-financial assets					
Investment properties	12	–	–	20,720	20,720
Total assets		**628,598**	**–**	**34,492**	**663,090**
Financial liabilities					
Derivatives – Foreign exchange hedge	22	–	23,144	–	23,144
Total liabilities		**–**	**23,144**	**–**	**23,144**

Risk Management

22

NOTE 22
DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy – Derivative financial instruments

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

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

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

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

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

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

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

	2016 $'000	2015 $'000
Current Assets		
– Forward exchange contracts	2,313	–
Current Liabilites		
– Forward exchange contracts	–	23,144
– Interest rate swaps	167	–
	167	23,144

Fair value measurement

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

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

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

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

Credit risk exposures of derivative financial instruments – forward exchange contracts

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the Group is exposed to losses in the event that counterparties fail to deliver the contracted amount. Refer to note 20 for additional information.

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

	Sell US dollars Buy Australian dollars		Average exchange rate	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Maturity				
0 to 6 months	7,297	82,116	0.68520	0.84027
6 to 12 months	21,831	84,188	0.68709	0.80771
	29,128	166,304		

23

NOTE 23
INTEREST BEARING LIABILITIES

Accounting policy – Interest bearing liabilities

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

Lease liabilities

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

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

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

	2016 $'000	2015 $'000
Current Liabilities		
Deposits accepted – Directors and Director related parties (refer below)	49,861	47,326
Lease liabilities (refer to note 23b)	2,306	21
	52,167	**47,347**
Non-Current Liabilities		
Long term borrowings (refer to note 23a)	22,825	–
Lease liabilities (refer to note 23b)	12,733	104
	35,558	**104**

Risk Management

23

NOTE 23
INTEREST BEARING LIABILITIES (continued)

Fair value disclosures

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

Director deposits

The Parent company accepts deposits from Directors and Director related parties under normal commercial terms and consistent with deposits received from other parties. Deposits are repayable at call and carry a market interest rate of 2.43% per annum (2015: 2.56%) at the reporting date. The effective interest rate applicable to these Directors and Director related deposits is consistent with the interest rate that deposits of the Parent company receives and ensures a margin of at least 25 basis points is earned by the Parent company.
Refer to note 17vii for interest incurred on Director related deposits.

a) Borrowings

Financing facilities secured by assets pledged as security

The total secured financing facilities are as follows:

	2016 $'000	2015 $'000
Bank loan facilities [i]	22,825	–
Lease liabilities	15,039	125
	37,864	**125**

(i) On 23 October 2015, the Group entered into a bank loan facility agreement for $22.825 million for the purpose of acquiring a commercial property at Pennant Hills. This property is classified as an Investment property in these financials statements. The loan was fully drawn from the first day of the loan. The loan is for a period of three years and is a variable rate facility. A three year interest rate swap agreement has also been established to manage the fluctuations in interest rates over the term of the facility. The interest rate for 50% of the loan facility is effectively fixed at 3.42% per annum. The variable rate at balance date was 3.07% per annum. The bank loan facility is secured by a first mortgage over this commercial property (refer note 12).

b) Secured – finance lease liabilities

	2016 $'000	2015 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	2,802	21
Later than one year but not later than five years	13,813	121
Minimum finance lease	16,615	142
Future finance charges	(1,576)	(17)
	15,039	**125**
The present value of finance lease liabilities is as follows:		
Current	2,306	21
Non-current	12,733	104
Recognised as a liability	**15,039**	**125**

Secured liability

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. No other assets are pledged as security for borrowings.

c) Other financing arrangements

The Consolidated entity has access to bank overdraft and bank guarantee facilities as follows:

	2016 $'000	2015 $'000
Bank overdraft		
Total facility	1,000	1,000
Used at balance date	–	–
Unused at balance date	**1,000**	**1,000**
Bank guarantees		
Total facilities	141,377	106,377
Used at balance date	(124,356)	(82,276)
Unused at balance date	**17,021**	**24,101**
Bank guarantees include:		
Unsecured facilities, for no fixed term and bear variable rates:		
i. Mining restoration and rehabilitation The liability has been recognised by New Hope Corporation Limited in relation to its rehabilitation obligations.	91,667	50,836
ii. Statutory Body suppliers No liability was recognised by New Hope Corporation Limited in relation to these guarantees as no losses are foreseen on these contingent liabilities.	26,744	25,063
Secured, for no fixed term and bear variable rates:		
iii. Environmental bond The net present value of this liability has been recognised by CopperChem Limited in relation this guarantee. The guarantee has been provided by Washington H. Soul Pattinson and Company Limited (the Parent company).	5,013	5,013
	123,424	**80,912**

24

NOTE 24
CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities for which no provision is included in the accounts, are as follows:

	2016 $'000	2015 $'000
i. Undertakings and guarantees issued by a Controlled entity's bankers to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities	19,262	20,981
ii. Undertakings and guarantees issued by a Controlled entity's bankers for stage 1 and stage 2 of the Wiggins Island Coal Export Terminal expansion project and expansion of rail factitlities	12,494	9,095
	31,756	**30,076**

The contingent liabilities as described above are not secured by any charges on the Consolidated entity's assets.

For contingent liabilities of the parent company, refer to note 1c, page 60.

For contingent liabilities relating to associates refer to note 10d, page 79.

Fixed Assets

25

NOTE 25
PROPERTY, PLANT AND EQUIPMENT

Accounting policy – Property, plant and equipment

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

Property, plant and equipment, (excluding investment properties, refer to note 12), are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity relating to any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate where relevant, of the cost of dismantling and removing the items and restoring the site under which they are located and an appropriate portion of production overhead.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated commencing from the time the asset is held ready for use.

Depreciation is calculated so as to write off the cost of each item of property, plant and equipment during its expected economic life to the Consolidated entity. Each item's useful life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources (when related to mining activities). Estimates of residual values and remaining useful lives are made on an annual basis. The straight line method is predominately used (Copper float and solvent extraction plants are depreciated on the units of production method). The expected useful life of plant and equipment is 4 to 20 years, buildings is 25 to 40 years and motor vehicles is 4 to 8 years. Land is not depreciated.

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

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

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

Accounting policy – Mine development costs, mining reserves and leases and oil producing assets

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

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

The cost of acquiring mineral reserves and mineral resources are capitalised in the statement of financial position as incurred.

Oil producing assets are amortised on a unit of production basis. The method uses the actual costs of the asset to date plus all its projected future costs. Amortisation commences when an area of interest is ready for use.

Impairment of non-current assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment under value in use testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Annual assessments of impairments reversals are undertaken.

All property, plant and equipment allocated to cash generating units (CGU's) containing goodwill must be tested for impairment at the CGU level on an annual basis. Other property, plant and equipment assets must also be tested for impairment when impairment indicators are identified.

Non-current assets 2016	Land $'000	Buildings $'000	Plant, fixtures, motor vehicles $'000	Oil producing assets $'000	Mining reserves and leases $'000	Mine develop-ment $'000	Total $'000
At 1 August 2015							
Cost	164,665	37,053	731,851	104,832	30,502	118,263	1,187,166
Accumulated depreciation/ amortisation and impairment	–	(16,587)	(426,778)	(57,488)	(16,847)	(84,763)	(602,463)
Net book amount	**164,665**	**20,466**	**305,073**	**47,344**	**13,655**	**33,500**	**584,703**
Year ended 31 July 2016							
Opening net book amount	164,665	20,466	305,073	47,344	13,655	33,500	584,703
Acquisition of businesses – (refer note 6)	3,290	11,694	163,644	11,483	633,267	17,932	841,310
Additions	–	664	79,013	4,277	602	5,685	90,241
Transfers in/(out)	–	130	(1,799)	190	(530)	1,354	(655)
Disposal of assets	–	(762)	(97)	–	–	–	(859)
Impairment of assets	–	(2,398)	(8,245)	(15,029)	(11,965)	(10,610)	(48,247)
Depreciation/amortisation charge	–	(1,374)	(53,996)	(3,593)	(10,717)	(8,078)	(77,758)
Closing net book amount	**167,955**	**28,420**	**483,593**	**44,672**	**624,312**	**39,783**	**1,388,735**
At 31 July 2016							
Cost	167,955	48,779	972,612	120,782	663,841	143,234	2,117,203
Accumulated depreciation/ amortisation and impairment	–	(20,359)	(489,019)	(76,110)	(39,529)	(103,451)	(728,468)
Net book amount	**167,955**	**28,420**	**483,593**	**44,672**	**624,312**	**39,783**	**1,388,735**

Pledged assets

Plant, fixtures and motor vehicles includes assets with a net book value of $15.039 million which the Group is a lessee under a finance lease. Refer note 23 for details.

Impairments of Property plant and equipment

During the year impairment charges of Property, plant and equipment include write downs on copper assets of $30.218 million (2015: $47.203 million), Oil producing assets of $15.029 million (2015: $51.456 million) and Coal to liquid assets of $nil (2015: $24.267 million).

Fixed Assets

25

NOTE 25
PROPERTY, PLANT AND EQUIPMENT (continued)

Non-current assets 2015	Land $'000	Buildings $'000	Plant, fixtures, motor vehicles $'000	Oil producing assets $'000	Mining reserves and leases $'000	Mine develop-ment $'000	Total $'000
At 1 August 2014							
Cost	153,343	33,525	692,352	94,113	29,972	91,806	1,095,111
Accumulated depreciation/ amortisation and impairment	–	(10,146)	(334,855)	(3,039)	(8,181)	(37,364)	(393,585)
Net book amount	**153,343**	**23,379**	**357,497**	**91,074**	**21,791**	**54,442**	**701,526**
Year ended 31 July 2015							
Opening net book amount	153,343	23,379	357,497	91,074	21,791	54,442	701,526
Additions	11,322	306	44,006	11,208	530	19,061	86,433
Transfers in/(out)	–	3,222	(4,155)	(489)	–	7,396	5,974
Disposal of assets	–	–	(352)	–	–	–	(352)
Impairment of assets	–	(5,180)	(33,905)	(51,456)	(5,677)	(31,583)	(127,801)
Depreciation/amortisation charge	–	(1,261)	(58,018)	(2,993)	(2,989)	(15,816)	(81,077)
Closing net book amount	**164,665**	**20,466**	**305,073**	**47,344**	**13,655**	**33,500**	**584,703**
At 31 July 2015							
Cost	164,665	37,053	731,851	104,832	30,502	118,263	1,187,166
Accumulated depreciation/ amortisation and impairment	–	(16,587)	(426,778)	(57,488)	(16,847)	(84,763)	(602,463)
Net book amount	**164,665**	**20,466**	**305,073**	**47,344**	**13,655**	**33,500**	**584,703**

Pledged assets

For the year ending 31 July 2015, none of the Group's property, plant and equipment was pledged as security.

Key estimates – impairment of non-current assets

Judgement is involved in assessing whether there are indicators of impairment of property, plant and equipment including in relation to the impact of events or changes in circumstances. For mining and oil production assets, key judgements include external factors such as forecast commodity prices and foreign exchange rates. Judgement is also required in relation to the estimation of reserves and resources. Further information is provided below.

Where the recoverable amounts of the Group's CGU's are tested for impairment using analyses of discounted cash flows, the resulting valuations are also sensitive to changes in estimates of long-term commodity prices, production timing and recovery rates, exchange rates, operating costs, reserve and resource estimates, closure costs and discount rates. Estimates in respect of the timing of project expansions and the cost to complete asset construction are also critical to determining the recoverable amounts for cash-generating units.

Estimates of reserves and resources – Coal

The Group estimates its coal reserves and coal resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC code, which is produced by the Australasian Joint Ore Reserves Committee).

The estimation of reserves and resources requires judgment to interpret available geological data and then to select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licences. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Reserves and resources 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 decommissioning and restoration costs. Changes in coal resources could have an impact on the recoverability of Exploration and evaluation costs capitalised (refer note 26).

New Acland Coal Stage 3 approvals

A subsidiary of Washington H. Soul Pattinson and Company Limited, New Hope Corporation Limited (New Hope) has coal operations where there remains a number of uncertainties associated with the approvals timeline and ultimate conditionality of the New Acland Stage 3 project. The lengthy duration of the approval process may result in a delay to the commencement of stage 3 operations. The financial statements have been prepared on the basis of a reasonable expectation the Group will be successful in securing approval for the New Acland Stage 3 expansion during the next financial year. If this was not to occur, it could impact the assessment of recoverable amount for property, plant and equipment as well as the calculation of depreciation, amortisation and rehabilitation provisions.

Oil producing assets

The Group has determined that due to the continued significant decline in global oil prices there is an indicator that certain oil producing assets may be impaired.

The Group has classified its Cooper Basin assets as separate Cash Generating Units (CGU) on a per field basis and has measured the recoverable amount of each CGU using the Fair value less cost of disposal method with all fair value measurements categorised as Level 3 in the fair value hierarchy. These CGU's are included in the Energy segment.

The Group has estimated the future cash flows of each CGU making assumptions in respect of key variables including: economically recoverable reserves, future production profiles, commodity prices, foreign exchange rates, operating costs and future development costs necessary to produce the reserves. The commodity price and foreign exchange assumptions have been based on consensus market data in the range of oil prices of USD $41–USD $85 (2015: USD $62–USD $91) (before escalation) and AUD/USD exchange rates of 0.72–0.75 (2015: 0.75–0.93). The future cash flows have been discounted using an after tax discount rate of 10% (2015: 10%). The recoverable amount and impairment loss calculated under the Fair value less cost of disposal method of the CGUs determined to be impaired are:

Fixed Assets

25

NOTE 25
PROPERTY, PLANT AND EQUIPMENT (continued)

	2016		2015	
	Recoverable amount/ (liability) $'000	**Impairment loss on oil producing assets** $'000	**Recoverable amount/ (liability)** $'000	**Impairment loss on goodwill and oil producing assets** $'000
Cooper Basin PL98	6,901	8,342	12,869	51,410
Cooper Basin PL214	1,383	5,673	6,719	1,545
Cooper Basin PL24-26, 35, 36, 62, 76-79, 82, 87, 105, 107, 109, 133, 149, 175, 181, 182, 189 and 302	(1,097)	1,014	(277)	1,613
Cooper Basin PL15	–	–	–	1,045
	7,187	**15,029**	**19,311**	**55,613***

* *Includes $4.157 million impairment of associated goodwill. Refer to note 27.*

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

The assessment of recoverable value includes key estimates in relation to quantities of economically recoverable reserves and resources, resource grades and mine plans. These are based upon interpretations of geological models and other matters. It also requires key assumptions to be made regarding a number of factors including short and long-term exchange rates, short and long-term copper prices, future capital expenditure and working capital. Estimates are also required to be made in relation to the economic life of the plant and its residual value. Changes in these estimates and applying different assumptions may impact significantly the assessment of the recoverable value of the plant, equipment and capitalised mine development costs, as well as the amount of depreciation and amortisation charged to the income statement. The directors are satisfied that the estimates and assumptions made are based on observable and other supportable inputs and therefore that the impaired carrying value of the copper processing plant, equipment and capitalised mine development costs at 31 July 2016 is appropriate.

26

NOTE 26
EXPLORATION AND EVALUATION ASSETS

Accounting policy – Exploration and evaluation assets

Exploration, evaluation and relevant acquisition costs are accumulated separately for each area of interest for which a mining tenement is current. They are initially recognised at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching, sampling and an appropriate portion of related overhead expenditure.

Costs are carried forward only if they relate to an area of interest for which rights of tenure are current and such costs are expected to be recouped through successful development and exploitation or from sale of the area.

Exploration and evaluation expenditure which does not satisfy these criteria is written off.

Where a decision is made to proceed to the development of a mine, the relevant exploration and evaluation costs for that area of interest are transferred to mine development (disclosed within note 25 – Property, plant and equipment).

	2016 $'000	**2015** $'000
Non-Current Assets		
Exploration and evaluation at cost	402,298	407,831
Reconciliation		
Opening net book amount	407,831	388,210
Additions	22,129	60,565
Impairment (a)	(28,192)	(34,800)
Transfers in/(out)	530	(6,144)
Closing net book amount	**402,298**	**407,831**

(a) In the current year, an impairment expense of $15.075 million relates to Copper exploration assets (2015: $34.800 million) which are allocated to the copper cash generating unit for the purpose of assessing recoverable value, and $13.117 million relates to oil exploration assets (2015: $3.465 million). Refer to note 25 for details of impairment testing.

Exploration and evaluation assets include New Hope Corporation Limited of $382.048 million (2015: $377.120 million) and Exco Resources Limited of $15.385 million (2015: $19.436 million)

Key Estimate

Exploration and evaluation expenditure

During the year, the controlled entities New Hope Corporation Limited, CopperChem Limited and Exco Resources Limited, capitalised various items of expenditure to exploration and evaluation assets. The relevant items of expenditure were deemed to be part of the capital cost of developing future mining operations, which would then be amortised over the useful life of the mine.

The key judgement applied in considering whether the costs should be capitalised, is that costs are expected to be recovered through either successful development (through mining operations) or sale of the relevant mining interest.

Factors that could impact the exploration and evaluation costs being transferred to future mine operations include the level of reserves and resources, changes in commodity prices and foreign exchange rates, future legal changes and any future technology changes.

Fixed Assets

27

NOTE 27
INTANGIBLE ASSETS

Accounting policy – Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in the carrying amount of investments in associates.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it maybe be impaired, and is carried at cost less accumulated impairment losses. Goodwill acquired is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which in which the goodwill arose. Cash generating units are discussed in the impairment section below.

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

Water rights and mining information
The Group benefits from water rights associated with its mining operations through the efficient and cost effective operations of the mine. The value of exploration, pre-feasibility and feasibility costs necessary for regulatory, reporting and internal control purposes have been recognised as a mining information intangible asset.

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

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

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

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

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

Class of intangible	Useful life
Goodwill	Indefinite life
Water rights and mining information	Estimated life of mine
Software	3 – 5 years

Impairment
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if changes or circumstances indicate that they may be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Refer to note 25 for details on impairment testing.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Goodwill impairments are not reversible.

Impairment losses for intangible assets are recognised in the income statement.

Non-Current Assets	Goodwill $'000	Water rights $'000	Mining information $'000	Other $'000	Total $'000
At 31 July 2014					
Cost	22,830	–	–	14,687	37,517
Accumulated amortisation and impairment	–	–	–	(10,670)	(10,670)
Net book amount	**22,830**	**–**	**–**	**4,017**	**26,847**
Year ended 31 July 2015					
Opening net book amount	22,830	–	–	4,017	26,847
Additions	–	–	–	264	264
Amortisation (charged) to the income statement (refer note 17)	–	–	–	(1,568)	(1,568)
Impairments (charged) to the income statement (refer note 17)	(4,157)	–	–	(1,018)	(5,175)
Transfers in	–	–	–	170	170
Closing net book amount	**18,673**	**–**	**–**	**1,865**	**20,538**
At 31 July 2015					
Cost	22,830	–	–	15,121	37,951
Accumulated amortisation and impairment	(4,157)	–	–	(13,256)	(17,413)
Net book amount	**18,673**	**–**	**–**	**1,865**	**20,538**
Year ended 31 July 2016					
Opening net book amount	18,673	–	–	1,865	20,538
Additions	–	–	–	37	37
Asset acquired by purchase of businesses	–	6,560	34,900	40	41,500
Amortisation (charged) to the income statement (refer note 17)	–	(110)	(585)	(1,027)	(1,722)
Transfers in	–	–	–	125	125
Closing net book amount	**18,673**	**6,450**	**34,315**	**1,040**	**60,478**
At 31 July 2016					
Cost	22,830	6,560	34,900	15,323	79,613
Accumulated amortisation and impairment	(4,157)	(110)	(585)	(14,283)	(19,135)
Net book amount	**18,673**	**6,450**	**34,315**	**1,040**	**60,478**

a) Recoverable amount of goodwill

Intangible assets, which have indefinite lives are allocated to the Group's cash generating units (CGU's) identified according to business segment and country of operation.

A segment-level summary of the goodwill allocation is presented below:

	Country of operation	2016 $'000	2015 $'000
Energy			
Carrying amount of Goodwill at beginning of year	Australia	18,098	22,255
Impairment		–	(4,157)
		18,098	**18,098**
Consulting			
Carrying amount of Goodwill at beginning of year	Australia	575	575
Closing net book value		**18,673**	**18,673**

27 Fixed Assets

NOTE 27
INTANGIBLE ASSETS (continued)

The recoverable amount of the cash generating units for which goodwill has been allocated is determined based on the fair value less cost of disposal method. Assumptions and methodology applied to each cash-generating unit are as follows:

(i) Energy

The brought forward balance of goodwill relates to acquisitions by New Hope Corporation Limited, including Queensland Bulk Handling Pty Limited (goodwill of $5.596 million), Northern Energy Corporation Limited (goodwill of $12.271 million).

The recoverable amount of the cash-generating unit to which the Northern Energy Corporation Limited goodwill is attributable has been based on the Fair value less cost of disposal method. This assessment is determined under Level 2 of the fair value hierarchy based on observable external market data for reserve and resources transaction multiples, rather than quoted prices (refer note 21 for an explanation on Fair value hierarchy). The transaction multiples observed are based on transactions in the last 3 years for Australian coal exploration projects with the same coal exploration projects with the same coal type as the cash-generating unit assets. Estimation of the resources used to determine the recoverable amount requires judgement and assumptions as detailed in note 25.

The recoverable amount of Queensland Bulk Handling Pty Limited cash generating units has been based on value in use calculations using discounted cash flow model. The future cash flows have been discounted using a post-tax rate of 10% (2015: 10%).

Goodwill impairment – Energy

There was impairment of goodwill in the year ended 31 July 2015 of $4.157 million. This relates to goodwill on oil producing assets within Bridgeport (acquired 2012). Details of impairment assessment are included in note 25.

(ii) Consulting

Brought forward goodwill relates to obtaining control of Pitt Street Real Estate Partners Pty Limited.

Key Estimates

Impairment of goodwill
At each reporting date the Group considers the recoverable value of goodwill. Goodwill is allocated to cash-generating units for which the recoverable value is determined. The recoverable value may be determined based on fair value less costs to sell and is estimated based on recent market transaction information. These calculations require the use of assumptions.

28 Other Operating Assets and Liabilities

NOTE 28
TRADE AND OTHER RECEIVABLES

Accounting policy – Trade and other receivables

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

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

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

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

	2016 $'000	2015 $'000
Current Assets		
Trade receivables	66,203	35,827
Less impairment of receivables	(6,382)	(1,733)
	59,821	34,094
Loans to other parties – secured	25,185	22,246
Other receivables	25,410	14,311
Prepayments	6,359	4,697
Total current receivables	**116,775**	**75,348**
Non-current Assets		
Loans to related entities	–	112
Loans to others – secured	26,877	–
Other receivables and prepayments	3,310	4,187
Total non-current receivables	**30,187**	**4,299**

Other Operating Assets and Liabilities

28

NOTE 28
TRADE AND OTHER RECEIVABLES (continued)

a) Credit, foreign exchange, fair value and interest rate risk

Information about the Group's exposure to these risks in relation to trade and other receivables is provided in note 20. The carrying value less impairment provisions of trade receivables are assumed to approximate their fair value.

Key Estimate

Recoverability of receivables
As at reporting date, trade receivables past due but not impaired were $14.251 million (2015: $6.498 million). This receivable relates solely to invoices issued by Queensland Bulk Handling Limited (QBH) (a wholly owned subsidiary of New Hope Corporation) to Peabody (Wilkie Creek) Pty Limited for coal port services. The balances outstanding with Peabody were the subject of an action in the Supreme Court of Queensland brought by QBH. At the date of this report, all amounts invoiced were considered to be recoverable.

Subsequent to reporting date, an agreed settlement (in principle conditional upon the execution of a Settlement Deed which is currently being negotiated) for an amount of $12.950 million plus GST has been achieved. A doubtful debt expense of $6.377 million has been recognised against the total amount initially invoiced and recognised as a receivable in order to bring the amount outstanding at 31 July 2016 in line with the in principle settlement amount. While the amount is past due, it is considered recoverable at year end.

29

NOTE 29
INVENTORIES

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

	2016 $'000	2015 $'000
Current Assets		
Raw materials and stores – at cost	35,050	28,348
Work in progress – at cost	14,011	7,714
Finished goods – at cost	29,978	36,808
	79,039	**72,870**

Inventory expense

Inventories recognised as an expense during the year ended 31 July 2016 amounted to $283.704 million (2015: $227.428 million).

In the current year, write-down of inventory to net realisable value recognised as an expense during the year amounted $1.086 million (2015:$666,000).

30

NOTE 30
TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current Liabilities		
Trade and other payables	75,831	49,329

Trade and other payables
The balance at 31 July 2016 includes $64.513 million (2015: $42.512 million) relating to New Hope Corporation Limited.

31

NOTE 31
PROVISIONS

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

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

i. Restoration, rehabilitation and environmental expenditure
Provisions are raised for restoration, rehabilitation and environmental expenditure as soon as an obligation exists, with the cost being charged progressively to the income statement in respect of ongoing rehabilitation. Where the obligation relates to decommissioning of assets and restoring the sites on which they are located, the costs are carried forward in the value of the asset and amortised over its useful life.

The obligations include profiling, stabilisation and revegetation of the completed area, with cost estimates based on current statutory requirements and current technology.

ii. Employee entitlements

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

Other long-term employee benefit obligations
The liabilities for long service leave and annual leave which are not expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period based on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Other Operating Assets and Liabilities

31

NOTE 31
PROVISIONS (continued)

	2016 $'000	2015 $'000
Current Liabilities		
Mining restoration and site rehabilitation (ii)	13,613	6,156
Employee benefits (i)	36,453	30,382
Native title claims	–	137
	50,066	**36,675**
Non-Current Liabilities		
Mining restoration and site rehabilitation (ii)	89,877	59,280
Employment benefits (i)	6,950	4,746
Native title claims	–	10
Other	65	–
	96,892	**64,036**

(i) Employee benefits

Current liabilities not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, vested sick leave and long service leave for all unconditional settlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payment in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

(ii) Mining restoration and site rehabilitation

	2016 $'000	2015 $'000
Movements in provision 2016		
Carrying amount at beginning of year	**65,436**	**56,399**
Provision arising on acquisition of businesses	37,982	–
Provisions (written down)/capitalised recognised	(3,118)	8,687
Provisions charged/(credited) to income statement	53	(2,348)
Charged to income statement – unwinding of discount	3,137	2,698
Carrying amount at end of year	**103,490**	**65,436**
Disclosed as:		
Current liabilities	13,613	6,156
Non-current liabilities	89,877	59,280
Total provision for mining restoration and site rehabilitation	103,490	65,436

Key Estimate

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

Other Notes

32

NOTE 32
SHARE-BASED PAYMENTS

Accounting policies – Share-based payments

Share-based compensation benefits are provided to employees of Washington H. Soul Pattinson and Company Limited (the Parent company) and New Hope Corporation Limited via various employee incentive schemes. A summary of each scheme is provided below.

The fair value of options and rights granted under each of these schemes is recognised as an employee benefits expense with a corresponding increase in the share-based payment reserve within equity.

The fair value is measured at grant date and the total amount to be expensed is recognised over the period during which the employee becomes unconditionally entitled to the options rights. The fair value of options and rights granted is adjusted to reflect any market performance conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options and rights that are expected to become exercisable. The employee benefits expense each period takes into account the most recent estimate. The impact of the revision to the original estimate, is recognised in profit or loss with a corresponding adjustment to equity.

Washington H. Soul Pattinson and Company Limited – Long term incentive plan

During the year, Washington H. Soul Pattinson and Company Limited, (Parent company) introduced a Long Term Incentive Plan (LTI plan) for its executive team and management team whereby rights to shares are granted for nil consideration. Rights are granted in accordance with the plan at the sole discretion of the Washington H. Soul Pattinson and Company Limited Board. Rights vest and automatically convert to ordinary shares in Washington H. Soul Pattinson and Company Limited following the satisfaction of the relevant performance and service conditions. Performance and service conditions applicable to each issue of rights are determined by the Board at the time of the grant. Rights granted under the plan carry no dividend or voting rights until they have vested and have been converted into shares in the Parent company. Detailed vesting conditions are set out in the Remuneration report. Refer to pages 28 to 45.

The fair value of services received in return for performance rights granted is based on the fair value of the performance rights granted. The fair value of rights was independently determined by valuation specialists Lonergan Edwards & Associates Limited and was based on the market price of Washington H. Soul Pattinson and Company Limited's shares at the grant date, with an adjustment made to take into account the vesting period, expected dividends during that period that will not be received by the participants and the probability that the market performance conditions will be met.

Other Notes

32

NOTE 32
SHARE-BASED PAYMENTS (continued)

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

		Performance hurdle	Movement in number of performance rights granted					
Grant Date	**Vest Date**	**TSR Hurdle or Non TSR Hurdle**	**Fair value at grant date**	**Balance at start of year**	**Granted during the year**	**Vested**	**Forfeited**	**Balance at end of year**
Dec 2015	Sep 2018 (Sep 2019)*	Non-TSR	$13.86	–	14,198	–	–	**14,198**
Dec 2015	Sep 2018 (Sep 2019)*	TSR	$12.25	–	14,197	–	–	**14,197**
Dec 2015	Aug 2019 (Sep 2019)*	Non-TSR	$13.86	–	8,518	–		**8,518**
Dec 2015	Aug 2019 (Sep 2019)*	TSR	$11.08	–	8,518	–	–	**8,518**
Dec 2015	Aug 2020	Non-TSR	$13.86	–	5,679	–	–	**5,679**
Dec 2015	Aug 2020	TSR	$10.87	–	5,679	–	–	**5,679**
				–	56,789	–	–	**56,789**

* *Certain tranches of performance rights are subject to 're-testing dates'. Details of vesting conditions and performance hurdles are set out in the Remuneration report. Refer to pages 28 to 45.*

For the current year an expense of $201,810 was recognised in the income statement for the rights issued under the Parent company LTI plan. The total fair value of the performance rights outstanding at year end was $723,577.

New Hope Corporation Limited- Employee Share option and Performance rights share plans

New Hope Corporation Limited provides share based compensation benefits to its employees via the New Hope Corporation Limited Employee Share Option Plan and the New Hope Corporation Limited Employee Performance Rights Share Plan (Rights plan). Membership of the Rights plan is open to those senior employees and those Directors of New Hope Corporation Limited, its subsidiaries and associated bodies corporate whom, the Directors believe have a significant role to play in the continued development of the Group's activities. Detailed vesting conditions are set out in the Remuneration report. Refer to pages 28 to 45.

Rights are granted for nil consideration. Rights will vest and automatically convert to ordinary shares in New Hope Corporation Limited 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 New Hope Corporation Limited employee performance share rights plan during the financial year was $123,000 (2015:$ 167,000). The total fair value of the performance rights outstanding at year end was $1.024 million (2015: $583,000). Further details are provided in the published financial report of New Hope Corporation Limited for year ended 31 July 2016 (ASX code: NHC).

33

NOTE 33
RELATED PARTIES

a) Parent company

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

b) Subsidiaries and Associates

Interests in Subsidiaries and Associates are set out in note 3.

c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated entity		Paid to KMP of the Parent company	
	2016 $'000	**2015** $'000	**2016** $'000	**2015** $'000
Short-term employee benefits	6,720	5,869	4,166	3,361
Post-employment benefits	283	262	223	206
Long-term employee benefits	115	83	61	48
Termination benefits	136	1,936	–	1,936
Share-based payments	319	167	195	–
	7,573	**8,317**	**4,645**	**5,551**

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 28 to 45.

d) Related parties transactions and balances

Details of loans to and transactions with key management personnel are included in the Remuneration Report section of the Directors' Report on page 45.

The Parent company accepts deposits from Director and Director related parties on normal commercial terms. Refer to note 23 for further details.

i. Subsidiaries

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

Transactions between members of the Group which are eliminated on consolidation are not disclosed in this note.

ii. Associates

Transactions with associates are at normal commercial terms and conditions.

Transactions consist of the supply of pharmaceutical products to the Parent company, advisory, consulting, underwriting, management fees, and rent received from/paid to associates, loans advanced and repaid, interest and dividend payments.

Other Notes

33

NOTE 33
RELATED PARTIES (continued)

	2016 $'000	2015 $'000
Summary of transactions		
Advisory, consulting, underwriting and management fees:		
– received by subsidiaries from associates	999	262
– received by associates from subsidiaries	–	10,349
– rent income received by Parent company from associate	12	12
Purchases of pharmaceutical products from associate	5,868	5,671
Interest income from associate	984	248

The controlled entity, Pitt Capital Partners (PCP) owns 45% of Xact Property Solutions Pty Limited (XPS). As a result of this ownership, XPS is an associate of PCP and the Group has equity accounted its share of the results of XPS.

XPS provided project management and related services for the development of the distribution warehouses that were held within the 100% controlled entity, Australian Property Logistics Fund (ALPF). These properties were sold in November 2014. Costs charged by XPS were capitalised in the carrying value of the investment properties and recognised as income in the accounts of XPS.

During the prior year, total fees charged by XPS to ALPF totalled $10.349 million.

Loans to associates

During the year, the Parent company provided a stand-by loan facility of $20 million to TPI Enterprises Limited. The amount owed at 31 July 2016 was $18.925 million. Interest is charged at market rates. The facility matures on 30 September 2017.

During the prior year, the Parent company converted a loan balance of $7.0 million owed from TPI Enterprises Limited to equity. All accrued interest was repaid prior to the debt conversion. Interest was charged at market rates.

34

NOTE 34
COMMITMENTS FOR EXPENDITURE

	2016 $'000	2015 $'000

a) Capital commitments

	2016 $'000	2015 $'000
Capital expenditure contracted for at the reporting date payable within one year:		
Property, plant and equipment	8,705	7,002
Amounts contracted for construction projects classified as inventories	5,261	–

b) Lease commitments: Group as lessee

	2016 $'000	2015 $'000
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	5,027	4,589
Later than one year but not later than five years	20,674	20,047
Later than five years	36,456	41,389
	62,157	**66,025**

The Group leases port facilities under non-cancellable operating leases expiring within five to fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group leases office space and small items of office equipment under operating leases.

Operating leases – Joint Ventures

	2016 $'000	2015 $'000
The Bengalla Joint Venture leases property, plant and equipment. The Group's share of commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	5,765	–
Later than one year but not later than five years	7,732	–
Later than five years	732	–
	14,229	**–**

For commitments relating to associates refer to note 10c.

Other Notes

35

NOTE 35
OTHER ACCOUNTING POLICIES

a) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

i. AASB 15 Revenue from Contracts with Customers

This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes current revenue recognition guidance including *AASB 118 Revenues, AASB 111 Construction Contracts* and related interpretations. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also allows costs associated with obtaining a contract to be capitalized and amortised over the life of the new contract. The Group has not yet assessed how its own revenue recognition would be affected by the new rule. The Group does not intend on adopting the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 July 2019.

ii. AASB 9 Financial Instruments

This standard will be applicable retrospectively and includes revised classification, measurement and derecognition of financial assets and financial liabilities and simplified requirements for hedge accounting. The Group does not intend on adopting the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 July 2019.

The Group has considered the adoption of *AASB 9* and the major impact to the Consolidated entity will be to the Group's long term equity investments. Currently, changes in market value of these investments are recognised in the revaluation reserve. When an investment is disposed of, the gain or loss measured from the original cost is then recognised in the income statement.

Under the new standard, no gain or loss on the disposal of an investment would be recognised in the income statement and investments would no longer be subject to impairment reviews as all movements in market value are only recognised in the revaluation reserve.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule, it will be easier to apply hedging going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group has not yet assessed how its own hedging arrangements would be affected by the new rules.

iii. AASB 16 Leases

This standard replaces *AASB 117* Leases and some lease related Interpretations and requires that all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. The standard provides new guidance on the application of the definition of leases and on sale and lease back accounting. It largely retains the existing lessor accounting requirements in *AASB 117*. It requires new and different disclosures about leases. The Group is currently undertake a detailed assessment of the impact of *AASB 16*.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

b) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Washington H. Soul Pattinson and Company Limited's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, differences on non-monetary assets and liabilities such as investments fair valued through profit and loss are recognised in the income statement, as part of the fair value gain or loss and translation differences on non-monetary assets, such as long term equity investments are included in the asset revaluation reserve in equity.

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.

c) Deferred stripping costs

The Group does not recognise any deferred stripping costs. Based on the nature of the Group's mining operations and the stripping ratio for the components of its operations, the recognition criteria of a deferred stripping asset are not satisfied. Further, it is anticipated that the operations will maintain a consistent stripping ratio at the component level and as such no overburden in advance should be recognised. In the event that a stripping campaign is undertaken in the future a deferred stripping asset will be recognised at that time and amortised in accordance with the requirements of *Australian Interpretation 20*. An asset will be recognised for stripping activity where the following criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Other Notes

35

NOTE 35
OTHER ACCOUNTING POLICIES (continued)

d) Leases

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

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

e) 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.

f) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

g) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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.

h) 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.

i) Financial statement presentation

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

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

The accounting standards also require the presentation of a statement of comprehensive income which presents all items of recognised income and expenditure either in one statement or in two linked statements. The Consolidated entity has elected to present two statements.

36

NOTE 36
REMUNERATION OF AUDITORS

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

	2016 $'000	2015 $'000
a) Audit Services		
Pitcher Partners Sydney* for audit and review of financial reports and other audit work under the *Corporations Act 2001*	422	466
Other audit firms for the audit or review of financial reports of any entity in the Group	454	300
	876	**766**
b) Other services		
Pitcher Partners Sydney*		
Tax compliance services	116	100
Other auditors of Group entities		
Other services	57	23
Total remuneration for other services	**173**	**123**

* *On 1 November 2015, Moore Stephens Sydney merged with Pitcher Partners Sydney.*

Other Notes

37

NOTE 37
DEED OF CROSS GUARANTEE

During 2012, Washington H. Soul Pattinson and Company Limited and Souls Private Equity Limited entered into a deed of cross guarantee under which each company guarantees the debts of the other. During 2013, Exco Resources Limited and its wholly-owned subsidiaries became party to the deed of cross guarantee.

By entering into the deed, Souls Private Equity Limited and Exco Resources Limited are relieved from the requirements to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* issued by the Australian Securities and Investments Commission.

i) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained profits and consolidated statement of financial position

The above companies represent a 'closed group' for the purposes of the instrument, 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 2016 of the closed group and a consolidated statement of financial position as at 31 July 2016 for the closed group.

	2016 $'000	2015 $'000
Consolidated income statement – closed group		
Profit before income tax	254,449	123,263
Income tax benefit/(expense)	(44,018)	17,718
Profit after tax attributable to closed group	**210,431**	**140,981**
Other comprehensive income		
Net movement in fair value of long term equity investments, net of tax	(51,879)	9,504
Share of other comprehensive income movements, net of tax	3,351	(3,220)
Total other comprehensive income for the year, net of tax	**(48,528)**	**6,284**
Total comprehensive income attributable to the closed group	**161,903**	**147,265**
Summary of movements in consolidated retained earnings		
Retained profits attributable to the closed group		
Retained profits at the beginning of the year	1,289,883	1,244,028
Profit for the year	210,431	140,981
Dividends declared and paid	(99,064)	(95,126)
Retained profits at the end of the year	**1,401,250**	**1,289,883**

	2016 $'000	2015 $'000
Consolidated statement of financial position – closed group		
Current assets		
Cash and cash equivalents	26,530	27,492
Term deposits	47,044	154,831
Trade and other receivables	28,345	19,296
Inventories	7,571	2,205
Trading equities	31,605	21,300
Total current assets	**141,095**	**225,124**
Non-current assets		
Trade and other receivables	66,946	43,313
Equity accounted associates	1,272,092	1,093,408
Long term equity investments	581,061	608,030
Other financial assets	124,647	108,533
Property, plant and equipment	10,642	10,634
Exploration and evaluation costs	19,309	23,360
Deferred tax assets	65,044	68,683
Total non-current assets	**2,139,741**	**1,955,961**
Total assets	**2,280,836**	**2,181,085**
Current liabilities		
Trade and other payables	20,563	8,078
Interest bearing liabilities	49,942	47,407
Provisions	3,090	2,038
Total current liabilities	**73,595**	**57,523**
Non-current liabilities		
Deferred tax liabilities	174,938	154,181
Provisions	960	877
Total non-current liabilities	**175,898**	**155,058**
Total liabilities	**249,493**	**212,581**
Net assets	**2,031,343**	**1,968,504**
Equity		
Share capital	43,232	43,232
Reserves	586,861	635,389
Retained profits	1,401,250	1,289,883
Total equity	**2,031,343**	**1,968,504**

Directors' Declaration

In the opinion of the Directors of the Company:

1. the financial statements and notes, as set out on pages 48 to 127 are in accordance with the *Corporations Act 2001*, including:
   a) complying with Accounting Standards and the *Corporations Regulations 2001*;
   b) giving a true and fair view of the financial position as at 31 July 2016 and the performance for the year ended on that date of the consolidated entity;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. at the date of this declaration, there are reasonable grounds to believe that the Company and the wholly owned subsidiaries identified in Note 37 to the financial statements as being parties to a Deed of Cross Guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the Deed.

The Basis of Preparation on page 55 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

R D Millner
Director

T J Barlow
Managing Director

Dated this 25th day of October 2016.

Independent Auditor's Report

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Independent Auditor's Report
to the Members of Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728

Report on the Financial Report

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 31 July 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising Washington H. Soul Pattinson and Company Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Washington H. Soul Pattinson and Company Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the Basis of Preparation on page 55, the directors also state that, in accordance with Australian Accounting Standard 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 about 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

PITCHER PARTNERS

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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Washington H. Soul Pattinson and Company Limited on 24 October 2016, would be on the same terms if provided to the directors as at the date of signing this audit report.

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 the consolidated entity's financial position as at 31 July 2016 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation on page 55.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 45 of the directors' report for the year ended 31 July 2016. 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.

Opinion

In our opinion, the Remuneration Report of Washington H. Soul Pattinson and Company Limited for the year ended 31 July 2016, complies with section 300A of the *Corporations Act 2001*.

.

J Gavljak
Partner

Pitcher Partners
PITCHER PARTNERS
Sydney

25 October 2016

WHSP
WASHINGTON H SOUL PATTINSON · INCORPORATED 1903 ·

ASX Additional Information

Distribution of Equity Securities as at 1 October 2016

	Number of Holders	
Size of Holding	Ordinary Shares	Performance Rights
1 – 1,000	8,538	–
1,001 – 5,000	5,124	2
5,001 – 10,000	1,039	–
10,001 – 100,000	828	2
100,001 and over	88	–
TOTAL	**15,617**	**4**
Holding less than a marketable parcel	264	

Top 20 Shareholders as at 1 October 2016

		Ordinary Shares Held	% of Issued shares
1	Brickworks Limited	102,257,830	42.72
2	Milton Corporation Limited	9,174,640	3.83
3	J S Millner Holdings Pty Limited	8,757,859	3.66
4	Dixson Trust Pty Limited	8,611,540	3.60
5	National Nominees Limited	6,790,986	2.84
6	Citicorp Nominees Pty Limited	6,417,936	2.68
7	RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	3,875,701	1.62
8	J P Morgan Nominees Australia Limited	3,752,743	1.57
9	T G Millner Holdings Pty Limited	3,421,051	1.43
10	HSBC Custody Nominees (Australia) Limited	3,122,925	1.30
11	Hexham Holdings Pty Limited	2,933,127	1.23
12	Mr Robert Dobson Millner & Mr Michael John Millner (Est James S Millner A/C)	2,522,092	1.05
13	Argo Investments Limited	2,182,606	0.91
14	Australian Foundation Investment Company Limited	1,708,571	0.71
15	BNP Paribas Noms Pty Ltd (DRP)	1,474,197	0.62
16	UBS Nominees Pty Ltd	1,456,757	0.61
17	Farjoy Pty Ltd	1,344,463	0.56
18	Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,283,405	0.54
19	Dixson Trust Pty Limited (A/C NO 1)	1,175,290	0.49
20	Mary Millner Holdings Pty Limited	1,156,860	0.48

Substantial Shareholders as at 1 October 2016

As disclosed in notices received by the Company.

	Ordinary Shares Held	% of Issued Shares	Notice Received
Brickworks Limited and its subsidiaries	102,257,830	42.72	18 Nov 2013
Mr Robert Dobson Millner	19,921,975	8.32	3 Mar 2014
Mr Thomas Charles Dobson Millner	17,211,350	7.19	3 Mar 2014

17,195,965 of the above ordinary shares in which Mr R Millner and Mr T Millner have an interest relate to holdings by the same entities.

For further details refer to the notices lodged on 3 March 2014 on the ASX announcements list for WHSP (ASX code: SOL).

Unquoted Equity Securities

As at 1 October 2016 the Company had the following unquoted equity securities on issue.

	Number of Rights	Number of Holders
Performance Rights – issued under the Long-term Incentive Plan	56,789	4

Voting Rights

Ordinary shares:

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

(b) subject to section 250L(4) of the Corporations Act 2001, on a poll each member has:

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

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

Performance Rights:

No voting rights.

Australian Securities Exchange Listing

Washington H. Soul Pattinson and Company Limited ordinary shares are listed on the Australian Securities Exchange under the ASX Code: SOL.

Designed and Produced by **APM Graphics Management** › 1800 806 930

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Auditors

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WASHINGTON H SOUL PATTINSON - INCORPORATED 1903 - WHSP

Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728
ASX Code: **SOL**